

American Rescue Plan

Kentucky Entitlement Cities



May 25, 2021

Allocations

Nine cities – those that qualify as direct entitlement communities through the Community Development Block Grant (CDBG) program – will receive their Coronavirus Local Fiscal Recovery Fund (CLFRF) money through the American Rescue Plan (ARP) directly from the U.S. Department of the Treasury. The list below includes the nine cities and their direct allocation. The first tranche of funds is available in May 2021, and the second tranche of funds will be available roughly 12 months later.

City	County	2019 Pop Est	First Tranche	Second Tranche	Grand Total
Ashland	Boyd	20,146	\$6,737,194	\$6,737,194	\$13,474,388
Bowling Green	Warren	70,543	\$8,292,425	\$8,292,425	\$16,584,849
Covington	Kenton	40,341	\$17,957,065	\$17,957,065	\$35,914,130
Elizabethtown	Hardin	30,289	\$2,611,824	\$2,611,824	\$5,223,647
Henderson	Henderson	28,207	\$3,172,867	\$3,172,867	\$6,345,733
Hopkinsville	Christian	30,680	\$3,379,499	\$3,379,499	\$6,758,997
Lexington	Fayette	323,152	\$60,589,029	\$60,589,029	\$121,178,058
Louisville	Jefferson	617,638	\$194,147,886	\$194,147,886	\$388,295,772
Owensboro	Daviess	60,131	\$6,662,088	\$6,662,088	\$13,324,175

[Entitlement communities can request fiscal recovery funds here.](#)

Recipients must have a DUNS number, an active SAM registration, and a bank account enabled for automated clearing house (ACH) direct deposit. Treasury is using ID.me to ensure identity verification. An authorized representative – the chief executive officer of the city – must sign the acceptance of award terms. Once submitted to Treasury, the verification process takes approximately four business days.

Eligible Uses

Local Fiscal Recovery funds can (1) support public health response; (2) address the negative economic impacts of the public health emergency; (3) target low-income communities; (4) replace lost public sector revenue; (5) provide premium pay for essential workers; and (6) invest in water, sewer, and broadband infrastructure.

(1) Support Public Health Response

Recipients may use this funding to address a broad range of public health needs across COVID-19 mitigation, medical expenses, behavioral health care, and public health resources.

Payroll

Payroll and covered benefits for public health, health care, human services, public safety, and similar employees are eligible, to the extent these personnel work on COVID-19 response.

Recipients can cover the full payroll and covered benefits costs for employees, operating units, or divisions primarily dedicated to the COVID-19 response. This standard is stricter than the Coronavirus Relief Fund (CRF) included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Recipients may use funds to cover the portion of payroll and benefits of employees corresponding to time spent on administrative work necessary due to the COVID-19 public health emergency and its negative economic impacts. This includes, but is not limited to, costs related to disbursing payments from the Local Fiscal Recovery Fund and managing new grant programs established through LFRF.

Medical and Behavioral Health

Medical expenditures can include, but are not limited to, the following services, programs, or purchases:

- Vaccination programs, including those that provide reasonable incentives
- Contact tracing
- Isolation or quarantine
- Personal protective equipment (PPE) purchases
- Enforcement of public health orders
- Public communication efforts
- Capital investments in public facilities to meet pandemic operational needs
- Ventilation improvements

Funds can cover behavioral health care needs exacerbated by the pandemic such as mental health treatment, substance abuse treatment, and programs to promote access to health and social services.

(2) Address the Negative Economic Impacts of the Public Health Emergency

Cities can provide:

- Aid to unemployed workers and job training
- Assistance to households facing food, housing, or other financial insecurity
- Funding to small businesses through loans, grants, in-kind assistance, or counseling programs
- Aid to tourism, travel, hospitality, and similarly impacted sectors
- Rehire public sector staff to pre-pandemic levels or build internal capacity to implement economic relief programs.

Household assistance includes but is not limited to food assistance; rent, mortgage, or utility assistance; counseling and legal aid; cash assistance; emergency assistance for burials, home repairs, weatherization, or other needs; internet access or digital literacy assistance; and job training. Direct cash transfers to households are allowed, but they must be proportional to the negative economic impact on the household.

Assistance to small businesses and nonprofits includes but is not limited to loans or grants to mitigate financial hardship; loans, grants, or in-kind assistance to implement COVID-19 prevention or mitigation tactics; and technical assistance, counseling, or other services to assist with business planning needs. Cities generally cannot use funds for overall economic or workforce development unless the efforts address a negative economic impact from the public health emergency.

(3) Target Low-Income Communities

Recipients can fund the following within a Qualified Census Tract (a low-income area designated by the U.S. Department of Housing and Urban Development) or to other populations, households, or geographic areas disproportionately impacted by the pandemic:

- Community health workers, public benefits navigators, remediation of lead hazards, and community violence intervention programs
- Services to address individuals experiencing homelessness, affordable housing development, housing vouchers, and residential counseling or housing navigation assistance
- New or expanded early learning services; resources to high-poverty school districts; tutoring or afterschool programs; and services to address social, emotional, and mental health needs
- New or expanded childcare, home visiting programs for families with young children, and enhanced services for child welfare-involved families and foster youth

(4) Replace Lost Public Sector Revenue

Recipients may use Local Fiscal Recovery funds to replace lost revenue by comparing their actual revenue to an alternative representing what could have been expected to occur in the absence of the pandemic. Analysis of this expected trend begins with the last full fiscal year prior to the public health emergency (FY 2019) and projects forward at either: (a) the recipient's average annual revenue growth over the three full fiscal years prior to the public health emergency (FYs 2017, 2018, and 2019) or (b) 4.1%, which represents the national average growth of state and local revenue from 2015-2018. Treasury's Interim Final Rule allows recipients to presume that any decrease in actual revenue relative to the expected trend is due to the COVID-19 public health emergency.

Cities should calculate their total general revenue across the entire entity instead of just looking at certain tax streams. For the purposes of the LFRF, "general revenue" includes revenue from taxes, current charges, and miscellaneous general revenue. This would include gross revenue from facilities operated by a government (e.g., swimming pools, recreation centers, convention centers, golf courses, etc.); auxiliary facilities in public recreation areas (e.g., concession stands, gift shops, etc.); lease or use fees from stadiums, auditoriums, and convention centers; and rentals from concessions at such facilities. General revenue also includes intergovernmental revenue from the state or other local governmental entities; however, it excludes federal transfers, such as money received under the CARES Act. The rule also excludes revenues from utilities debt issuance, or the sale of investments.

Cities should use the following formula to calculate the reduction in revenue:

$$\{\text{Base Year Revenue} * (1 + \text{Growth Adjustment})^{(n/12)}\} - \text{Actual General Revenue}_t$$

Where:

Base Year Revenue is general revenue collected in the most recent full fiscal year prior to the COVID-19 public health emergency (FY 2019).

Growth Adjustment is equal to the greater of 4.1% (0.041) or the recipient's average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency.

n equals the number of months elapsed from the end of the base year to the calculation date.

Actual general revenue is the recipient's actual general revenue collected during the 12-month period ending on each calculation date.

t denotes the calculation date.

Upon receiving Local Fiscal Recovery Fund money, a city can immediately calculate the reduction in revenue that occurred in FY 2020 and deploy funds to address any shortfall. Once a shortfall is identified, recipients will have broad latitude to use this funding to support government services, up to the amount of lost revenue. Government services can include, but are not limited to, maintenance of infrastructure spending including roads; modernization of cybersecurity, including hardware, software, and protection of critical infrastructure; health services; environmental remediation; school or educational services; and the provision of police, fire, and other public safety services.

(5) Provide Premium Pay for Essential Workers

Cities may use LFRF money to provide premium pay directly to essential workers who must be physically present at their jobs or through grants to private employers for their essential workers. These include:

- Public health and safety staff
- Janitors and sanitation workers
- Nursing home, hospital, and home-care staff
- Farm, food production facility, grocery store, and restaurant workers
- Truck drivers, transit staff, and warehouse workers
- Childcare workers, educators, and school personnel
- Social service and human services staff

The American Rescue Plan defines premium pay to mean an amount up to \$13 per hour in addition to wages or remuneration the worker otherwise receives, not to exceed \$25,000 per eligible worker. Treasury states that recipients should prioritize premium pay for lower income workers, and cities must justify the need if the employee's total pay would exceed 150% of the greater of the state or county average annual wage. Employers are permitted and encouraged to offer premium pay retrospectively. Staff working for third-party contractors in eligible sectors are also eligible for premium pay with additional reporting requirements. Employees who teleworked from a residence would not qualify for premium pay for the time they teleworked.

(6) Invest in Water, Sewer, and Broadband Infrastructure

Recipients may use LFRF money to invest in various infrastructure projects related to water, sewer, and broadband. Water projects generally align with those eligible for the Drinking Water State Revolving Fund (DWSRF). These projects include treatment, transmission, and distribution (including lead service line replacement); source rehabilitation and decontamination; storage; consolidation; and new systems development.

Wastewater projects generally align with the Clean Water State Revolving Fund (CWSRF). These projects include construction of publicly owned treatment works; nonpoint source pollution management; national estuary program projects; decentralized wastewater treatment systems; stormwater systems; water conservation, efficiency, and reuse measures; watershed pilot projects; energy efficiency measures for publicly owned treatment works; water reuse projects; security measures at publicly owned treatment works; and technical assistance to ensure compliance with the Clean Water Act.

Cities can also invest in broadband infrastructure in unserved or underserved areas. These areas must lack a wireline connection that reliably delivers minimum speeds of 25 Mbps download and 3 Mbps upload. Treasury also encourages recipients to prioritize projects that achieve last-mile connections to households and businesses. These projects should deliver reliable 100 Mbps download and 100 Mbps upload speeds, unless impractical due to topography, geography, or financial cost. Recipients should pursue fiber optic investments if possible.

Cities can also aid households to support internet access or digital literacy in response to the public health and negative economic impacts of the pandemic. In addition, recipients may use funds to modernize cybersecurity, including hardware, software, and protection of critical infrastructure, as part of provision of government services up to the amount of revenue lost due to the public health emergency.

The National Environmental Policy Act (NEPA) does not apply to Treasury's administration of the funds. However, projects supported by other federal funds may still require NEPA review.

Ineligible Uses

Recipients may not use Local Fiscal Recovery Fund money to make an extraordinary contribution to a pension system to reduce accrued unfunded liability; however, recipients may use funds for routine payroll contributions for employees whose wages and salaries are an eligible use of funds. Cities may not fund outstanding debt service, legal settlements or judgments, financing expenses, or deposits into rainy day or other reserve funds. Cities also generally cannot use LFRF money to meet non-federal match requirements for most federal grant programs.

Reporting

Financial records and supporting documents related to the award must be retained for a period of five years after all funds have been expended or returned to Treasury, whichever is later. This includes all documentation that demonstrates the award funds were used for eligible purposes. Entitlement communities must submit an interim report by August 31, 2021, that covers all activity from the date of award to July 31, 2021.

Entitlement communities must also submit quarterly reports covering financial data, information on contracts and subawards over \$50,000, types of projects funded, and other information regarding a recipient's utilization of award funds. The initial quarterly project and expenditure report – due October 31, 2021 – will cover two calendar quarters from the date of award to September 30, 2021. Subsequent quarterly reports will cover one calendar quarter and must be submitted to Treasury within 30 days after the end of each calendar quarter.

Only Louisville and Lexington must prepare and publish recovery plan performance reports. This report will include descriptions of the projects funded and information on the performance indicators and objectives of each award, helping residents understand how their government is using the Local Fiscal Recovery Fund assistance. The initial recovery plan performance report – due August 31, 2021 – will cover activity from the date of award to July 31, 2021. Thereafter, the reports will cover a 12-month period synchronous with the city's fiscal year. Those are due 30 days after the close of each fiscal year.

Most of the provisions of the Uniform Guidance (2 CFR Part 200) apply to this program, including the single audit requirements. Recipients that expend \$750,000 or more of federal funds in a year must conduct a single audit or program audit.

Miscellaneous

Special-purpose districts – including school districts, water districts, or fire districts – will not receive funding allocations; however, cities may transfer LFRF money to these districts to further goals of the act. Similarly, cities may transfer funds to county governments and vice versa.

Although costs must be incurred by December 31, 2024, Treasury is allowing a period of performance to run until December 31, 2026. This extension provides a reasonable amount of time to complete projects.