

American Rescue
Plan:
Local Fiscal
Recovery Funds



Allocations

Entitlement communities: Ashland, Bowling Green, Covington, Elizabethtown, Henderson, Hopkinsville, Lexington, Louisville, and Owensboro

- Collectively will receive over \$607 million total
- Based on CDBG formula nationally
- Receive funding from and report to the U.S. Department of the Treasury

Non-Entitlement communities: All other Kentucky cities

- Collectively will receive about \$324 million total
- Based solely on population within the state
- Receive funding from the Kentucky Department for Local Government (DLG) and report to Treasury

Eligible Uses



01



Support public health response

02



Address the negative economic impacts of the public health emergency

03



Target low-income communities

04



Perform government services based on lost public sector revenue

05



Provide premium pay for essential workers

06



Invest in water, sewer, and broadband infrastructure

Ineligible Uses



- ❌ 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.
- ❌ 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.

City Challenges



Revenue loss calculation

- The formula looks only at “general revenues,” which includes taxes, some fees, and certain other income (e.g., rent).
- Utility revenues are explicitly excluded, despite many cities collecting much lower fees because of the moratorium on disconnections.
- The formula penalizes cities that raised taxes or fees to balance their budget, which they must do according to the state constitution.
- Cities that do not calculate a loss of revenue lose the most flexible portion of spending provided in ARPA.

City Challenges

Utility revenue and uses



- ARPA only allows utility expenditures for water, sewer, and broadband; gas, electric, and other telecommunications services are not eligible.
- Treasury's broadband requirements limit areas of potential investment and do not allow wireless services.
- Most city allocations would not be enough to completely fund a major utility project, which would require the city to issue debt.
- ARPA guidance excludes expenditures related to issuing debt and does not address new debt service payments.



City Challenges

No support for streets or bridges







- ARPA funding does not allow most cities to spend money to maintain or repair streets or bridges.
- The “revenue loss” portion may go to transportation-related projects, but most cities will not qualify.
- Money outside of the “revenue loss” portion must go to future COVID-related expenditures.
- The funding represents a onetime investment that is ill-suited for ongoing expenditures.



City Challenges

Forward-Looking Funding

-  Only for obligations incurred after March 3, 2021.
-  Cannot use on previously incurred expenditures or debt.
-  Unlike the more flexible CARES Act funding, cannot be used to reimburse projects or services provided prior to March 3.
-  No replenishing of dwindled rainy-day funds, which cities used to help balance their budgets.



City Challenges

Documentation and Reporting

- Entitlement cities must report quarterly, while non-entitlement cities must submit annual reports.
- 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.
- Cities must maintain an active System for Award Management (SAM) registration.
- Treasury has not released much guidance related to reporting requirements.



City Challenges

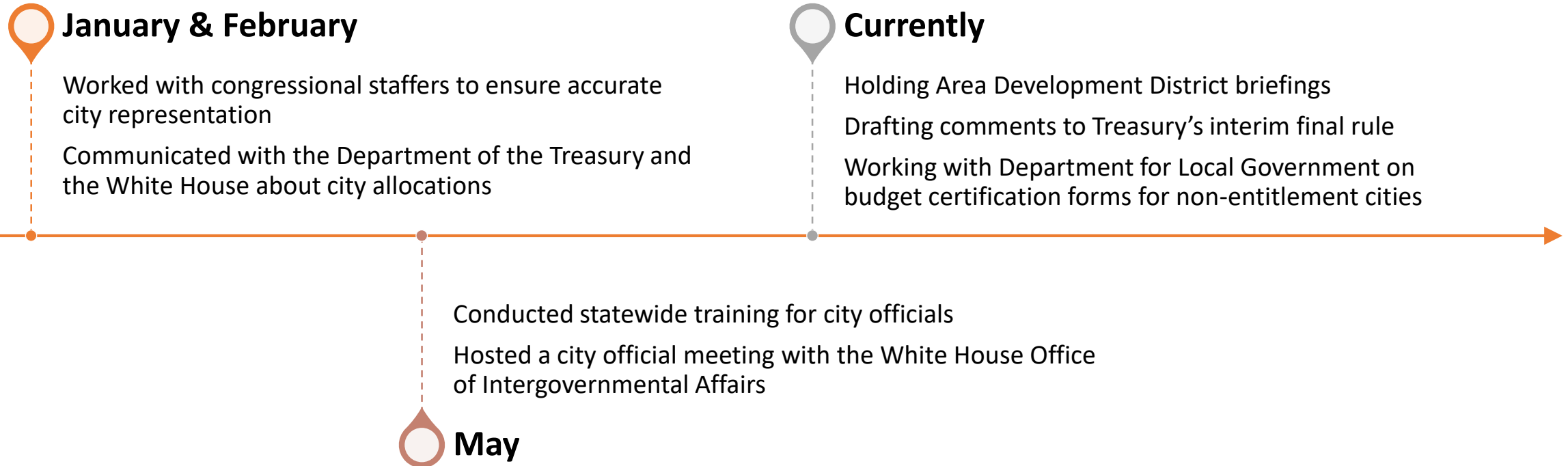
Outstanding Questions

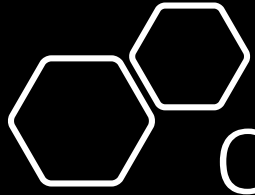


Kentucky League of Cities

- ? Treasury solicited comments through 38 specific questions in the interim final rule.
- ? The comment period runs through July 16, meaning more guidance will continue to come over the following months.
- ? City officials have posted some questions that are not fully addressed in the guidance or FAQs, the latter of which change every few days.
- ? DLG has not released the final allocation figures for non-entitlement communities.

Keeping Cities Informed





Questions?

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