



Legislation Details (With Text)

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Title: American Rescue Plan Update on Guidance and Process for Application of Funds.

Sponsors:

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Attachments: 1. 1 - LMC American-Rescue-Plan-Act-Funding-Updates-Slides, 2. 2 - Federal ARP FAQs

Date	Ver.	Action By	Action	Result
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City Council Meeting Date: June 8, 2021

To: Mayor and City Council

From: Ben Martig, City Administrator

American Rescue Plan Update on Guidance and Process for Application of Funds.

Action Requested:

Discussion only.

Summary Report:

Staff is preparing additional background information related to this agenda item that will be coming as a supplemental item. There is information from the League of Minnesota Cities included in this memo and attachments to review as initial background information.

The following is some background information from the League of Minnesota Cities.

LMC Background

Federal guidance released last week provides initial direction for how cities can receive and use Coronavirus State and Local Fiscal Recovery Funds.

The U.S. Department of Treasury released the Interim Final Rule on May 10 for the Coronavirus State and Local Fiscal Recovery Funds authorized by the American Rescue Plan Act (ARPA). The Interim Final Rule will serve as the guidance for states and local governments on eligible expenditures and reporting requirements for the funds.

The 151-page document provides a non-exclusive list of allowable expenditures, encouraged expenditures, and prohibited expenditures, as well as a framework for states and local government to assess eligibility for using

the funds for specific projects and services.

Cities are also encouraged to review the Treasury's Frequently Asked Questions document, which provides highlights from the Interim Final Rule. This document is attached to this memorandum.

Guidance highlights

The Interim Final Rule provides a framework for a broad array of eligible uses of the funds. Categories of eligible uses include:

- Responding to the public health emergency.
- Responding to the negative economic impacts of the pandemic.
- Premium pay for essential workers.
- Replacement of revenue lost due to the pandemic that would be used to provide government services.
- Necessary investments in water, sewer, and broadband infrastructure.

The guidance also provides a framework to assess eligibility for projects and services not explicitly listed in the non-exclusive list of eligible expenditures. This framework includes the following points:

- Identify the harmful effect of COVID-19 the activity will address.
- Assess the causal or compounding connection.
- Assess for disproportionate impact on distressed sectors or populations.
- Determine how to prove the expense produces the expected outcome.
- It is important to keep in mind that ARPA includes other resources for individuals and businesses that overlap with the permissible uses for state and local ARPA resources.

In addition, the permitted uses for the state, counties, and towns are similar to those permitted for cities. Therefore, city officials should consider coordinating their uses with their counties and the state to maximize the benefits of these federal resources.

Allocations to Minnesota

The state of Minnesota will be receiving over \$2.8 billion for Minnesota's allocation from the State and Local Fiscal Recovery Fund. In addition, cities classified as "Metropolitan Cities" or "entitlement cities" will receive a total of over \$644 million.

All other cities and townships in Minnesota under 50,000 in population, with the exception of Mankato and Moorhead, are considered non-entitlement units of local government and will receive a per capita share of \$376.9 million through Minnesota Management and Budget (MMB).

Cities under 50,000 population to receive funds from state

Local governments designated as non-entitlement units are eligible to receive Coronavirus State and Local Fiscal Recovery Funds, as provided in ARPA. However, they will receive this funding via the state through MMB.

It is expected that MMB may request an allowable extension to distribute the first half of funds to cities below 50,000 in population, which means cities should expect funds sometime in July or August at the earliest, depending on MMB extension requests. The U.S. Treasury Department is expected to release guidance for non-entitlement units of local government in the coming days, including final allocations.

Alternative Options:

Not applicable

Financial Impacts:

Northfield is currently anticipated to receive approximately \$2,362,096 from these funds.

Tentative Timelines:

Not applicable.