



## STAFF REPORT

TO: Mayor Keis and Members of the City Council

FROM: Chris Heineman, City Administrator  
Brenda Malinowski, Finance Director

DATE: May 26, 2021

RE: American Rescue Plan Funds

### **BACKGROUND**

The American Rescue Plan (ARP) is federal funding to address the COVID-19 pandemic. The ARP funding that was approved in 2021 builds on the CARES Act that was distributed to local governments in 2020. Unlike the CARES Act, ARP funding is more flexible, provides a longer period for recipients to use funds, and can be used for revenue losses incurred. ARP funding is intended for continued responses to COVID-19 and for addressing longer term effects of the pandemic. Additional ARP funding is being distributed to other entities for childcare, Head Start, family caregivers, mental health, transit, education, small businesses, and other uses.

#### ***Funding Allocations:***

Minnesota counties will receive \$1.1 billion and 21 cities considered as “*Entitlement*” cities will receive \$644.1 million. All other cities, including Little Canada, will receive \$376.9 million. Entitlement cities and all counties will receive funds directly from the Department of Treasury (UST); other cities will receive their funding from the State of Minnesota. The state has 30 days to distribute funds once they are received, with the first half in 2021 and the second half in 2022. The state may request an additional 30-day extension to distribute funds.

#### ***Eligible Uses:***

Eligible uses include, but are not limited to, vaccinations, PPE, testing, mental health treatment, essential worker premium pay, unemployment and training, food, housing, small business loans and grants, assistance to impacted industries such as hospitality and tourism, re-hiring public sector employees, lost revenue replacement, addressing health disparities, violence intervention, access to infrastructure (broadband, drinking water, modern technologies), urgent response efforts to continue decreasing virus spread, and immediate economic stabilization for households and businesses. Any diminishment in revenues since the pandemic began is presumed to be the result of COVID-19 and recipients will not be required to provide proof of revenue losses.

MMB noted that funding used to address health disparities and assistance in qualified census tracts (low income and tribal areas) are presumed to be eligible uses.

***Ineligible Uses:***

A non-exclusive list of ineligible uses includes offsets for tax cuts, deposits in pension funds, bolstering rainy day reserves, and debt service payments. A key difference between CRF funding and ARP funding relates to public health/safety and first responder payroll expenses. Under the CRF, all salary and benefit payments for these workers was eligible. Under the ARP, funds are allowed for payroll and benefit expenses, with the stipulation that expenses are for services dedicated to mitigating or responding to the COVID-19 emergency. Local units of government, whether receiving funds directly from the UST or the state, will submit spending reports directly to the US Department of Treasury. Funds will be allowed for expenses incurred between March 3, 2021 and December 31, 2024. In addition, cities will have until 2026 to expend funds once funds have been obligated.

***City of Little Canada Funding Allocation:***

As part of the Federal American Rescue Plan, the City of Little Canada will receive funds under the Local Fiscal Recovery Fund. While the exact amount of funds to be received are unknown at this time, it is estimated that amount will be between \$104 and \$105 per capita, which translates to \$1.05-\$1.1 million based on the 2019 estimated population of 10,451 for Little Canada.

Unlike the CARES Act Funds, there will be a longer spending periods for the American Rescue Plan Funds. As stated above, the spending period for these funds will be December 31, 2024. City staff will continue to monitor guidance related to ARP funding, and staff will bring this issue back to the City Council for further discussion later in 2021.

# American Rescue Plan

City Council Meeting

May 26, 2021



# American Rescue Plan

What we know:

- Includes \$350 Billion in recovery funds for state, local, territorial, and tribal governments
- Little Canada's estimate is \$104 to \$105 per capita  
(Approximately \$1.05 - \$1.1 million)
- Released in 2 payments, first half is expected in June or July, and second half will be 12 months later
- Expenditure Deadline is December 31, 2024



### American Rescue Plan / Additional Federal Resources

- Economic Impact Payments
- Child tax credit & other tax relief for individuals
- Emergency Assistance for Rural Housing
- Emergency Section 8 Housing Vouchers
- Paycheck Protection Program
- Restaurant Revitalization Programs
- Small Business Economic Injury Disaster Loan Payments
- Small Business Shuttered Venue Operators

### American Rescue Plan / Additional State Resources (\$2.8 Billion)

- State fiscal Recovery Funds
- Capital Projects Funds
- Homeowner Assistance Fund
- Housing Counseling Funds
- Emergency Rental Assistance
- FEMA
- HOME Programs
- Small Business Community Navigator Pilot Program
- Small Business Credit Initiative
- Vaccines and Testing
- Unemployment Provisions

### American Rescue Plan / Additional County Resources (\$1.1 Billion)

- Local fiscal Recovery Funds
- Emergency Rental Assistance
- HOME Programs



# Allowable Uses

- Support public health expenditures
- Address negative economic impacts caused by the public health emergency
- Replace lost public sector revenue
- Premium pay for essential workers
- Investments in water, sewer, storm sewer and broadband infrastructure



# Eligible Uses



**Responding to the  
Public Health Emergency**



**Addressing Negative  
Economic Impacts**



**Serving the  
Hardest Hit**



**Improving Access  
to Infrastructure**



# Eligible Uses

Responding to the Public Health Emergency	Addressing Negative Economic Impacts	Serving the Hardest Hit	Improving Access to Infrastructure
<b>COVID-19 mitigation</b> <ul style="list-style-type: none"> <li>Vaccination</li> <li>PPE</li> <li>Testing</li> <li>Alternative care facilities</li> </ul>	<b>Workers and families</b> <ul style="list-style-type: none"> <li>Unemployment and training</li> <li>Food, housing, financial security assistance</li> <li>Survivor's benefit</li> </ul>	<b>Health disparities</b> <ul style="list-style-type: none"> <li>Community health works</li> <li>Public benefits navigators</li> <li>Lead remediation</li> <li>Community violence intervention</li> </ul>	<b>Water and sewer</b> <ul style="list-style-type: none"> <li>Drinking water</li> <li>Wastewater infrastructure</li> </ul>
<b>Behavioral health care</b> <ul style="list-style-type: none"> <li>Mental health treatment</li> <li>Substance abuse treatment</li> <li>Crisis intervention</li> </ul>	<b>Small businesses</b> <ul style="list-style-type: none"> <li>Loans</li> <li>Grants</li> <li>Counseling programs</li> </ul>	<b>Housing and neighborhoods</b> <ul style="list-style-type: none"> <li>Homelessness</li> <li>Affordable housing</li> <li>Housing vouchers</li> <li>Residential counseling</li> </ul>	<b>Broadband</b> <ul style="list-style-type: none"> <li>Currently unserved or underserved</li> <li>Modern technologies</li> </ul>
<b>Public health resources</b> <ul style="list-style-type: none"> <li>Payroll for public health and similar employees</li> </ul>	<b>Impacted industries</b> <ul style="list-style-type: none"> <li>Tourism</li> <li>Travel</li> <li>Hospitality</li> </ul>	<b>Educational disparities</b> <ul style="list-style-type: none"> <li>Early learning services</li> <li>School district resources</li> <li>Educational services</li> </ul>	
<b>Essential workers</b> <ul style="list-style-type: none"> <li>Premium pay</li> <li>Retroactive premium pay</li> </ul>	<b>Public sector</b> <ul style="list-style-type: none"> <li>Rehire public sector employees to pre-pandemic levels</li> <li>Replace lost revenue</li> </ul>	<b>Healthy environments</b> <ul style="list-style-type: none"> <li>Childcare</li> <li>Enhanced child welfare services</li> </ul>	





# Guidance for Eligible Uses

- 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; and
- Address systemic public health and economic challenges that have contributed to the unequal impact of the pandemic on certain populations.



# Guidance for Ineligible Uses

- Offset a tax cut or levy reduction
- Deposit towards pension funds
- Bolstering rainy day reserves (General Fund balance)
- Debt service payments



# Recommendations:

- As a reminder, the American Rescue Plan expenditure deadline is December 31, 2024. The legislation also provides the possibility of a 2-year extension.
- Cities are advised to be patient and take time to evaluate eligible uses that are sustainable and meet long-term community and organizational needs.
- Funds are non-recurring so their use should be applied primarily to non-recurring expenditures.



# Next Steps

- Staff will continue to monitor for additional guidance
- First half of funds are expected in June or July
- Council provides policy direction on use
  - **Is there any additional information the City Council would like staff to research and provide?**
  - **Is there any policy direction that the City Council would like to provide at this time?**

