FEDERAL FUNDS UPDATE

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CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS
Overview

- The American Rescue Plan Act of 2021 established the **Coronavirus State and Local Fiscal Recovery Funds** and appropriated $350 billion in funding to state, local, territorial, and Tribal governments to respond to the COVID-19 emergency and its negative economic impacts.

- Allocated funding amounts:
  - States and the District of Columbia: $195.3 Billion
  - Counties: $65.1 Billion
  - Metropolitan Cities: $45.6 Billion
  - Tribal Governments: $20.0 Billion
  - Territories: $4.5 Billion
  - Non-Entitlement Units of Local Government: $19.5 Billion
Funding Objectives

- **Support urgent COVID-19 response efforts** to continue to decrease spread of the virus and bring the pandemic under control.
- **Replace lost public sector revenue** to strengthen support for vital public services and help retain jobs.
- **Support immediate economic stabilization** for households and businesses.
- **Address systemic public health and economic challenges** that have contributed to the unequal impact of the pandemic.
Alabama’s Allocation of State and Local Fiscal Recovery Funds

- State - $2,120,279,000
- Counties - $952,386,209
- Metropolitan Cities - $430,650,620
- Non-Entitlement Cities - $356,382,822
- Grand Total - $3,859,699,000

*State, Counties, and Metropolitan Cities will receive their funds directly from Treasury. Non-entitlement cities receive their funds through the state.*
The State will receive funds in two tranches: 50% in 2021 and 50% 12 months after the initial payment

First tranche of funds ($1,060,139,708) was received in June 2021

The remaining $1,060,139,708 will be received in May/June 2022

Appropriated $400,000,000 of the first tranche of funds for Corrections - Capital Improvement Fund (Act 2021-547)

Appropriated $80,000,000 for reimbursement of expenses for healthcare and related services of hospitals/nursing homes (Act 2021-557)

Remaining unobligated balance of the 1st tranche = $580,139,708

- Including the remaining $136,796,346 from the initial “lost revenue” calculation
State Fiscal Recovery Fund Status, cont’d

- Can be used for eligible costs incurred during the period that begins March 3, 2021, and ends December 31, 2024
- All funds must be obligated by December 31, 2024, and must be spent by December 31, 2026
- Process for expenditure of remaining funds (per Act 2021-479, the General Fund Appropriation Act for Fiscal Year 2022):

  “Section 10...Any remaining Coronavirus State Fiscal Recovery Funds or Coronavirus Capital Projects Funds shall be appropriated by and through one or more independent supplemental appropriation bills.”
State Fiscal Recovery Fund
Expenditures/Balance (in millions)

- Corrections - Capital Improvement: $400.00
- Hospitals/Nursing Homes: $80.00
- Balance: $1,060.14

Tranche 1: $580.14
Tranche 2: $1,060.14
EXPENDITURE CATEGORIES
Expenditure Categories

- Public Health
- Negative Economic Impacts
- Services to Disproportionately Impacted Communities
- Premium Pay
- Infrastructure
- Revenue Replacement
- Administrative
- Ineligible Uses
Public Health

- COVID-19 Vaccination
- COVID-19 Testing
- COVID-19 Contact Tracing
- Prevention in Congregate Settings (Nursing Homes, Prisons/Jails, Dense Work Sites, Schools, etc.)
- Personal Protective Equipment
- Medical Expenses (including Alternative Care Facilities)
- Capital Investments or Physical Plant Changes to Public Facilities that respond to the COVID-19 public health emergency
- Other COVID-19 Public Health Expenses (including Communications, Enforcement, Isolation/Quarantine)
- Payroll costs for Public Health, Safety, and Other Public Sector Staff Responding to COVID-19
- Mental Health Services
- Substance Abuse Services
- Other Public Health Services
Negative Economic Impacts

- Household Assistance: Food Programs
- Household Assistance: Rent, Mortgage, and Utility Aid
- Household Assistance: Cash Transfers
- Household Assistance: Internet Access Programs
- Household Assistance: Eviction Prevention
- Unemployment Benefits or Cash Assistance to Unemployed Workers
- Job Training Assistance (e.g. Sectoral job training, Subsidized Employment, Employment Supports and Incentives)
- Contributions to UI Trust Funds
- Small Business Economic Assistance
- Aid to Nonprofit Organizations
- Aid to Tourism, Travel, and Hospitality
- Aid to Other Impacted Industries
- Economic Support
- Rehiring Public Sector Staff
Services to Disproportionately Impacted Communities

- Education Assistance: Early Learning
- Education Assistance: Aid to High-Poverty Districts
- Education Assistance: Academic Services
- Education Assistance: Social, Emotional, and Mental Health Services
- Education Assistance: Other
- Healthy Childhood Environments: Child Care
- Healthy Childhood Environments: Home Visiting
- Healthy Childhood Environments: Services to Foster Youth or Families Involved in Child Welfare System
- Healthy Childhood Environments: Other
- Housing Support: Affordable Housing
- Housing Support: Services for Unhoused Persons
- Housing Support: Other Housing Assistance
- Social Determinants of Health: Other
- Social Determinants of Health: Community Health Workers or Benefits Navigators
- Social Determinants of Health: Lead Remediation
- Social Determinants of Health: Community Violence Interventions
Premium Pay

- Public Sector Employees
- Private Sector: Grants to Other Employers
Infrastructure

- Clean Water: Centralized Wastewater Treatment
- Clean Water: Centralized Wastewater Collection and Conveyance
- Clean Water: Decentralized Wastewater
- Clean Water: Combined Sewer Overflows
- Clean Water: Other Sewer Infrastructure
- Clean Water: Stormwater
- Clean Water: Energy Conservation
- Clean Water: Nonpoint Source
- Drinking water: Treatment
- Drinking water: Transmission & Distribution
- Drinking water: Transmission & Distribution: Lead Remediation
- Drinking water: Source
- Drinking water: Storage
- Drinking water: Other water infrastructure
- Broadband: “Last Mile” projects
- Broadband: Other projects
Revenue Replacement

- Provision of Government Services
Administrative

- Administrative Expenses
- Evaluation and Data Analysis
- Transfers to Other Units of Government
- Transfers to Non-entitlement Units (States and territories only)
Ineligible Uses

- Changes in law that reduce net tax revenue must not be directly or indirectly offset with American Rescue Plan funds
- Extraordinary contributions into a pension fund are a prohibited use of this funding
- Other restrictions apply to eligible uses
OTHER STATES’ UTILIZATION OF FISCAL RECOVERY FUNDS
Sources of Summary Data

- National Conference of State Legislatures (NCSL):

- National Association of State Budget Officers (NASBO):
  https://www.nasbo.org/mainsite/resources/covid-19-relief-funds-guidance-and-resources/state-recovery-plans

- Council of State Governments (CSG):
  https://web.csg.org/recovery/state-utilization/
CAPITAL PROJECTS FUND
The American Rescue Plan Act of 2021 also established the Capital Projects Fund and appropriated $10 billion to the Treasury to provide payments to states, territories, freely associated states, and Tribal Governments.

Purpose of funds:
“to carry out critical capital projects directly enabling work, education, and health monitoring, including remote options, in response to the public health emergency with respect to the Coronavirus Disease (COVID-19)”

Alabama’s allocation: $191,887,857
Funding Objectives

The Capital Projects Fund aims to:

• Directly support recovery from the COVID-19 public health emergency by strengthening and improving the infrastructure necessary for participation in work, education, and health monitoring that will last beyond the pandemic.

• Enable investments in capital assets designed to address inequities in access to critical services.

• Contribute to the Administration’s goal of providing every American with the modern infrastructure necessary to access critical services, including a high-quality and affordable broadband internet connection.
The process for requesting grant funds from the Capital Projects Fund involves the following three main steps:

1. Submission of an Application to Treasury establishing Applicant eligibility;
2. Execution of a Grant Agreement with Treasury; and
3. Submission of Grant Plans to Treasury, which will be used by Treasury to assess proposed use of funds for alignment with Capital Projects Fund objectives and requirements

Deadline to request funding is December 27, 2021
■ Funds must be used to cover eligible costs incurred during the period beginning March 15, 2021

■ All funds must be expended by December 31, 2026, which is the end of the period of performance. Treasury may, in its sole discretion, grant extensions to the period of performance upon request from recipients.

■ Once funds are received, the process for expenditure of funds (per Act 2021-479, the General Fund Appropriation Act for Fiscal Year 2022):

   “Section 10...Any remaining Coronavirus State Fiscal Recovery Funds or Coronavirus Capital Projects Funds shall be appropriated by and through one or more independent supplemental appropriation bills.”
For a Capital Project to be an eligible use of Capital Projects Fund grant funds, it must meet **ALL OF THE FOLLOWING CRITERIA:**

1. The Capital Project invests in capital assets designed to *jointly and directly* enable work, education, and health monitoring.

2. The Capital Project is designed to address a critical need that resulted from or was made apparent or exacerbated by the COVID-19 public health emergency.

3. The Capital Project is designed to address a critical need of the community to be served by it.
Presumptively Eligible Projects

- Broadband infrastructure projects
- Digital connectivity technology projects
- Multi-purpose community facility projects
Ineligible Projects

- General infrastructure projects, such as:
  - Highways and bridges
  - Transit systems
  - Ports

- General construction and improvement of hospitals and schools are not presumed to be eligible, although there may be opportunities for such projects to be eligible if they meet project eligibility criteria.
Reporting Requirements

- **Two types of reporting requirements:**
  - **Project and expenditure reports:** Submitted quarterly including data regarding projects, expenditures, project status, subawards, civil rights compliance, equity indicators, community engagement efforts, programmatic data, and other measures determined by Treasury.
  - **Performance reports:** Submitted on an annual basis demonstrating the outcomes of the Capital Projects Fund-financed programs. Reports must include data related to project and program outputs and outcomes against the stated objective of the recipients Grant Plan.
Western Water: $8.3
Resiliency: $47.2
Water: $55
Power and Grid: $65
Broadband: $65
Transportation: $283.8

- Roads, Bridges, & major projects
- Airports
- Low-Carbon and Zero-Emission School Buses and Ferries
- Passenger and Freight Rail
- Ports and Waterways
- Electric Vehicle Charging
- Public Transit
- Safety and Research
- Reconnecting Communities

Source: Bipartisan Infrastructure Investment and Jobs Act Summary
Transportation Infrastructure

- **Surface Transportation:**
  - *Retains much of existing federal-aid highway programs that provide federal funds to states while also significantly increasing funding for all states (+20% in 2022, +30% by 2026) compared to the last surface transportation reauthorization*
  - Five-year total (2022-2026) = **$273.2 billion**

- **Bridges $40 billion:**
  - *Formula: $27.5 billion*
    - $45 million minimum per state per year based on number of bridges in “poor” and “fair” condition
  - *Competitive: $12.5 billion*
    - States, local and tribal governments eligible
■ Additional State Formula Programs:
  – *EV Charging Infrastructure*: $7.5 billion
    - Alabama will receive $79 million over five years and could also apply for $2.5 billion in grant funding dedicated for EV charging
  – *Airports*: $25 billion total
    - $15 billion for Airport Improvement Program
    - $5 billion for airport terminals (new)
    - $5 billion for FAA facilities
    - Airports in Alabama would receive approximately $140 million over five years
Broadband Infrastructure

- **$65 billion total**
- **Broadband Equity, Access, and Deployment Program:** **$42.5 billion**
  - Allocates minimum grant of $100 million to each state and U.S. territory
  - Remaining portion distributed based on a formula that considers state or territory proportion of unserved locations
  - 25% state match
- **Middle Mile Grants:** **$1 billion**
- **Digital Equity Competitive Grants:** **$1.25 billion**
- **State Digital Equity Capacity Grant:** **$1.5 billion**
$55 billion total

Drinking Water and Clean Water SRFs (existing program):
- $12 billion each (compared to $1.2 billion and $1.6 billion, respectively, in FY 2021)
  - 49% as forgivable loans

$15 billion for lead service line replacement (new) via DWSRF
- 49% as forgivable loans/grants

$10 billion for other contaminants:
- $1 billion through CWSRF/100% grants
- $4 billion through DWSRF/100% grants
- $5 billion through states for underserved communities

Based on traditional revolving fund formula, Alabama should receive $782 million over five years
## Current Alabama Funding Estimates

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<th>FY 2022-2026</th>
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SOURCE: Federal Funds Information for the States