



Leveraging federal funding streams to aid government **economic recovery** and **financial resiliency**

NYSAC Presentation

Strategy ♦ Transformational Advisory Services ♦ Quality Control & Regulatory Compliance ♦ Grants Management Technology





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COVID-19 Public Health Emergency Impacts

Governments have faced myriad needs to prevent and address the spread of COVID-19, including testing, contact tracing, isolation and quarantine, public communications, issuance and enforcement of health orders, expansions to health system capacity like alternative care facilities, and in recent months, a massive nationwide mobilization around vaccinations. Governments also have supported major efforts to prevent COVID-19 spread through safety measures in settings like nursing homes, schools, congregate living settings, dense worksites, incarceration settings, and public facilities. The pandemic's impacts on behavioral health, including the toll of pandemic-related stress, have increased the need for behavioral health resources. These efforts have been tailored to the needs of their communities and have included expanded assistance to unemployed workers; food assistance; rent, mortgage, and utility support; cash assistance; internet access programs; expanded services to support individuals experiencing homelessness; support for individuals with disabilities and older adults; and assistance to small businesses facing closures or revenue loss or implementing new safety measures

Impact on Households

- >3 million workers have dropped out of the labor market altogether relative to February 2020
- The overall unemployment rate in the United States was 6.1% in April 2021, but certain groups saw much higher rates: 9.7% for Black workers, 7.9% for Hispanic or Latino workers, and 9.3% for workers without a high school diploma
- An estimated **17 million adults living in households where there is sometimes or often not enough food to eat** and an estimated 10.7 million adults living in households that were not current on rent
- Labor force participation rate for Black women has fallen by 3.2% points during the pandemic as compared to 1.0% points for Black men and 2.0% points for White women.
- Recessions can cause longer-term economic challenges through damaged consumer credit scores and reduced familial and childhood wellbeing

Low-income communities, people of color, and Tribal communities have faced higher rates of infection, hospitalization, and death, as well as higher rates of unemployment and lack of basic necessities like food and housing

As of April 2021, approximately 70% of small businesses reported that the pandemic has had a moderate or large negative effect on their business, and over a third expect that it will take over 6 months for their business to return to their normal level of operations

From February to May of 2020, State, local, and Tribal governments reduced their workforces by more than 1.5 million jobs and, in **April of 2021, State, local, and Tribal government employment remained nearly 1.3 million jobs below pre-pandemic levels**

Some preventative public health measures like childhood vaccinations have been deferred and potentially forgone

Rates of substance misuse and overdose deaths have spiked: preliminary data from the CDC show a nearly 30 percent increase in drug overdose mortality from September 2019 to September 2020

Over the last year, **Native Americans have experienced** more than one and a half times the rate of COVID-19 infections, more than triple the rate of hospitalizations, and **more than double the death rate compared to White Americans.**

In April 2020, the national unemployment rate reached its highest level in over seventy years following the most severe month-over-month decline in employment on record

In one survey in January 2021, over 40 percent of American adults reported symptoms of depression or anxiety, up from 11 percent in the first half of 2019

Small businesses make up nearly half of U.S. private-sector employment and play a key role in supporting the overall economic recovery as they are responsible for 2/3 of net new jobs. **Since the beginning of the pandemic, however, 400,000 small businesses have closed, with many more at risk.**

Interim Final Rule Overview

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law by the President.¹⁶ Section 9901 of ARPA amended Title VI of the Social Security Act¹⁷ (the Act) to add section 602, which establishes the Coronavirus State Fiscal Recovery Fund, and section 603, which establishes the Coronavirus Local Fiscal Recovery Fund (together, the Fiscal Recovery Funds). The Fiscal Recovery Funds are intended to provide support to State, local, and Tribal governments (together, recipients) in responding to the impact of COVID-19 and in their efforts to contain COVID-19 on their communities, residents, and businesses. The Fiscal Recovery Funds build on and expand the support provided to these governments over the last year, including through the Coronavirus Relief Fund (CRF).

Section 602

Establishes a fund for States, territories, and Tribal governments

Section 603

Establishes a fund for metropolitan cities, non-entitlement units of local government, and counties

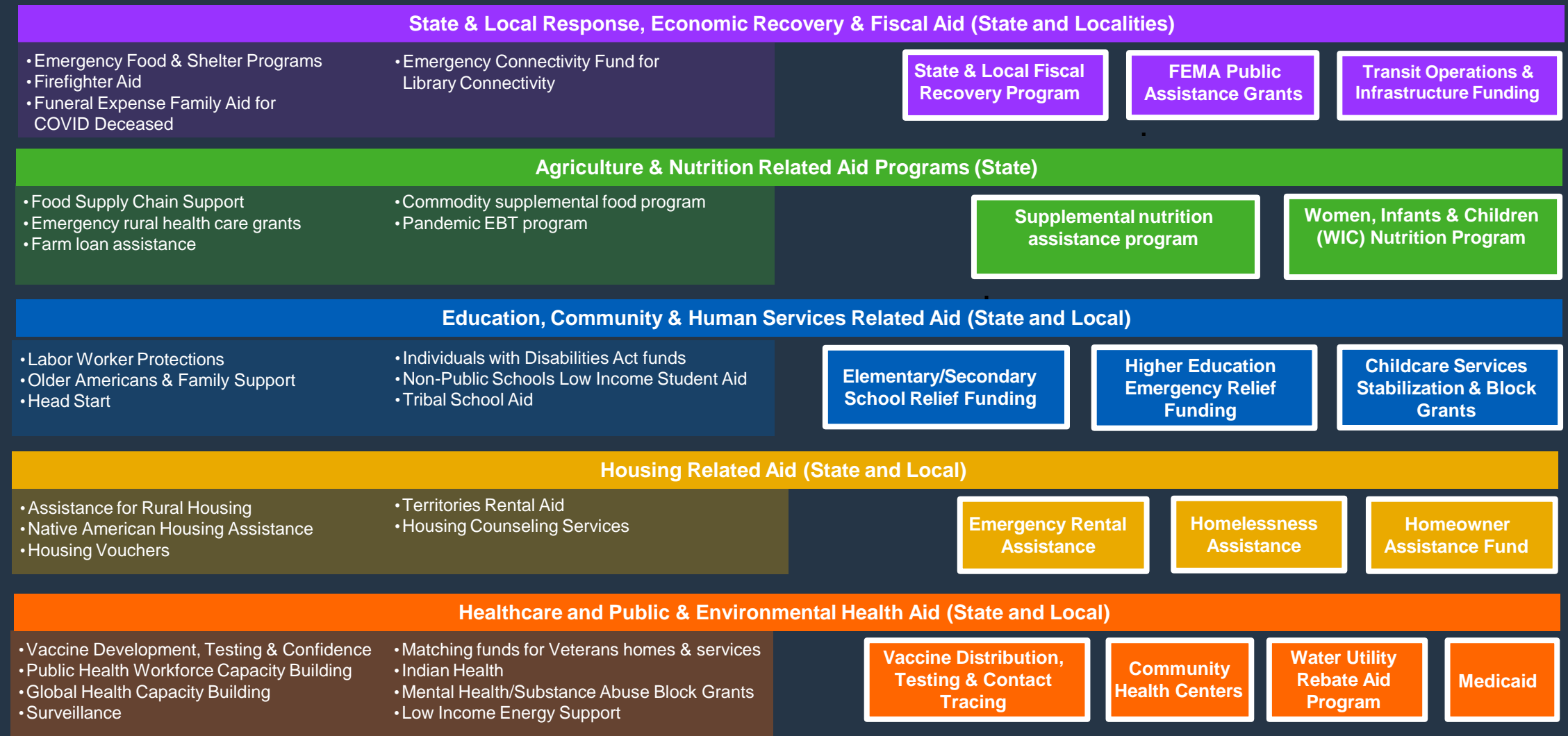
Objectives

Treasury expects to provide technical assistance to defray the costs of administration of Fiscal Recovery Funds to further mitigate burden

1. **Support urgent COVID-19 response efforts** to continue to decrease spread of the virus and bring the pandemic under control.
2. **Replace lost public sector revenue** to strengthen support for vital public services and help retain jobs
3. **Support immediate economic stabilization** for households and businesses
4. **Address systemic public health and economic challenges** that have contributed to the inequal impact of the pandemic

Treasury urges State, territorial, Tribal, and local governments to engage their constituents and communities in developing plans to use these payments, given the scale of funding and its potential to catalyze broader economic recovery and rebuilding

The \$1.9 trillion *American Rescue Plan Act of 2021* contains over 45 new or amended funding aid streams. The majority are directed to state and local public entities for direct use or to be distributed as aid to households, businesses, and other community entities.



Supporting the Public Health Response – Responding to COVID-19

Coronavirus State and Local Fiscal Recovery Funds provide resources to meet needs through the provision of care for those impacted by the virus and through services that address disparities in public health that have been exacerbated by the pandemic. It must be in response to the disease itself or the harmful consequences of the economic disruptions resulting from or exacerbated by COVID-19. Assessing whether a program or service “responds to” the COVID-19 public health emergency requires the recipient to identify a need or negative impact of COVID-19 and identify how the program, service, or other intervention addresses the identified need or impact.



COVID19 Mitigation and Prevention: vaccination programs; medical care; testing; contact tracing; support for isolation or quarantine; supports for vulnerable populations to access medical or public health services; public health surveillance (e.g., monitoring case trends, genomic sequencing for variants); enforcement of public health orders; public communication efforts; enhancement to health care capacity, including through alternative care facilities; purchases of personal protective equipment; support for prevention, mitigation, or other services in congregate living facilities and other key settings like schools; ventilation improvements in congregate settings, health care settings, or other key locations; enhancement of public health data systems; capital investments in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics.

Medical Expenses: The COVID-19 public health emergency continues to have devastating effects on public health; the United States continues to average hundreds of deaths per day and the spread of new COVID-19 variants has raised new risks and genomic surveillance needs. Moreover, our understanding of the potentially serious and long-term effects of the virus is growing, including the potential for symptoms like shortness of breath to continue for weeks or months, for multi-organ impacts from COVID-19, or for post-intensive care syndrome. State and local governments may need to continue to provide care and services to address these near- and longer-term needs.

Behavioral Healthcare: services may be needed to meet behavioral health needs exacerbated by the pandemic and respond to other public health impacts. These services include mental health treatment, substance misuse treatment, other behavioral health services, hotlines or warmlines, crisis intervention, overdose prevention, infectious disease prevention, and services or outreach to promote access to physical or behavioral health primary care and preventative medicine.

Expenses to Improve the Design and Execution of Health and Public Health Programs: State, local, and Tribal governments may use payments from the Fiscal Recovery Funds to engage in planning and analysis in order to improve programs addressing the COVID19 pandemic, including through use of targeted consumer outreach, improvements to data or technology infrastructure, impact evaluations, and data analysis.

Public Health and Safety Staff: payroll and covered benefits expenses dedicated to responding to COVID-19 for public safety, public health, health care, human services, and similar employees, to the extent that their services are devoted to mitigating or responding to COVID-19. If the employee, or his or her operating unit or division, is primarily dedicated to responding to COVID-19, the employees may be considered fully covered. Recipient must reassess periodically which roles are dedicated to responding to COVID-19 and maintain records to support its assessment. Recipients need not routinely track staff hours.

Supporting the Public Health Response – Addressing Negative Economic Impacts

Use of payments to respond to the negative economic impacts of COVID-19 are permitted. Recipients should assess the connection between the negative economic harm and COVID-19, the nature and extent of that harm, and how the use of this funding would address such harm. In determining eligibility, the recipient should assess whether, and the extent to which, there has been an economic harm that resulted from COVID-19 and whether, and the extent to which, the use would respond or address this harm. Treasury encourages recipients to provide assistance to those households, businesses, and non-profits in communities most disproportionately impacted by the pandemic.

Assistance to Unemployed Workers: This includes assistance to unemployed workers, including services like job training to accelerate rehiring of unemployed workers; these services may extend to workers unemployed due to the pandemic or the resulting recession, or who were already unemployed when the pandemic began and remain so due to the negative economic impacts of the pandemic.

State Unemployment Insurance Trust Funds: Consistent with the approach taken in the CRF, recipients may make deposits into the state account of the Unemployment Trust Fund up to the level needed to restore the pre-pandemic balances of such account as of January 27, 2020 or to pay back advances received under Title XII of the Social Security Act. States facing a sharp increase in Unemployment Insurance claims during the pandemic may have drawn down positive Unemployment Trust Fund balances and, after exhausting the balance, required advances to fund continuing obligations to claimants.

Rehiring State, Local, and Tribal Government Staff: State, local, and Tribal governments continue to see pandemic impacts in overall staffing levels: State, local, and Tribal government employment remains more than 1 million jobs lower in April 2021 than prior to the pandemic. Employment losses decrease a state or local government's ability to effectively administer services. Thus, the Interim Final Rule includes as an eligible use payroll, covered benefits, and other costs associated with rehiring public sector staff, up to the pre-pandemic staffing level of the government.

Expenses to Improve Efficacy of Economic Relief Programs: Governments may use payments from the Fiscal Recovery Funds to improve efficacy of programs addressing negative economic impacts, including through use of data analysis, targeted consumer outreach, improvements to data or technology infrastructure, and impact evaluations.

Assistance to Households: Includes: food assistance; rent, mortgage, or utility assistance; counseling and legal aid to prevent eviction or homelessness; cash assistance; emergency assistance for burials, home repairs, weatherization, or other needs; internet access or digital literacy assistance; or job training to address negative economic or public health impacts experienced due to a worker's occupation or level of training. A recipient may presume that a household or population that experienced unemployment or increased food or housing insecurity or is low- or moderate-income experienced negative economic impacts resulting from the pandemic. When considering the appropriate size of permissible cash transfers, governments may take guidance from the per person amounts previously provided by the Federal government in response to the COVID-19 crisis. In addition, a recipient could provide survivor's benefits to surviving family members of COVID-19 victims, or cash assistance to widows, widowers, and dependents of eligible COVID-19 victims.



Supporting the Public Health Response – Addressing Negative Economic Impacts

The Interim Final Rule also provides flexibility for recipients to use payments from the Fiscal Recovery Funds for programs or services that are not identified on these non-exclusive lists but that fall under the terms of section 602(c)(1)(A) or 603(c)(1)(A) by responding to the COVID-19 public health emergency or its negative economic impacts.



Small Businesses and Non-profits: Small businesses and nonprofits faced challenges in covering payroll, mortgages or rent, and other operating costs as a result of COVID and measures taken to contain the spread of the virus. Governments may provide assistance to small businesses to adopt safer operating procedures, weather periods of closure, or mitigate financial hardship resulting from COVID-19, including:

- Loans or grants to mitigate financial hardship such as declines in revenues or impacts of periods of business closure (supporting payroll and benefits costs, costs to retain employees, mortgage, rent, or utilities costs, and other operating costs);
- Loans, grants, or in-kind assistance to implement COVID-19 prevention or mitigation tactics (physical plant changes to enable social distancing, enhanced cleaning efforts, barriers or partitions, or COVID-19 vaccination, testing, or contact tracing programs);
- Technical assistance, counseling, or other services to assist with business planning needs.
- Additional criteria may include businesses facing financial insecurity, substantial declines in gross receipts or other economic harm due to the pandemic, as well as businesses with less capacity to weather financial hardship, such as the smallest businesses, those with less access to credit, or those serving disadvantaged communities.

Aid to Impacted Industries: Certain industries, such as tourism, travel, and hospitality, were disproportionately and negatively impacted by COVID-19. Aid provided to tourism, travel, and hospitality industries should respond to the negative economic impacts of the pandemic on those and similarly impacted industries. Aid may include assistance to implement COVID-19 mitigation and infection prevention measures to enable safe resumption of tourism, travel, and hospitality services, for example, improvements to ventilation, physical barriers or partitions, signage to facilitate social distancing, provision of masks or personal protective equipment, or consultation with infection prevention professionals to develop safe reopening plans. Aid may be considered responsive to the negative economic impacts of the pandemic if it supports businesses, attractions, business districts, and Tribal development districts operating prior to the pandemic and affected by required closures and other efforts to contain the pandemic. For example, a recipient may provide aid to support safe reopening of businesses in the tourism, travel, and hospitality industries and to business districts that were closed during the COVID19 public health emergency, as well as aid for a planned expansion or upgrade of tourism, travel, and hospitality facilities delayed due to the pandemic.

Supporting the Public Health Response - Qualified Census Tracts (QCTs)

Treasury will presume that certain types of services, outlined below, are eligible uses when provided in a Qualified Census Tract (QCT), to families living in QCTs, or when these services are provided by Tribal governments. In identifying these disproportionately-impacted communities, recipients should be able to support their determination that the pandemic resulted in disproportionate public health or economic outcomes to the specific populations, households, or geographic areas to be served.

Responding to COVID-19

Recipients may use payments to facilitate access to resources that improve health outcomes, including services that connect residents with health care resources and public assistance programs and build healthier environments, such as:

- Funding community health workers to help community members **access health services** and services to address the social determinants of health;
- Funding **public benefits navigators** to assist community members with navigating and applying for available public benefits or services;
- Housing services to support healthy living environments and neighborhoods conducive to mental and physical wellness;
- **Remediation of lead paint** or other lead hazards to reduce risk of elevated blood lead levels among children; and
- **Evidence-based community violence intervention** programs to prevent violence and mitigate the increase in violence during the pandemic

Building Stronger Communities through Investments in Housing and Neighborhood

- Services to address homelessness such as supportive housing, and to improve access to stable, affordable housing among unhoused individuals;
- **Affordable housing** development to increase supply of affordable and high-quality living units; and
- Housing vouchers, residential counseling, or housing navigation assistance to facilitate household moves to neighborhoods with high levels of economic opportunity and mobility for low-income residents, to help residents increase their economic opportunity and reduce concentrated areas of low economic opportunity

Addressing Educational Disparities

- New, expanded, or enhanced early learning services, including pre-kindergarten, **Head Start**, or partnerships between pre-kindergarten programs and local education authorities, or administration of those services;
- Providing assistance to high-poverty school districts to advance equitable funding across districts and geographies;
- Evidence-based educational services and practices to address the academic needs of students, including tutoring, summer, afterschool, and other extended learning and enrichment programs;
- Evidence-based practices to address the social, emotional, and mental health needs of students

Promoting Healthy Childhood Environments

- New or expanded high-quality childcare to provide safe and supportive care for children;
- Home visiting programs to provide structured visits from health, parent educators, and social service professionals to pregnant women or families with young children to offer education and assistance navigating resources for economic support, health needs, or child development; and
- Enhanced services for child welfare-involved families and foster youth to provide support and training on child development, positive parenting, coping skills, or recovery for mental health and substance use challenges.



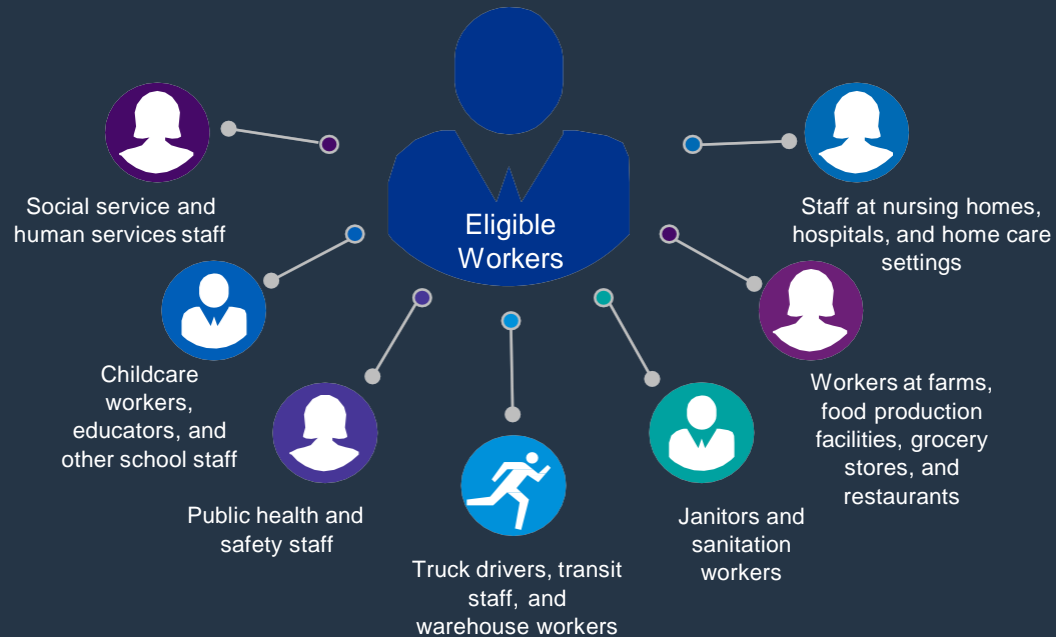
Premium Pay

Fiscal Recovery Funds payments may be used by recipients to provide premium pay to eligible workers performing essential work during the COVID-19 public health emergency or to provide grants to third-party employers with eligible workers performing essential work. These are workers who have been and continue to be relied on to maintain continuity of operations of essential critical infrastructure sectors and faced or face heightened risks due to the character of their work. Premium pay or grants provided under this section respond to workers performing essential work if it addresses the heightened risk to workers who must be physically present at a jobsite and, for many of whom, the costs associated with illness were hardest to bear financially. Any premium pay or grants provided using the Fiscal Recovery Funds should prioritize compensation of those lower income eligible workers that perform essential work.







Eligible Sectors: healthcare, public health and safety, childcare, education, sanitation, transportation, and food production and services



Essential Work: work involving regular in-person interactions or regular physical handling of items that were also handled by others



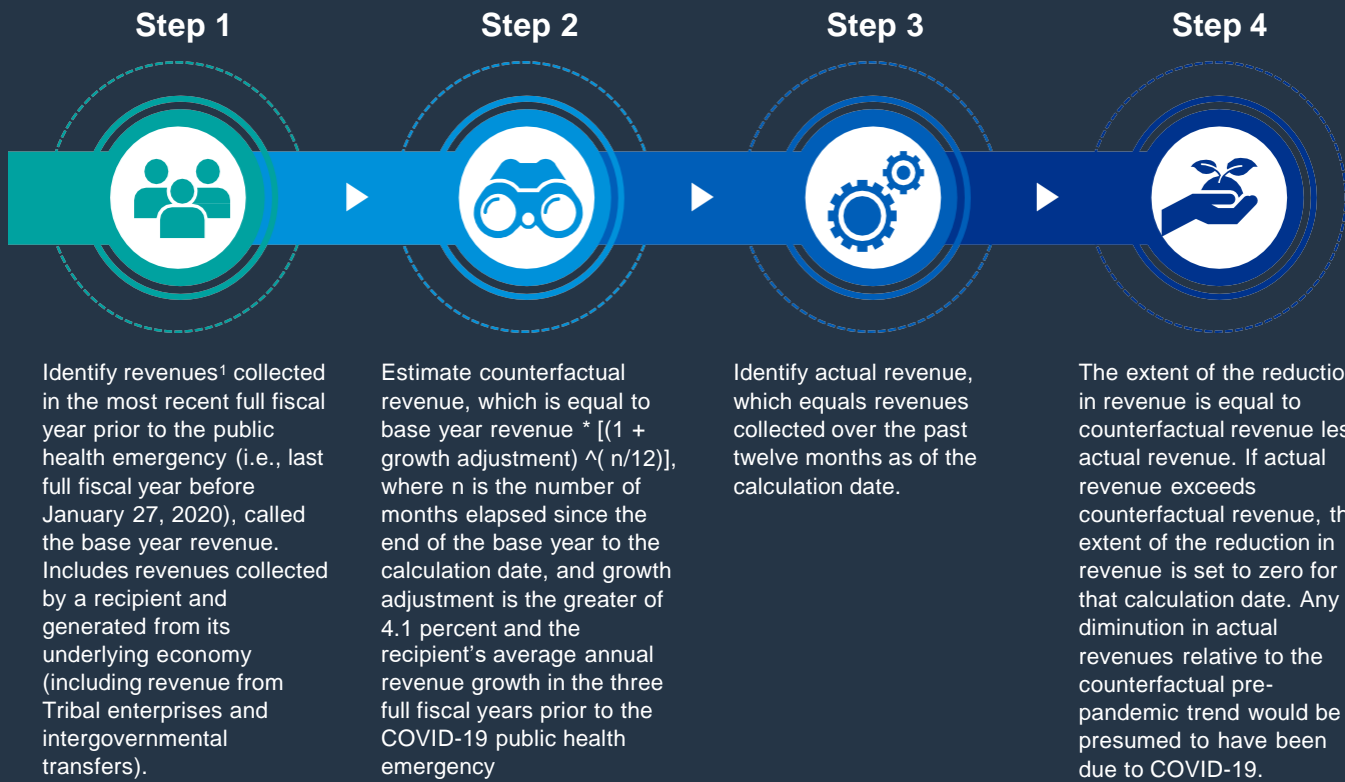
A recent study found that **25%** of essential workers were estimated to have **low income**, with **13%** in high-risk households. Thus, the threats and costs involved with maintaining the ongoing operation of vital facilities and services have been borne by those often the most **vulnerable**. The added health risk to essential workers is one prominent way in which the pandemic has amplified pre-existing socioeconomic inequities.

-  Premium pay is an amount up to \$13 per hour in addition to wages or remuneration the worker otherwise receives and in an aggregate amount not to exceed \$25,000 per eligible worker.
-  Because premium pay is intended to compensate essential workers for heightened risk due to COVID-19, it must be entirely additive to a worker's regular rate of wages and other remuneration and may not be used to reduce or substitute for a worker's normal earnings.
-  Premium pay may be provided retrospectively for work performed at any time since the start of the COVID-19, where those workers have yet to be compensated adequately for work previously performed. Recipients should prioritize providing retrospective premium pay.
-  A grant provided to an employer may also be for essential work performed by eligible workers pursuant to a contract (e.g., third party contractors).
-  Essential workers who have already earned premium pay for essential work performed during COVID-19 remain eligible for additional payments, and an essential worker may receive both retrospective premium pay for prior work as well as prospective premium pay for current or ongoing work
-  If premium pay would increase a worker's total pay above 150 percent of their residing state's average annual wage¹ or their residing county's average annual wage¹, the entity must provide Treasury and make publicly available a written justification of how the premium pay or grant is responsive to workers performing essential work during COVID-19

Revenue Loss

Recipients may use payments from the Fiscal Recovery Funds for the provision of government services to the extent of the reduction in revenue experienced due to COVID-19. Recipients facing budget shortfalls can use payments from the Fiscal Recovery Funds to avoid cuts to government services and, thus, enable State, local, and Tribal governments to continue to provide valuable services and ensure that fiscal austerity measures do not hamper the broader economic recovery. State government tax revenue from major sources were **down 4.3 percent** in the six months ended September 2020, relative to the same period 2019. At the local level, nearly 90 percent of cities have reported being less able to meet the fiscal needs of their communities and, on average, cities expect a double-digit decline in general fund revenues in their fiscal year 2021

Calculation of Loss



Recipients will have broad latitude to use this funding to support government services, up to the amount of lost revenue. Examples include:

Provision of police, fire, and other public safety services

School or educational services

Environmental remediation

Health services

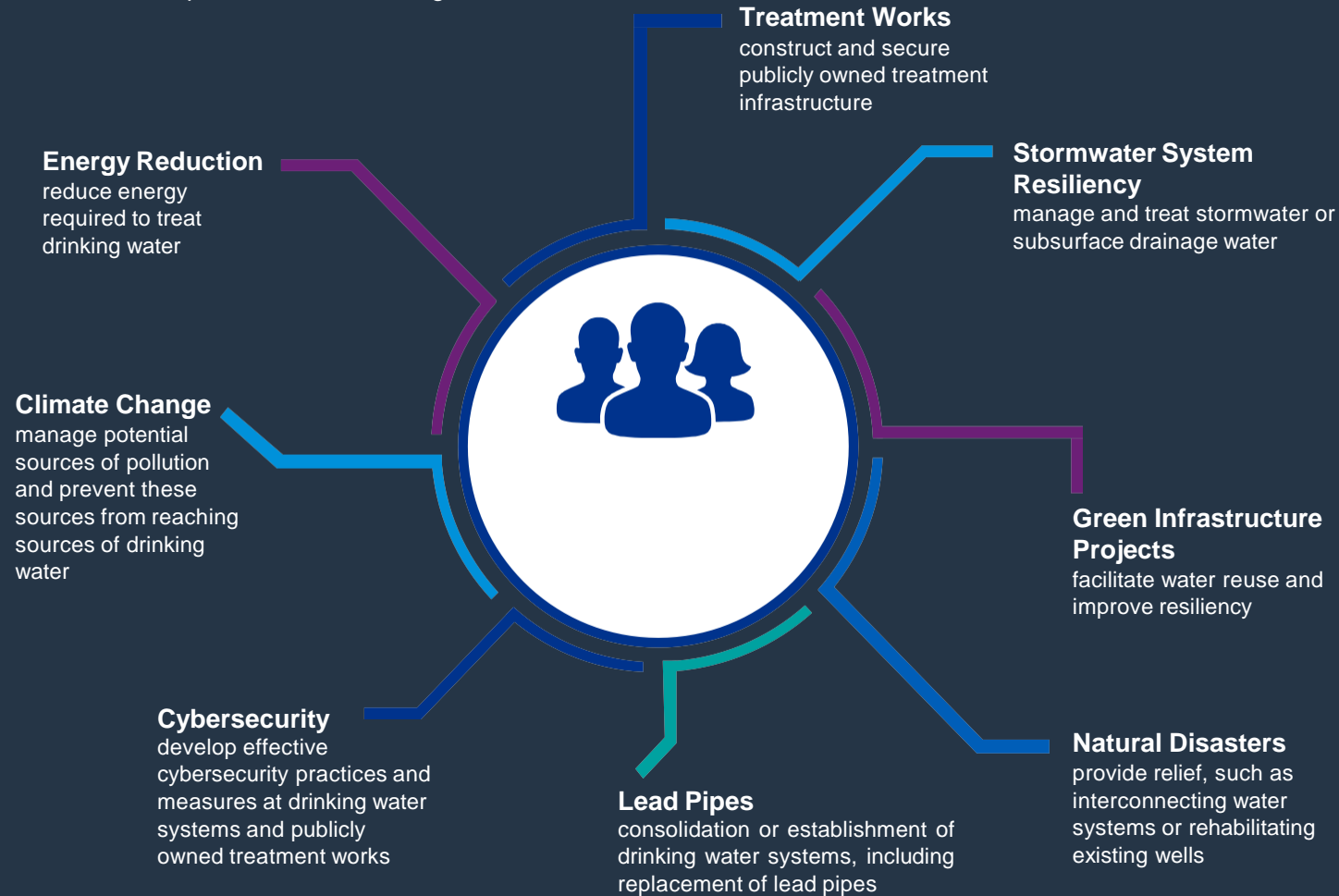
Modernization of cybersecurity (hardware, software, protection of critical infrastructure)

Maintenance or pay-go funded building of infrastructure, including roads

¹based largely on the components reported under "General Revenue from Own Sources" from the Census Bureau's Annual Survey of State and Local Government Finances

Investments in Infrastructure – Water & Sewer

Congress recognized the critical role that clean drinking water and services for the collection and treatment of wastewater and stormwater play in protecting public health. Recipients may use Coronavirus State and Local Fiscal Recovery Funds to invest in necessary improvements to their water and sewer infrastructures, including projects that address the impacts of climate change.



1. Eligible uses of the Fiscal Recovery Funds are aligned with projects that would be eligible to receive financial assistance through the Environmental Protection Agency's (EPA) Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF).
2. Treasury encourages recipients to ensure that infrastructure projects use strong labor standards, including project labor agreements and community benefits agreements that offer wages at or above the prevailing rate and include local hire provisions.
3. To provide public transparency on whether projects are using practices that promote on-time and on-budget delivery, Treasury will seek information from recipients on their workforce plans and practices related to water, sewer, and broadband projects undertaken with Fiscal Recovery Funds. Treasury will provide additional guidance and instructions on the reporting requirements at a later date.
4. Necessary investments include projects that are required to maintain a level of service that, at least, meets applicable health-based standards, taking into account resilience to climate change.

Investments in Infrastructure - Broadband

The pandemic has underscored the importance of access to universal, high-speed, reliable, and affordable broadband coverage. Over the past year, millions of Americans relied on the internet to participate in remote school, healthcare, and work. Yet, by at least one measure, 30 million Americans live in areas where there is no broadband service or where existing services do not deliver minimally acceptable speeds. For millions of other Americans, the high cost of broadband access may place it out of reach.

Eligibility

Eligible investments in broadband are those that are designed to provide services meeting adequate speeds and are provided to unserved households and businesses. Understanding that governments have a wide range of varied broadband infrastructure needs, the Rule provides award recipients with flexibility to identify the specific locations within their communities to be served and to otherwise design the project

Scalability

Eligible projects are expected to be designed to deliver service that reliably meets or exceeds symmetrical upload and download speeds of 100 Mbps. If not practicable because of the geography, topography, or excessive costs, projects would be expected to deliver service of 100 Mbps download and between 20 Mbps and 100 Mbps upload speeds and be scalable to a minimum of 100 Mbps symmetrical for download and upload speeds.

Underserved

Users are defined as being unserved or underserved if they lack access to a wireline connection capable of reliably delivering at least minimum speeds of 25 Mbps download and 3 Mbps upload as households and businesses lacking this level of access are generally not viewed as being able to originate and receive high-quality voice, data, graphics, and video telecommunications



Existing Agreements

Recipients are encouraged to avoid investing in locations that have existing agreements to build reliable wireline service with minimum speeds of 100 Mbps download and 20 Mbps upload by December 31, 2024, in order to avoid duplication of efforts



Affordability

Recipients are encouraged to consider ways to integrate affordability options into their program design. Recipients are encouraged to focus on projects that deliver a physical broadband connection by prioritizing projects that achieve last mile-connections.



Partnerships

Treasury encourages recipients to prioritize support for broadband networks owned, operated by, or affiliated with local governments, non-profits, and co-operatives



Fiber Optic

Recipients are encouraged to prioritize investments in fiber optic infrastructure where feasible, as such advanced technology enables the next generation of application solutions for all communities.

Housing Assistance

Shown below are a few examples of assistance programs to households, including cash assistance programs, that respond to the COVID-19 public health emergency.

Emergency Rental Assistance (ERA)



Funding to aid in covering past and future rent and utility costs in addition to providing housing counseling services

Homelessness Assistance Services



Homeless prevention services, non-congregate shelter units

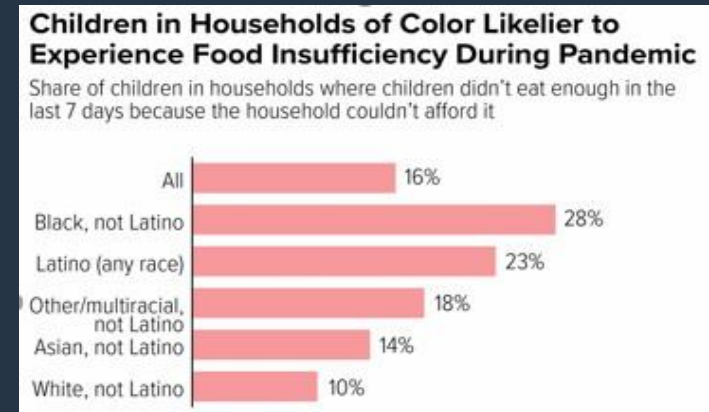
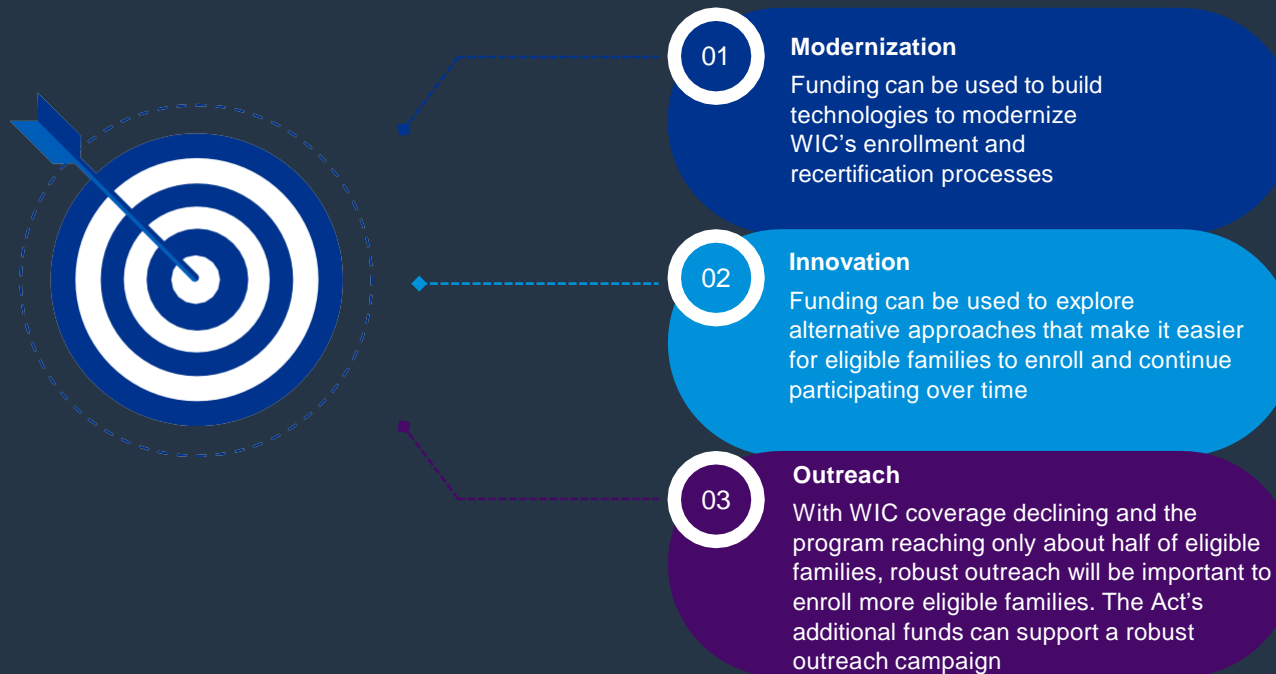
Homeowner Assistance Fund



Homeowner financial assistance related to mortgage, insurance, utilities, and other eligible costs

SNAP and WIC Assistance

The modernization emphasis of this SNAP/WIC funding is a departure from prior federal COVID-19 aid packages and presents a timely opportunity given an increase in program participants that coincides with closures of physical offices at which aid requests have been commonly made. The AMR continues the 15% increase in the maximum SNAP benefit through September 2021 and allows states to continue offering P-EBT through the end of the public health emergency. The Act also provides funds to improve SNAP administration, online purchasing and technology improvements, and for the Commodity Supplemental Food Program which provides food packages to certain low-income elderly individuals. The Act makes changes to WIC to raise the amount of fruits and vegetables participants can purchase to \$35 monthly for four months, if states opt into this. It also provides funds to increase outreach and develop more innovative service delivery approaches for the WIC program.

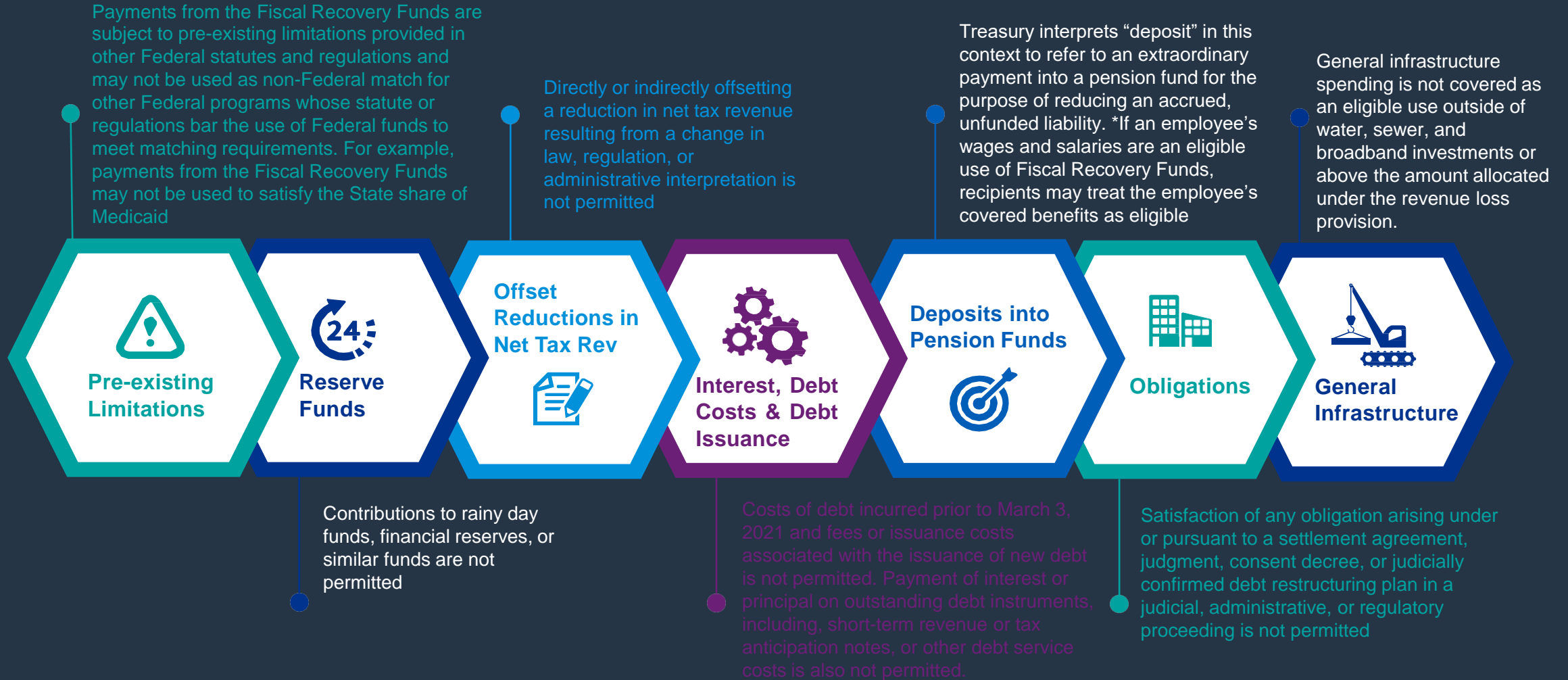


Source: Center on Budget and Policy Priorities, February 2021

States are receiving additional funding for administration of SNAP for FY21-23

Ineligible Uses

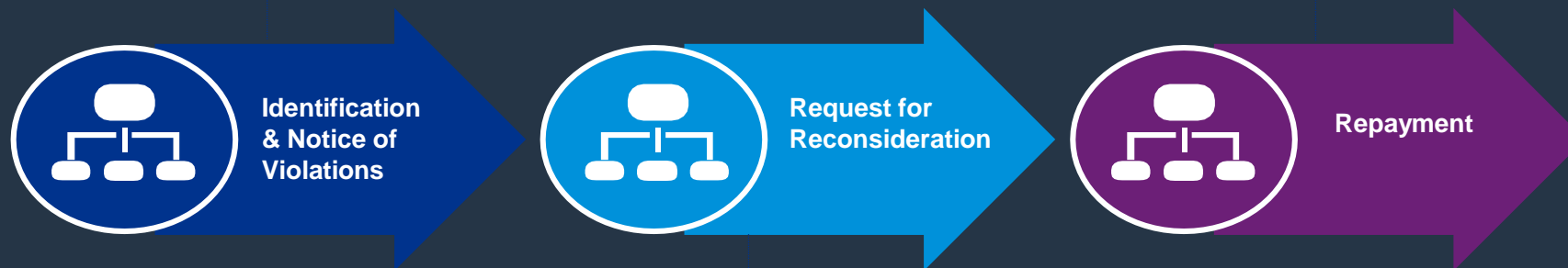
While the program offers broad flexibility to recipients to address local conditions, these restrictions will help ensure that funds are used to augment existing activities and address pressing needs.



Recoupment Process

Under the ARPA, failure to comply with the restrictions on use contained in sections 602(c) and 603(c) of the Act may result in recoupment of funds. A recipient government may request reconsideration of any amounts identified as subject to recoupment under this framework. This process ensures that all relevant facts and circumstances, including information regarding planned spending cuts and budgeting assumptions, are considered prior to a determination that an amount must be repaid. Amounts subject to recoupment are calculated on an annual basis; amounts recouped in one year cannot be returned if the State or territory subsequently reports an increase in net tax revenue.

- Failure to comply with the restrictions on use will be identified based on reporting provided by the recipient. Treasury will collect information regarding eligible uses on a quarterly basis and on the tax offset provision on an annual basis.
- Treasury also may consider other information in identifying a violation, such as information provided by members of the public. If Treasury identifies a violation, it will provide written notice to the recipient along with an explanation of such amounts.
- Any amounts subject to recoupment must be repaid within 120 calendar days of receipt of any final notice of recoupment or, if the recipient has not requested reconsideration, within 120 calendar days of the initial notice provided by the Secretary



- A recipient may submit a request for reconsideration of any amounts identified in the notice provided by Treasury. This reconsideration process provides a recipient the opportunity to submit additional information it believes supports its request in light of the notice of recoupment. The process also provides the Secretary with an opportunity to consider all information relevant to whether a violation has occurred, and if so, the appropriate amount for recoupment.
- If a recipient wishes to request reconsideration of any amounts identified in the notice, the recipient must submit a written request for reconsideration to the Secretary within 60 calendar days of receipt of such notice. The request must include an explanation of why the recipient believes that the finding of a violation or recoupable amount identified in the notice of recoupment should be reconsidered. To facilitate the Secretary's review of a recipient's request for reconsideration, the request should identify all supporting reasons for the request.
- Within 60 calendar days of receipt of the recipient's request for reconsideration, the recipient will be notified of the Secretary's decision to affirm, withdraw, or modify the notice of recoupment. Such notification will include an explanation of the decision, including responses to the recipient's supporting reasons and consideration of additional information provided.

Timeline - Payments in Tranches to Local Governments and Certain States

Splitting payments for the majority of States is consistent with the requirement in section 603 of the Act to make payments from the Coronavirus Local Fiscal Recovery Fund to local governments in two tranches. Splitting payments to States into two tranches will help encourage recipients to adapt, as necessary, to new developments that could arise over the coming twelve months, including potential changes to the nature of the public health emergency and its negative economic impacts. While the U.S. economy has been recovering and adding jobs in aggregate, there is still considerable uncertainty in the economic outlook and the interaction between the pandemic and the economy. For these reasons, Treasury believes it will be appropriate for a majority of recipients to adapt their plans as the recovery evolves.

Unemployment Implications

- The Secretary has determined to provide in this Interim Final Rule for withholding of 50 percent of the amount of Fiscal Recovery Funds allocated to all States (and the District of Columbia) other than those with an unemployment rate that is 2.0 percentage points or more above its pre-pandemic (i.e., February 2020) level.
- The Secretary will refer to the latest available monthly data from the Bureau of Labor Statistics as of the date the certification is provided.



Two Tranches

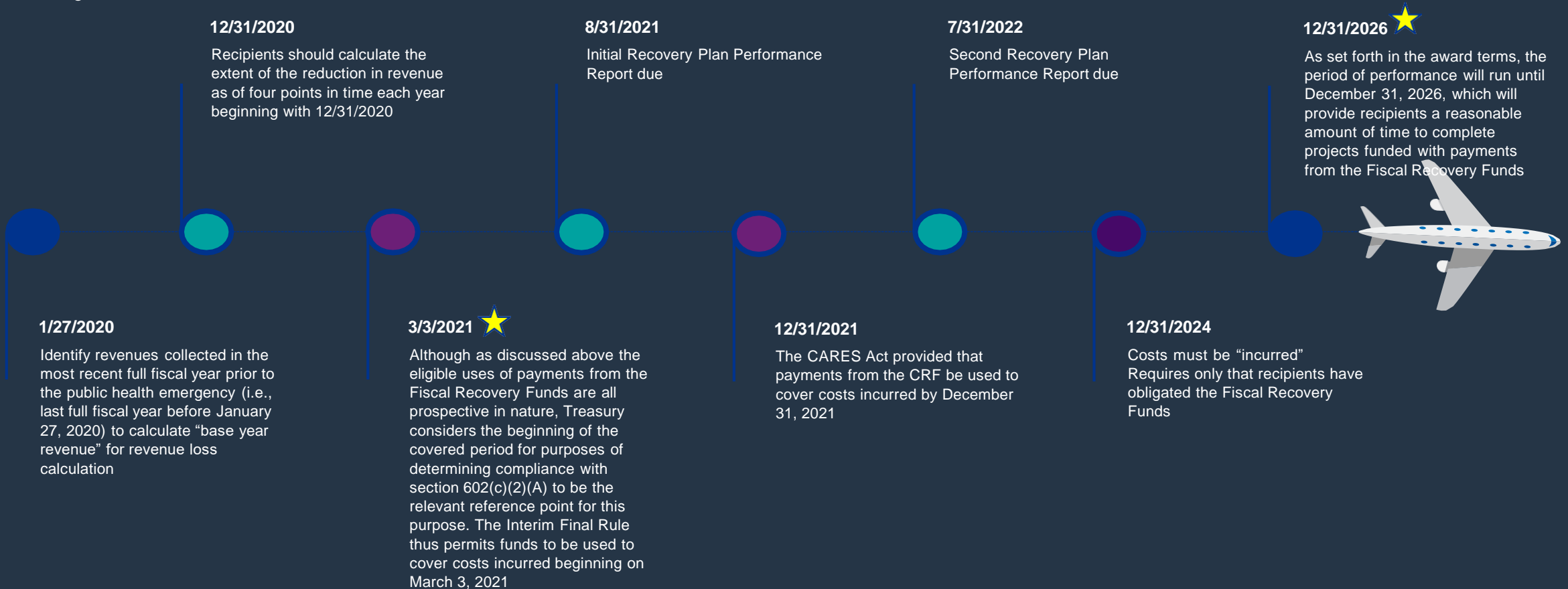
- Section 603 of the Act provides that the Secretary will make payments to local governments in two tranches, with the second tranche being paid twelve months after the first payment.
- In addition, section 602(b)(6)(A)(ii) provides that the Secretary may withhold payment of up to 50 percent of the amount allocated to each State and territory for a period of up to twelve months from the date on which the State or territory provides its certification to the Secretary. Any such withholding for a State or territory is required to be based on the unemployment rate in the State or territory as of the date of the certification

Recovery Evolution

- Treasury believes it will be appropriate for a majority of recipients to adapt their plans as the recovery evolves.
- A faster-than-expected economic recovery in 2021 could lead a recipient to dedicate more Funds to longer-term investments starting in 2022. In contrast, a slower than-expected economic recovery in 2021 could lead a recipient to use additional funds for near-term stimulus in 2022

Timeline – Key Dates

With respect to the CARES Act, on the understanding that the CRF was intended to be used to meet relatively short-term needs, Treasury interpreted this requirement to mean that, for a cost to be considered to have been incurred, performance of the service or delivery of the goods acquired must occur by December 31, 2021. In contrast, the ARPA was intended to provide more general fiscal relief over a broader timeline. In addition, the ARPA expressly permits the use of Fiscal Recovery Funds for improvements to water, sewer, and broadband infrastructure, which entail a longer timeframe. In recognition of this, Treasury is interpreting the requirement in section 602 and section 603 that costs be incurred by December 31, 2024, to require only that recipients have obligated the Fiscal Recovery Funds by such date. The Interim Final Rule adopts a definition of “obligation.”



Counties will need to consider the following to augment their ability to disseminate funds and address key considerations



KEY CONSIDERATIONS

- **BALANCING PRIORTIES:** How can I balance my strategic priorities and meet the federal ERA requirements and the needs of our constituents?
- **TECHNOLOGY:** Will my government agency's existing technology meet the demands of the ERA program and allow me to scale if additional funding is provided?
- **PROCESS:** Do I have the right processes in place to review applications, limit risks and prevent fraud?
- **STAFFING:** Does my organization have the capacity and capability to delivery this assistance expeditiously? Could we benefit from leveraging outside consultants to scale operations?
- **STREAMLINE PROCESSING:** How can the state leverage cutting-edge technology to streamline applications and processing?
- **PERFROMANCE MANAGEMENT:** How can I track performance to ensure my ERA program is being run efficiently?

Consider in-house or third party technology solution to help ensure results and accomplish a grant program's main objectives



KEY CONSIDERATIONS

- **Program Management:** Given the complexities of various grant programs, project oversight and management can help ensure the end to end solution meets recipient needs.
- **Front, middle and Back office:** Develop services that begin with interfacing with applicants, providing core business operations, and processing to the administrative and support functions.
- **Case Management:** Consider call center related procedures including; training material, workflow processes, quality standard and methods as needed
- **Fraud Management:** Develop solutions to drive risk compliance throughout the entire grants lifecycle, from application, eligibility verification, to payment disbursement
- **Monitoring & Compliance:** Perform ongoing review of program processes and documentation to identify key risks as they arise, which could threaten the achievement of its objectives

Leveraging Strategy and Operations experience can provide supporting services that complement and enable key outcomes



KEY CONSIDERATIONS

- **STRATEGY & OUTCOMES:** Connect ends, ways, and means to provide a strategy that maximizes impact and outcomes.
- **STAFFING & PROCESS OPTIMIIZATION:** Streamline and optimize processes, evaluate staffing requirements and right-size, and augment internal resources to allow for rapid expansion and at-scale operations.
- **AI & AUTOMATION:** Consider technologies such as artificial intelligence, natural language processing, machine learning, and advanced optical character recognition to streamline applications and processing.
- **DATA ANALYTICS:** Consider approaches to apply the latest data analytics, data mining, statistical skills, modeling, and “Big Data” technologies to improve insights and compliance.
- **PERFORMANCE MANAGEMENT:** Measure and track key performance indicators to empower leadership and improve accountability and compliance.

Leveraging federal funding centers exist in four arenas. KPMG has offerings in each center that can help meet client needs.

Assessing Funding Options, Rules & Researched Use Options

Assist with guidance on what funding is available, how those sources can be used solo and in coordination, and how other similar SLGs are using such funding.

Key Offerings:

- Legislative and regulatory knowledge
- Practical program idea insights
- Compliance needs mapping
- Funding gap assessment relative to needs

Program and Project Design, Implementation & Execution

Assist implementing agencies and departments to create implementation plans and procedures for executing intended programs and projects.

Key Offerings:

- Current-state capability assessments
- Program budget/staffing counsel
- Program policy & procedure development
- Quality control/rule compliance protocols
- Program/project execution assistance
- Application based program tech platform



Assessing Needs & Counseling on Fund Use Optimization, Project Prioritization and Action Plans

Assist with strategic guidance on leveraging funding to meet needs, goals, and tactics for choosing and shaping impactful initiatives.

Key Offerings:

- Facilitating Impact & Needs Assessment
- Strategic frameworks for decision-making
- Economic recovery metrics and strategy
- Infrastructure project prioritization
- Revenue replacement/ growth tactics
- Program/initiative *Action Plan* formation

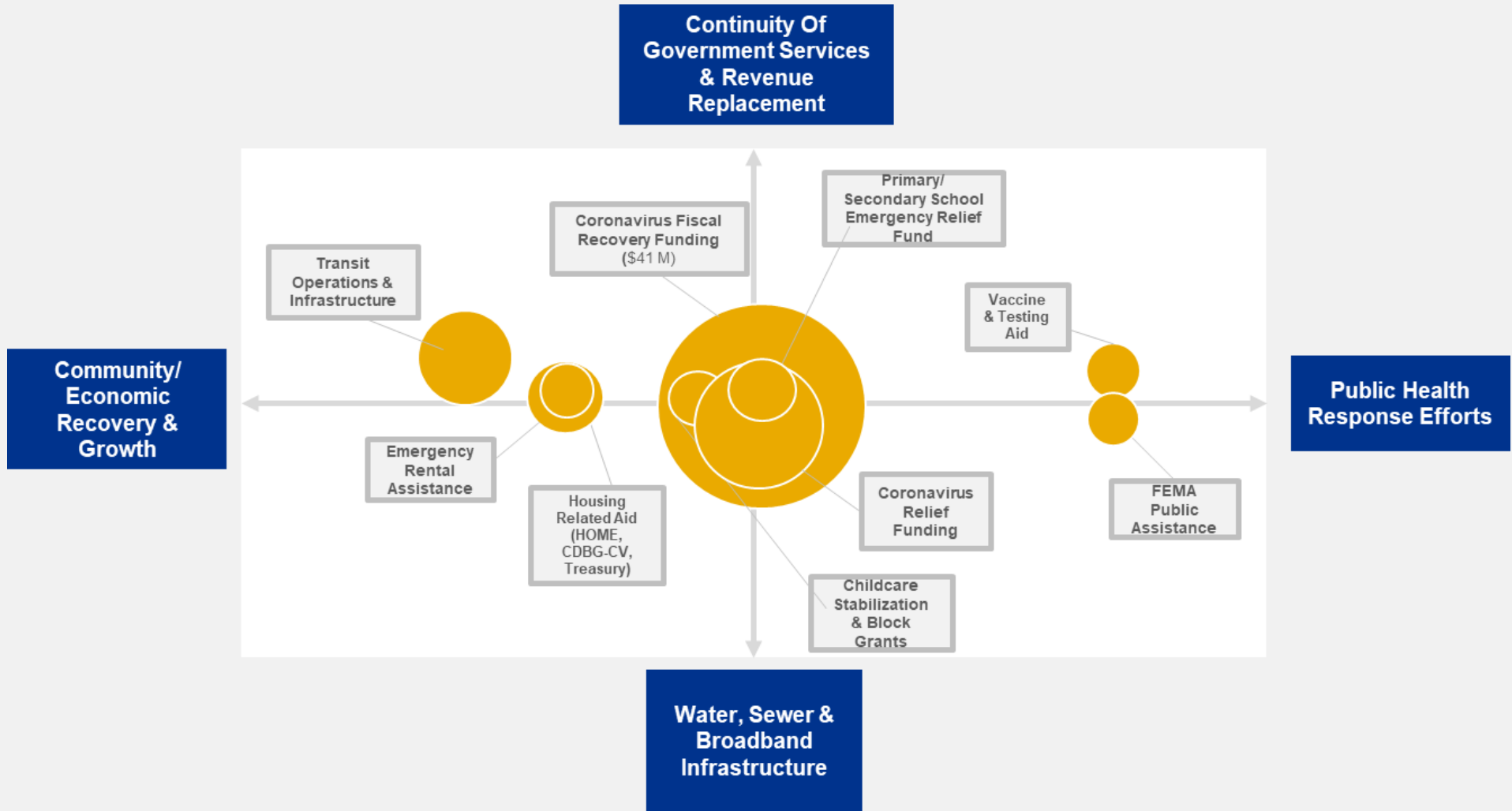
Funding Use Risk Management

Provide assistance to evaluate and minimize performance and compliance risks relative to fund uses and execute protocols to meet rule and reporting requirements.

Key Offerings:

- Evaluate risks based on current procedures
- Monitoring plan development & execution
- Research fund use compatibility w/ rules
- Ongoing compliance counsel
- Audit readiness and grant closeout

EXAMPLE: Mapping Federal COVID-19 Funding Relative to Prevailing Need Types



Case Study for helping optimize Coronavirus Fiscal Recovery Funding

CFRF funding can be used for the following:

- Pandemic aid programming (public health, economic sector recovery, housing, non-profits, etc.)
- Premium pay to public sector “essential workers” and grants to private sector essential workers.
- Revenue replacement for losses due to COVID-19 relative to fiscal year before emergency declaration
- Necessary investments in water, sewer, or broadband infrastructure”
- (For states) “critical capital projects directly enabling work, education, and health monitoring”

Counties will need to decide how to spend CFRF across the above uses and prioritize initiative options.

Economic Strategy & Investment

What industries or sectors have been most impacted by the pandemic and what types of initiatives can spur recovery?

Infrastructure Strategy & Investment

What water, sewer, and broadband infrastructure investments would be qualified and impactful relative to recovery and future needs?

Revitalization & Community Resilience

What programs would most respond to recovery needs while investing in overall community quality of life, growth, and resiliency aims?

Public Service Enhancement & Continuity

Which public health and public services initiatives are most needed at this state of pandemic and would be an investment in continuity of care and support?

Integrated Investment Prioritization

Evaluating options for new initiatives paired with assessing available efficiencies in existing processes and funds that lessen dependence on the non-recurring federal investment and increase long-term community ROI

Recent examples of KPMG experience relative to helping state and local governments leverage their federal aid

Midwest State

Tracking COVID-19 Funding Performance & Compliance Across Multiple Agencies

Advising the State on its use of over \$3 billion in Coronavirus Relief Funding across over four-hundreds units of state and local government.

Lessons Learned:

- Assess performance and compliance risk severity and likelihood among implementing agencies as part of disbursement.
- Identify common compliance needs and capacity challenges across user agencies and develop cross-agency responsive training and guidance.
- Embed quality control and regulatory compliance elements directly into implementing agencies along with integrated reporting and monitoring capabilities.

Large Mid-Atlantic County

Designing COVID-19 Response Programs to Meet Federal Rules & State/Local Policy Aims

Advising County on design and administration of initiatives using Coronavirus Relief Funding.

Lessons Learned:

- Refresh strategic plans based on emerging needs and terms.
- Assess performance successes and barriers among existing COVID-19 response initiative as means of shaping new or modified programs.
- Scrutinize program delivery and administrative processes across agencies using portions of federal funding and map opportunities for improving performance and compliance efficiencies.
- Develop minimum program performance and compliance safeguard criteria for integration among agencies.

Large Northeast County

Cost Containment & Revenue Capture

Reviewed small business applications for the County's COVID-19 Small Business Loan program. Collected supporting documents and reviewed applications to assess compliance with applicable rules and regulations, including duplication of benefits.

Lessons Learned:

- Assess performance successes and barriers among existing COVID-19 programs to shape new or modified programs.
- Scrutinize program disbursement funding streams to watch for duplication of benefits
- Use automation to speed application processing
- Augment use of applicant self attestation with other supporting documentation

Southeast State Department of Commerce

Assessing COVID-19 Impacts and Vulnerabilities & Aligning COVID-19 Funding to Meet those Needs while Identifying Gaps to Address

Assessed the State's economic impacts and continued vulnerabilities across key sectors and developed a strategic framework for evaluating and applying available monies to meet needs and goals.

Lessons Learned:

- Utilize public-private partnerships for real-time observations on emerging vulnerabilities from COVID-19 and related limitations.
- Shape strategic plan for reinvestment based on needs, goals, and funding options.
- Identify where multiple funds can be used to address needs and map governance and program design.

Large Central Florida Local Jurisdiction

End-to-End program execution of the Emergency Rental Assistance Program

Partnering with the local jurisdiction to determine program priorities and fulfill all programmatic requirements to get benefits to qualified applicants

Lessons Learned:

- Using a proven technical platform enables rapid program stand up.
- Data driven approaches enable targeted approaches that map to program goals
- Understanding call center operations and peak performance times
- Develop minimum program performance and compliance safeguard criteria for integration among agencies.

