



Agenda

City Council Policy Session

Tuesday, May 18, 2021

2:30 PM

phoenix.gov

OPTIONS TO ACCESS THIS MEETING

Request to speak at a meeting:

- **Register online** by visiting the City Council Meetings page on phoenix.gov **at least 1 hour prior to the start of this meeting**. Then, click on this link at the time of the meeting and join the Webex to speak: <https://phoenixcitycouncil.webex.com/phoenixcitycouncil/onstage/g.php?MTID=edc65cb014e66a21ff8ce19cbcc269b63>

- **Register via telephone** at 602-262-6001 **at least 1 hour prior to the start of this meeting**, noting the item number. Then, use the Call-in phone number and Meeting ID listed below at the time of the meeting to call-in and speak.

At the time of the meeting:

- **Watch** the meeting live streamed on phoenix.gov or Phoenix Channel 11 on Cox Cable, or using the Webex link provided above.

- **Call-in** to listen to the meeting. Dial 602-666-0783 and Enter Meeting ID 182 818 2303# (for English) or 182 598 4004# (for Spanish). Press # again when prompted for attendee ID.

Para nuestros residentes de habla hispana:

- **Para registrarse para hablar en español**, llame al 602-262-6001 **al menos 1 hora antes del inicio de esta reunión** e indique el número del tema. El día de la reunión, llame al 602-666-0783 e ingrese el número de identificación de la reunión 182 598 4004 #. El intérprete le indicará cuando sea su turno de hablar.

- **Para solamente escuchar la reunión en español**, llame a este mismo número el día de la reunión (602-666-0783; ingrese el número de identificación de la reunión 182 598 4004 #). Se proporciona interpretación simultánea para nuestros residentes durante todas las reuniones.

CALL TO ORDER**COUNCIL INFORMATION AND FOLLOW-UP REQUESTS**

This item is scheduled to give City Council members an opportunity to publicly request information or follow up on issues of interest to the community. If the information is available, staff will immediately provide it to the City Council member. No decisions will be made or action taken.

CONSENT ACTION

This item is scheduled to allow the City Council to act on the Mayor's recommendations on the Consent Agenda. There was no Consent Agenda for this meeting.

CALL FOR AN EXECUTIVE SESSION

A vote may be held to call an Executive Session for a future date.

REPORTS AND BUDGET UPDATES BY THE CITY MANAGER

This item is scheduled to allow the City Manager to provide brief informational reports on topics of interest to the City Council. The City Council may discuss these reports but no action will be taken.

DISCUSSION AND POSSIBLE ACTION (ITEM 1)**1 City Council Budget Decision on the 2021-22 Budget**

Page 5

This report transmits a balanced budget for fiscal year (FY) 2021-22. Following the presentation of the Trial Budget on March 16, 2021, the 14 Virtual Community Budget Hearings held from April 2 - April 20, 2021, and presentation of the City Manager's Proposed Budget on May 4, 2021, staff recommends approval of the FY 2021-22 proposed budget. **The General Fund Budget for action is the same as presented on May 4, 2021.**

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Responsible Department

This item is submitted by City Manager Ed Zuercher, Assistant City Manager Jeff Barton and the Budget and Research Department.

INFORMATION AND DISCUSSION (ITEM 2)**2 American Rescue Plan Proposed Strategic Plan - Update**

Page 74

This report serves as a follow up to the April 27, 2021 report that provided City Council with information to begin discussing a framework for the use of federal American Rescue Plan Act (ARPA) funds. At the time of that report, guidance from the federal government was very limited and the City expected to be awarded approximately \$416 million. On May 10, 2021, the Department of Treasury released "The State and Local Fiscal Recovery Fund Fact Sheet" (**Attachment A**) and the "Interim Final Rule" (**Attachment B**) which provided staff with the information needed to develop a more detailed and robust list of programs (**Attachment C**) for City Council consideration. Treasury also revised the City's anticipated allocation down from earlier estimates to approximately \$396 million. This report presents City Council with a strategic plan based on the recently released guidance and the discussion from the April 27, 2021 City Council meeting.

THIS ITEM IS FOR INFORMATION AND DISCUSSION.**Responsible Department**

This item is submitted by City Manager Ed Zuercher and Assistant City Manager Jeff Barton.

ADJOURN

For further information or for reasonable accommodations, please call the Management Intern, City Manager's Office, at 602-262-4449 or Relay 7-1-1 as early as possible to coordinate needed arrangements.

Si necesita traducción en español, por favor llame a la oficina del gerente de la Ciudad de Phoenix, 602-262-4449 tres días antes de la fecha de la junta.



City Council Budget Decision on the 2021-22 Budget

This report transmits a balanced budget for fiscal year (FY) 2021-22. Following the presentation of the Trial Budget on March 16, 2021, the 14 Virtual Community Budget Hearings held from April 2 - April 20, 2021, and presentation of the City Manager's Proposed Budget on May 4, 2021, staff recommends approval of the FY 2021-22 proposed budget. **The General Fund Budget for action is the same as presented on May 4, 2021.**

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

The 2021-22 Proposed Trial Budget presented to City Council on March 16, 2021 included proposed increases in employee compensation and additions of a variety of City programs and services using the General Fund (GF) projected surplus of \$153M. Staff revised revenue estimates based on 8-month technical revenue reviews and an additional \$1.8M in resources is available for community priorities identified by residents at 14 virtual budget hearings, from the FundPHX tool, and comments received directly to the Budget & Research Department. This feedback from our residents was taken into consideration and changes to the Trial Budget are reflected in this report.

Summary

As presented on May 4, 2021, the GF revised projected surplus for FY 2021-22 is \$154.8M. Due to the leadership of the City Council over the past year, it represents a remarkable turnaround from the budget of 2020-21 when we instituted hiring freezes to prevent COVID-related deficits. The surplus is available for negotiated employee compensation increases and additions to programs and services in several important categories. The surplus is largely made up of \$98M in one-time funds and a newly revised \$56.8M in ongoing resources. One-time funds represent resources from the Council approved transfer of funding from the Coronavirus Relief Fund (CRF) to offset public safety salaries as permitted by the Federal guidelines. Ongoing resources represent primarily anticipated growth in revenues for next fiscal year. Proposed Budget additions, including changes from the Trial Budget as a result of community input, are summarized below and more detailed explanations are provided in **Attachment A** (GF Proposed Additions) and **Attachment B** (Non-GF Proposed

Additions). Community input on the budget is also summarized in this report. Additionally, all resident comments received on the budget and the youtube videos of all 14 virtual budget hearings are available on the Budget & Research website at <https://www.phoenix.gov/budget>. This report also includes explanations of items not included in the proposed budget, but commented on by the public, as well as detailed schedules on the 2021-22 proposed budget for all City funds (**Schedules 1 - 11**).

Additionally, in an effort to improve amenities and activate safe places for the community to play, the Parks & Recreation Department will design and install two splash pads at El Oso and Mariposa Parks using available Capital Improvement Program funds. Staff will also begin to research the availability of vacant land and partnerships with schools in the areas without public parks in Council District 5.

Proposed Changes and Additions to the City Manager's Budget

As presented on May 4, 2021, the City Manager's (CM) Proposed Budget includes several recommendations that continue to move the City forward in addressing critical community priorities and ensuring our most important asset, our employees, are fairly compensated for the outstanding work they do for the community. The 2021-22 Trial Budget presented to City Council and the community on March 16, 2021 has been revised to account for resident feedback. Changes to the Trial Budget are identified in this report as ***NEW*** and are included in **Attachments A and B**. The following is a summary list of the proposed changes:

- Build and set-aside operating funds for three new neighborhood Parks in the Southwest area of Phoenix, which can be built with impact fees.
- Maintenance at the Highline Canal.
- Additional staff for the Pueblo Grande Museum.
- Resources for advancement of Fast Track City initiatives to promote AIDS awareness and prevention.
- A City Navigator for Veterans' services.
- Additional funding for the City's Adaptive Reuse Program.
- Additional staff to properly maintain City cemeteries.
- Additional staff in the Water Department (non-general funded from Water Services) to implement recommendations from the Water Conservation Ad Hoc Committee.

Including the above changes to the proposed budget from community input, GF priorities include the following recommended increases totaling \$154.8M by category and are summarized below:

- Negotiated Employee Compensation Increases (Ongoing and One-time) - \$118.3M

- Public Safety Reform & Responsiveness - \$20.5M
- COVID Relief & Resiliency - \$2.6M
- Climate Change & Heat Readiness - \$2.8M
- Affordable Housing & Homelessness - \$2.8M
- Building Community & Responding to Growth - \$4.7M
- Administrative Accountability - \$3.1M

The proposed Trial Budget also includes additions of \$4.3M for Non-GF Departments including Water, Planning and Development, Solid Waste and Streets Transportation. Information on proposed Non-GF budget additions are summarized in this report and detailed in **Attachment B**.

Proposed General Fund Additions - \$154.8M and 318.2 positions

Below is a summary by category of the proposed GF additions to the 2021-22 City Manager's Budget. Detailed information about each supplemental by department is provided in **Attachment A**.

Employee Compensation - \$118.3M

Current labor contracts expire June 30, 2021, and all five union contracts have been ratified and approved by City Council. Based on available resources, service needs and the Five-Year GF Forecast presented to Council on February 23, 2021, the City is proposing to allocate 76 percent or \$118.3M of the total GF Surplus to address employee compensation.

Public Safety Reform & Responsiveness - \$20.5M and 226.9 positions

The Mayor, City Council and residents have expressed the need for more accountability, responsiveness, transparency and trust from public safety programs. The spending proposals in this category will help to accomplish improved trust and service delivery from our public safety departments. Primary in this category is additional resources for a bold investment of \$15M towards expanding an existing civilian only program for responding to mental and behavioral health calls for service.

Mental and Behavioral Health Calls for Service: Community members, first responders and mental health professionals have all identified the need for enhanced mental health and crisis response support in Phoenix. Vulnerable communities including children and the elderly, individuals experiencing abuse, poverty and homelessness, residents with behavioral and mental health disorders or people with alcohol and drug dependencies all require additional support. In order to bridge this gap and to improve service delivery to individuals contacting 911 experiencing behavioral and mental

health issues or in need of emergency crisis response, the City has proposed adding resources to the Community Assistance Program (CAP).

The plan includes increasing the number of crisis response units to a total of 10 and establishing nine new behavioral health units across the city based on where the highest concentration of calls are received. The concept is to create an effective City of Phoenix behavioral and mental health crisis response program where multiple City departments work alongside non-profit organizations and the behavioral health community to improve the quality of life for residents in need. The proposed model also recommends expanding the existing city contract with IMD medical group to offer telemedicine services to residents who are experiencing comorbidities, where both a mental and behavioral health problem exists along with a medical issue. This on call medical platform would be accessible to the CAP program 24/7 and provide access to licensed medical professionals who can access the Health Information Exchange (HIE). The program would also seek to establish a contract for a public-private partnership with a behavioral healthcare provider to create a comprehensive model where individuals will receive both immediate service from the CAP units and be connected to additional services through the contracted provider.

The proposed solution would accomplish several goals including:

- Increase behavioral health resources to the community by focusing on timely immediate response to individuals in need.
- Crisis de-escalation and appropriate civilian trained response to improve relationships in the community with public safety.
- Prevent criminalizing behavioral health issues and unnecessarily incarcerating and/or hospitalizing individuals with mental illness.
- Provide alternate behavioral health care and connect community members in crisis through a coordinated system-wide collaborative approach.
- Avoid duplicating behavioral health services.
- Outreach and connection to long term case management services to reduce repeat calls to 911.
- Access to licensed medical professionals where needed to improve service outcomes.
- Return PPD and PFD first responders to core public safety emergency incidents.
- Better use of taxpayer resources.

Implementation of a new behavioral and mental health program is a heavy lift. For this reason, the City has proposed leveraging the already successful CAP, which has been in existence since 1995, however has been under-resourced and unable to meet community demands. The program currently responds to mental and behavioral health

calls for service and is managed by licensed civilian professionals in social work and counseling. Full implementation of the enhanced program is anticipated to take 18-24 months, and once fully operational the program is estimated to cost \$15M based on analysis conducted by the Budget & Research Department. Once the program is fully operational, further analysis will be conducted to determine if budgetary savings have been realized to the City. If resources are freed up in the Police and/or Fire Departments which results in budgetary savings, the City Council can allocate those resources as it deems appropriate based on actual data and experience for the program.

A significant number of public comments were given on the proposed model at the virtual budget hearings. It is clear a program that relieves police officers of being first responders to mental and behavioral crisis situations where possible is supported. There were questions and criticisms of the potential structure, including its assignment in the Fire Department; an expressed desire for more money to be allocated and to take that money directly from the Police Department; questions about potential communication with federal ICE officials; and an expressed desire for community involvement in the program design and implementation. In response to this feedback, during the implementation phase the City plans to seek input from the community and mental and behavioral health stakeholders to ensure the program meets the needs of all. Staff also plans to engage independent experts to conduct thorough process mapping, best practices identification, community engagement, performance measures, and the scope of the behavioral health unit Request for Proposal. In terms of ICE, as explained at the budget hearings, civilian employees (like CAP) do not call ICE when providing services. The Police Department only calls ICE when a person is arrested, booked into jail, or given a citation in lieu of detention. If a CAP call turns into a situation requiring police intervention, and there is an arrest, citation or booking, only then would ICE be involved according to current policy and state law.

Other proposed additions in this category include:

- Human Services Department (\$90K) - a new Victim Services Caseworker III (1) to serve as a navigator to services for relatives of decedents and juveniles as a result of officer involved shootings or in custody deaths. This was a recommendation of the Traumatic Incident Ad Hoc Committee.
- Fire Department (\$800K) - In addition to the above CAP expansion for mental health calls for service, staff recommends adding (15) civilian positions for paramedic trainers (3), radio technicians (2) and 911 Dispatchers (10).
- Municipal Court (\$350K) - additional staff (5) to provide operational support at the new Maricopa County Intake, Transfer and Release facility (2) and to properly staff

the Orders of Protection Office (3).

- Police Department (\$3.7M) - proposed funding to add civilian staff (75) to improve accountability, transparency and relationships with the community. The Phoenix Police Department is down over 300 civilian positions since the Great Recession and several functions struggle to meet service demands. The recommended civilian positions will be used to: improve turnaround time for public records requests (15); add staff to ensure data reporting compliance with the National Incident-Based Reporting System (34); funding for positions (4) to manage a new Early Identification & Intervention System (EIS), which was recommended in 2019 by community stakeholders, Arizona State University and City leadership. The system is intended to use data analytics to proactively identify trends and intervene prior to an employee's adverse actions; continue with the plan to civilianize the Central Booking Detail (22) which is a more cost effective way to perform the administrative booking function; and add \$500k for a GF set-aside for Police reform to improve community trust, and provide a comprehensive review of the Phoenix Police department. This review will include a thorough evaluation of practices and policies, actively solicit stakeholder and community feedback and provide recommendations for improvement.
- Street Transportation Department (\$600K) - funding for projects included in the comprehensive Roadway Safety Action Plan approved by Council on March 2.

COVID Response & Resiliency - \$2.6M and 7 positions

The COVID-19 pandemic has presented numerous challenges for the City concerning protecting the public and employees during the pandemic. These efforts have included consultation with medical experts to guide decision making in how to navigate the pandemic, continuing service delivery remotely and/or implementing spatial distancing measures, providing food assistance, providing mobile outreach and wifi services to the community and quickly moving to virtual information technology platforms to accommodate teleworking and video conferencing. Proposed additions are included in the budget to provide services and to add staff to ensure the City not only continues to responsibly navigate the pandemic, but also to provide these service enhancements and information technology benefits going forward. Additions include:

- City Manager's Office (\$150K) - add funding to continue the contract for expert medical and public health consultation.
- Office of Environmental Programs (\$300K) - add a Program Manager (1) and funding to continue the Emergency Food Assistance Program and to achieve the goals of the Council approved 2025 Phoenix Food Action Plan.
- Information Technology Department (\$1.7M) - Add staff (3) and managed contract services to support the technology deployed due to the pandemic for teleworking,

new wifi locations, and video conferencing. Funds are also requested to ensure IT security for projects arising from the pandemic including the new PHX 311 and Learning Management Systems.

- Library Department (\$200K) - add funding to continue mobile service for the "Mifi" hotspot program, online programming and remote outreach, and laptop support.
- Public Works Department (\$200K) - add positions (3) to staff the appointment counter in City Hall and Calvin C. Goode. This counter has been well received by the public and offers a streamlined way to make appointments with various City departments.

Climate Change & Heat Readiness - \$2.8M and 14.0 positions

Negative impacts from climate change and increasing Phoenix temperatures call for strategies to address negative impacts to air quality from pollutants and carbon emissions. The growing hazard of urban heat to the public, particularly vulnerable populations such as the homeless, require a forward thinking approach to provide for a sustainable environment for City residents. Proposed additions in this category include establishing a new Office of Heat Response and Mitigation, provide additional resources and staff to achieve the goals of the 2010 Tree and Shade Master Plan, increase staff for the Energy System Inspection Program in the Fire Department and add funding for conducting greenhouse gas emissions inventories and to assist with implementing the City's newly created Climate Action Plan. Additions include:

- City Manager's Office (\$500K) - add staff (4) to create a new Office of Heat Response and Mitigation. This includes a Tree and Shade Administrator recommended by the Environmental Quality and Sustainability Commission.
- Fire Department (\$0) - add civilian staff (5) and equipment to support the Solar Energy Inspection Program. Costs of this addition are offset by increased revenues receive by the City for solar energy system inspections resulting in a net-zero increase to the GF.
- Office of Environmental Programs (\$200K) - add funding to conduct green house gas emissions inventories and provide modeling and analysis regarding air quality.
- Parks Department (\$600K) - add an additional Forestry crew (5) to plant additional trees in City parks, and provide funding to update the tree inventory and database. The City Council approved the Tree and Shade Master Plan in 2010 with the goal to double the shade canopy by 2030. The additional staff and an accurate tree inventory and database will help to accomplish this goal.
- Streets Transportation Department (\$1.5M) - add funding to the Cool Corridors Program, which was developed to align with the Tree and Shade Master Plan to assist with planting 200 trees per mile for a total of 1,800 new trees planted across nine project areas, one in each Council district and citywide.

***NEW* Affordable Housing & Homelessness - \$2.8M and 4.0 positions**

The City of Phoenix has a lack of affordable housing and a growing homeless population in need of assistance. The City Council approved a Housing Phoenix Plan in 2020 and recently the Homeless Strategies Plan to find solutions specifically to identify funding to increase and improve affordable housing units as well as to leverage federal funding and work with community partners to help the homeless. Additionally, the COVID-19 pandemic has increased the homeless population in the downtown area and the Hatcher Road area of Sunnyslope, requiring additional cleanings in these areas for waste removal, trash pickup and sanitization. The proposed additions listed below will assist with achieving the critical mission of increasing affordable housing and helping the homeless. Additions in this category include:

- Housing Department (\$1.6M) - ***NEW*** add a Special Projects Administrator (1) (this position was previously a Project Manager in the Trial Budget) to coordinate the RFP process and contract management for development of affordable or mixed income housing on City-owned land and to conduct community outreach. Add one-time funding of \$1.4M for infrastructure improvements at Santa Fe Springs affordable apartment homes.
- Human Services Department (\$175K) - add positions (2) to create a homeless advocate workforce specialist and administrative support to help the homeless find employment to achieve self sufficiency and to ensure compliance with federal regulations for \$33M in Emergency Solutions Grants and Community Development Block Grants.
- Neighborhood Services (\$100K) - add a Neighborhood Specialist (1) focused on serving the Human Services Campus area neighborhoods and businesses.
- Public Works Department (\$800K) - add funding for positions (3) and equipment to support the Human Services Campus downtown area clean-ups. Positions will be in the Solid Waste Division and charged to the GF.
- Streets Transportation Department (\$130K) - add funding for contracted services to provide sidewalk and right-of-way cleanups at the Human Services Campus in the downtown area and the Hatcher Road area of Sunnyslope.

***NEW* Building Community & Responding to Growth - \$4.7M and 39.3 positions**

This category proposes multiple additions across several City departments with the intent to provide targeted economic development opportunities for the West region of the City, to expand the successful College Depot Program for our younger residents, increase funding for the Arts and Historic Preservation, provide for adequate floodplain management, add funding for landscape management due to recently completed

capital projects, and address the need for more resources due to growth and demand for city amenities and services. ***NEW*** resident feedback included a desire for more parks in the Southwest region of the city, a dedicated Veterans Advocate position, resources for maintenance of the Highline Canal, staff for Pueblo Grande Museum, additional funding for the successful Adaptive Reuse Program and for Fast Track City initiatives.

- Community and Economic Development Department (\$300K) - add positions (2) for the Small Business and Community Retail Redevelopment Program.
- Human Services Department (\$345K) - ***NEW*** add funding for Fast Track Cities initiatives to increase engagement and connection to treatment for residents with HIV/AIDS. Add a Veterans Advocate position (1) to serve as a navigator for connection to services for our residents who are veterans of the military.
- Library Department (\$200K) - add positions (2) to expand the College Depot Program to provide increased outreach and more assistance to prepare students for high school equivalency testing and college entrance exam testing. The additional resources would also increase the number of high school students who can be assigned to an advisor in the program to ensure a successful transition to college.
- Office of Arts & Culture (\$200K) - add funding for additional community arts grants, increase opportunities to engage youth in arts programs, provide training to art professionals through skill workshops. Funding will also be used to provide "pop-up" art programming around the city at libraries, community centers and cultural centers.
- Parks and Recreation Department (\$2.9M) - add full-time and part-time positions (29.3) to support growing needs at various parks and recreation centers, including the new Cesar Chavez Community Center scheduled to open in the Fall 2021, Margaret T. Hance Park and Deem Hills (13.3). Funding is also requested to add positions for urban park and facility management (2) and to continue the successful Adaptive Inclusion Recreation Program (3) started during the pandemic via a partnership with the Phoenix Suns. ***NEW*** add a GF set-aside of (\$945K) for (6) new positions and operating and maintenance costs for three new parks located at 55th Avenue & Samantha Way in District 8, 71st Avenue & Meadows and 87th Ave & Lower Buckeye Rd in District 7. Costs for design and construction of the three new parks in the Southwest region is included in the proposed Capital Improvement Program for FY 2021-22 using resources from available impact fees. Funding is also included for (1) position for Pueblo Grande Museum, and (4) positions to properly maintain the Highline Canal and city cemeteries.
- Planning and Development Department (\$600K) - add positions (3) to support Council and community-initiated projects and priorities. The team will devote significant time to Rio Reimagined, leading the development of a plan with the

vision, goals, policies and strategies that guide the future growth, redevelopment and preservation along the banks of the Salt River. The Planning team will work with the Mayor and Council and community, along with multiple City departments, consultants and other partners to establish a Rio Reimagined Plan that provides a foundation for future actions and investments, including sustainable land use, heat mitigation, diverse housing options, economic development and other important programs. Funding is also included for historic preservation grants to assist homeowners with maintaining their historic properties. ***NEW*** increase funding from \$25K to \$30K for the successful Adaptive Reuse Program to revitalize existing buildings, and help small businesses and neighborhoods.

- Public Works Department (\$100K) - add a position for Floodplain Management (1) to ensure compliance with the National Flood Insurance Program and the Community Rating System, which provides discounts to residents for the rising cost of flood insurance.
- Streets Transportation Department (\$150K) - add contracted services to provide for increased landscape management and litter removal along the Grand Canal Phase II and the Avenida Rio Salado areas, and add a position in the Central Records Division (1) to assist with the increasing number of requests for public records relating to the City's right-of-way, street infrastructure, traffic services and storm drains. The cost of this position is assessed to capital projects and non-GF departments resulting in a net zero cost addition to the GF.

Administrative Accountability - \$3.1M and 27.0 positions

As the City continues to become more diverse and grow in both population and demand for services, additional resources are needed for a variety of departments for operational and administration purposes. It is also important the City foster and promote a diverse, equitable and inclusive environment to both live and work for residents and employees. Proposed additions will provide for timely, effective and high quality service delivery in areas concerning city elections, public records requests, contract management, information technology, human resources, legal services, fiscal support, and to increase funding for maintenance of the City's aging fleet of vehicles. Resources will also be used to develop a new Office of Diversity, Equity and Inclusion.

- City Manager's Office (\$270K) - add positions (2) to establish the Office of Diversity Equity and Inclusion (DEI) to ensure the City is both a place to work and live which promotes equitable and respectful treatment of all people.
- City Clerk Department (\$300K) - provide funding for contracted services to develop an implementation plan for upgrading, enhancing and creating new platforms for election services to ensure continued transparency and engagement in City elections.

- Communications Office (\$100K) - add a position to the Public Records Request Division (1) to process increasing requests for public information.
- Human Resources Department (\$400K) - add positions (3) for human resource related procurement activities, data analytics to provide more robust reporting to foster business process improvements and data driven decision making, and conduct internal investigations into employee misconduct.
- Information Technology Department (\$1.3M) - add positions (3) and funding for managed services to sustain technology infrastructure and remediate vulnerabilities to protect City systems and applications from ever evolving security threats.
- Law Department (\$0) - add positions (2) by converting existing funding for contracted paralegal services for civil litigation support. The department expects insourcing of paralegal services to result in a higher quality of legal research, writing and investigations. This is a net-zero cost to the GF.
- Library Department (\$400K) - add positions (3) for information technology support of library applications and systems and for accounting and fiscal support. The increase in virtual programming and applications requires appropriate technology support and the department does not currently have enough resources for accounting and fiscal related duties.
- Parks and Recreation Department (\$200K) - add positions (2) for information technology desktop and application support. The number of computers, applications and systems has grown and requires additional positions to ensure functionality.
- Public Works Department (\$130K) - restore and add positions (11) for the Fleet Services Division (10) and human resources support for the Solid Waste Division (1). Fleet Services is in need of additional positions to adequately maintain the City's fleet of vehicles. The division is responsible for maintaining 7,000+ units and assists City departments with procurement of new vehicles. The division is currently under resourced and is not capable of providing the needed maintenance on the City's aging and diverse fleet. The cost estimate of \$130K for the GF accounts for savings from reducing outside labor and charges to non-general fund customer departments. This addition also adds one new human resources position to be paid for by the Non-GF Solid Waste Division of Public Works (identified under the Non-GF proposed additions listed below).

Position Conversions to Maintain Services - \$0 and 29.5 positions

The Trial Budget includes converting 29.5 GF temporary positions to ongoing status. Funding for these positions has been identified in each respective department's existing operating budget and therefore represent a no-cost addition to the GF. The position conversions are requested because the duties of each position are no longer temporary in nature and are necessary to maintain existing service levels. A list of GF position conversions by department is detailed in **Attachment A**.

Proposed Non-General Fund Additions - \$4.3M and 28.0 positions

The City budget is made up of three fund sources: the General Fund, Enterprise Funds and Other Restricted Funds. Recommendations for the General Fund were discussed above. Enterprise Funds include Aviation, Water, Wastewater, Solid Waste and the Convention Center. These funds, with the exception of the Convention Center, are funded with user fees. The Convention Center includes fees paid by those who use the facility and Convention Center parking garages and certain earmarked sales tax categories. Enterprise funds can only be used for costs directly associated with delivering enterprise services. The Restricted Funds category includes federal and state grants, gas taxes (AHUR), debt service, the Development Services Fund, the Public Safety Specialty Funds, the Phoenix Parks and Preserve Initiative (PPPI) and the voter-approved Transportation 2050 Fund. These funds can only be used in accordance with grant and other statutory rules.

Total Non-GF proposed additions are summarized below by category. Detailed information about each supplemental by department is provided in **Attachment B**. Below, is a summary of the Non-GF additions:

***NEW* Climate Change & Heat Readiness - \$724K and 5.0 positions**

- Water (\$724K) - add positions (5) and contractual services to achieve recommendations made by the Water Conservation Ad Hoc Committee, which includes implementing a total of 13 water conservation programs.

Affordable Housing & Homelessness - \$0 and 3.0 positions

- Solid Waste (\$0) - add positions (3) and equipment to support the Human Services Campus downtown area clean-ups. Positions will be in the Solid Waste Division and charged to the GF (identified earlier in this report under the GF section for proposed additions).

Building Community & Responding to Growth - \$3.5M and 20.0 positions

Proposed Non GF additions are included to add resources to support growth in Development Services, Solid Waste and Street Transportation. These additions are necessary for plan reviews, inspections, information technology and human resource needs, records management, solid waste refuse and disposal management, street cleaning and GIS services.

- Planning and Development Department (\$950K) - add positions (10) for residential and commercial plan reviews necessary due to significant increases experienced caused by moving to electronic plan reviews (6), new positions for accounting and

technology support are required due to the new KIVA permitting system and to adequately maintain the departments IT assets (2), higher incidents of non-permitted construction activity requires more resources for processing citations and preparing court documents (1), the new Remote Inspections Program implemented in the spring of 2020 has been successful and requires a dedicated staff member to adequately maintain the program (1).

- Solid Waste (\$2.1M) - add positions (5) for residential refuse and recycling collection necessary due to household growth (4), increased funding for a position at the SR85 Landfill needed due to citywide growth in solid waste tonnage and to maintain adequate staffing levels (1).
- Streets Transportation Department (\$400K) - add positions (5) to be funded by the Arizona Highway User Revenue Fund (AHUR) for geographic information systems (GIS) support necessary for the accelerated pavement maintenance program and to support the workload necessary for the land base system due to growth in development activity (2), restore supervisory positions for preventative street maintenance and cleaning (2), and add a position for the Field Operations Administration section to manage incoming requests from the public for street services (1).

Administrative Accountability - \$100K and 0 positions

- Solid Waste (\$100K) - add funding for a position to reside in the GF for human resources support necessary for recruitment and employee training and discipline. The position will be in the Public Works Department (identified earlier in this report under the GF section for proposed additions) and charged to the Solid Waste Fund.

Position Conversions to Maintain Services - \$0 and 21.0 positions

The Trial Budget includes converting 21.0 Non-GF temporary positions to ongoing status. Funding for these positions has been identified in each respective department's existing operating budget and therefore represent a no-cost addition. The position conversions are requested because the duties of each position are no longer temporary in nature and are necessary to maintain existing service levels. A list of Non-GF position conversions by department is detailed in **Attachment B**.

Community Feedback

Resident input was solicited at 14 virtual community budget hearings held between April 2, 2021 and April 20, 2021. Residents also provided feedback online using the FundPHX tool and comments were received directly to the Budget & Research Department via email and voicemail. In total between March 8, 2021 and May 4, 2021, we received 2,094 comments from 1,464 individuals on the proposed Budget. Several residents commented multiple times on the same topic. A summary of the number of

resident comments by topic is listed below. The public can access all comments received on the budget including the written minutes and video recordings of completed budget hearings at <https://www.phoenix.gov/budget/hearings>.

Resident Comments for additional funding/support of the proposed budget:

- (223) additional funding for a civilian-only response for mental health and crisis response calls for service, and/or for it to be an independent function from Public Safety, and to have community involvement in the proposed model.
- (121) additional funding for affordable housing, rental assistance, and veterans housing.
- (86) additional funding for green spaces, cool corridors, heat readiness, climate resiliency, the Tree and Shade Master Plan, water conservation, and the Office of Heat Response and Mitigation.
- (83) additional funding for programs assisting individuals experiencing homelessness.
- (63) additional funding for Human Services, workforce development, childcare and senior programs.
- (53) additional funding for Parks and Recreation parks and community centers.
- (48) additional funding for the park on 55th Avenue and Samantha.
- (47) additional funding for expanded Public Transit services, dedicated bus lanes, shaded bus stops, and neighborhood circulators.
- (39) additional funding for Arts and Culture and public art maintenance.
- (33) additional funding for HUUB/Phx Biz Connect.
- (32) additional funding for Street Transportation maintenance, cleaning, and repair.
- (30) in support of the budget.
- (27) additional funding for Police officer, 911 operator and civilian hiring and training.
- (23) additional funding for youth programs, housing, and sports.
- (16) additional funding for historic preservation.
- (15) additional funding for street improvements at 3rd and 5th Avenue in the Willo neighborhood.
- (10) additional funding for Libraries and College Depot.
- (9) additional funding for Environmental Programs.
- (7) additional funding for HAWK signals, bicyclist and pedestrian safety.
- (6) additional funding for gated alleys and alley clean-ups.
- (5) additional funding for Police reparations.
- (5) additional funding for public records.
- (4) additional funding for Fast-Track Cities initiative to end HIV/AIDS in Phoenix.

- (3) additional funding for Carnegie Library.
- (3) additional funding for Planning and Development.
- (3) additional funding for universal basic income pilot program.
- (2) additional funding for landscape and neighborhood support near 19th Avenue and Southern.
- (2) additional funding for Neighborhood Services.
- (2) additional funding for public WiFi and technology programs.
- (1) additional funding for Budget and Research.
- (1) additional funding for City employee education, health and wellness.
- (1) additional funding for Economic Development.
- (1) additional funding for elections.
- (1) additional funding for improvements and maintenance of the bike trails at 6th Avenue and 12th Street.
- (1) additional funding for LGBTQ+ programming and education.
- (1) additional funding for Municipal Court.
- (1) additional funding for Office of Accountability and Transparency.
- (1) additional funding for Public Defender.
- (1) additional funding for Public Health.
- (1) additional funding for Public Works.
- (1) additional funding for Pueblo Grande.
- (1) additional funding for Solid Waste.
- (1) additional funding for street lighting.
- (1) in support of increasing reserves.
- (1) in support of increasing taxes.

Resident Comments for reduced funding/opposition of the budget:

- (387) in opposition of additional funding for Police and/or reducing the Police budget, including (302) for the reallocation of Police funding to addiction and substance abuse programs, rehabilitation services and centers in West Phoenix, and elimination of Public Transit Fares.
 - (33) in opposition of the budget.
 - (4) in opposition of increased funding for Street Transportation.
 - (3) in opposition of increased funding for Fire.
 - (3) in opposition of increased funding for historic preservation.
 - (3) in opposition of increased funding for Public Works.
 - (2) in opposition of increased funding for Environmental Programs.
 - (2) in opposition of increased funding for Human Services.
 - (2) in opposition of increased funding for Information Technology Services.
-

- (2) in opposition of increased funding for Parks and Recreation.
- (2) in opposition of increased funding for Public Health.
- (1) in opposition of increased funding for Housing.
- (1) in opposition of increased funding for Human Resources.
- (1) in opposition of increased funding for Municipal Court.
- (1) in opposition of increased funding for Park Rangers.
- (1) in opposition of increased funding for Sustainability.

In addition, the following social media statistics were recorded from March 16, 2021 - May 4, 2021:

Facebook Posts - 35

- 62,000 Users Reached
- 213 Reactions

Twitter - 176 City of Phoenix Tweets (across three City accounts, including the City's bilingual account)

- 308 Replies
- 177 "Likes"
- 81 Retweets

YouTube

2,401 Views

Residents also provided feedback on several topics not included as proposed increases to the 2021-22 budget. For the below topics, residents spoke either in favor of additional resources to develop, expand or continue the items or requested more information be provided by City staff, below is an explanation of each item:

PHXBizConnect by HUUB

Due to COVID-19, City Council approved allocating \$500K from the Coronavirus Relief Funds for PHXBizConnect to serve as a resource for small businesses impacted by the pandemic. The platform has been very successful and hundreds of small businesses in the community have used it to connect to resources and networking opportunities. Several residents expressed a desire to continue funding this successful program. As a result, staff plans to request Council approval to include this program in the American Rescue Plan Act (ARPA) Strategic Plan under the "Phoenix Business and Employee Assistance Programs" category.

Streets Projects - 3rd & 5th Avenues and Hidalgo & 19th Avenue

The Street Transportation Department's 3rd and 5th Avenues North project is a bicycle and pedestrian improvement project located along 3rd Avenue between McDowell Road and Muhammad Ali Way (just north of Thomas Road) and along 5th Avenue between McDowell Road and Thomas Road. Project improvements will include two-way protected bicycle lanes along 3rd Avenue, a bicycle lane on 5th Avenue, curb ramps, streetlights, traffic signals, pedestrian improvements, and pavement mill and overlay. The project design is currently at 60 percent, and is anticipated to be completed in Fall 2021. There is anticipated right-of-way and easement acquisition required for the new improvements and the earliest time-frame for construction is summer of 2022. The current estimated construction cost is \$5.5M. Based on the current design schedule, Streets will review this project for inclusion in the Department's Capital Improvement Program (CIP) in the Fall 2021. It should be noted that during the annual CIP update process in late 2020, due to COVID related impacts to Department revenue forecasts, the Street Transportation Department reduced its five-year CIP by nearly \$40 million. Due to these reductions, existing budgeted projects were delayed and annual programs were reduced; therefore, there was no capacity to add new projects to the CIP.

The Street Transportation Department will also replace missing trees and install an irrigation system in the medians on Hidalgo Avenue between 20th Avenue and Southern Avenue. The work will include installing a new water meter, underground directional boring to connect the medians with irrigation sleeving, installing a new irrigation system, and planting 30 trees. This project is anticipated to take approximately two months to complete and will cost approximately \$60K. The funding is already included in the department's budget.

Transit Services in the Southwest Phoenix Area

In the Southwest Phoenix area bus service improvements have included extending service hours on weekdays, Saturdays, and Sundays. Future transit improvement plans for the Southwest Phoenix area include extending routes on 43rd Avenue, 67th Avenue, 75th Avenue, 83rd Avenue, Lower Buckeye Road, Broadway Road, and Southern Avenue and the addition of new routes on 91st Avenue, 99th Avenue, and Dobbins Road. In response to public input seeking to address transit service needs in the area south of Interstate 10 to Van Buren Street, between 59th and 67th Avenues, the Public Transit Department will study potential expansion of the existing free MARY neighborhood circulator into this area. Staff will develop cost estimates, explore routing options and work with local community stakeholders on a potentially revised route that enhances service to this community.

Phoenix's four neighborhood circulator routes operate as free services. All other transit services (local bus, RAPID, Express, light rail, Dial-a-Ride) require a fare to help fund transit services. As Phoenix partners with the Regional Public Transportation Authority (RPTA) and its member cities and the county to provide Valley Metro-branded bus service across the region, consistent fares are charged by both Phoenix and RPTA to provide a seamless customer experience. Additionally, in a typical year, total regional transit fare revenues amount to approximately \$65 million, with Phoenix's share at nearly \$40 million. Without this operating revenue source, other sources of revenue would be needed, or transit service would need to be reduced a commensurate amount.

Carnegie Library

The Carnegie Library and Park, located at the southwest corner of 10th Avenue and Washington Street, was placed on the National Register of Historic Places in 1974, and designated by the City Council as an historic Landmark (HP-L Overlay Zoning) in 2004. The library itself was constructed in 1907 and was the first library in Phoenix, continuing as the City's main library for 44 years. In 1984 the City of Phoenix agreed to lease the site to the State of Arizona, through the Arizona Legislative Council of the Arizona State Legislature, on condition that the State renovate, maintain, and operate the building and grounds in a manner that preserves the historical qualities and design features, at the State's sole expense. The State's use of the site must be for library or museum-related public purposes. The lease term was an initial 50 years, ending August 31, 2034, with two 25-year renewal options. The State has used the site for various library or museum-related purposes, but the library building is presently vacant. Numerous organizations have expressed interest in the library building, and any use by a third party requires an agreement with the State consistent with the lease provisions, as well as written consent from the City. The State and City could conduct a competitive process to determine the proposer and use that best fulfills the lease terms and historical significance of the site. Alternatively, the City and State could agree to terminate the lease and the City could conduct its own competitive process. In that case, the City would take back responsibility for the library and funding would need to be identified for a thorough facility assessment, to make any required repairs and for ongoing operating costs of the library.

Community Center at 75th Ave & Van Buren

Currently, there are no plans or funding for a new community or recreation center in the area of 75th Ave and Van Buren. This area however is currently served by approximately five City of Phoenix parks within a three mile radius, and a multi-generational community center at Desert West Park located at 67th Avenue & Encanto is 3.9 miles away. Desert West Community Center offers programming for youth,

teens, adults and seniors. It is the hub of the award winning PHXteens program and includes an indoor gym and classrooms. It features outdoor tennis, mini pitch soccer, basketball, hard court volleyball, sand volleyball, racquetball and bike polo courts. The park itself features an urban fishing lake, soccer complex, softball complex, a fitPHX walking path and the Desert West Skatepark. In addition, the following five parks are within three miles of 75th Ave and Van Buren:

- 2.7 miles El Oso Park 75th Ave & Osborn
- 2.9 miles Desert Star Park 85th Ave & Encanto
- 2.9 miles Starlight Park 78th Ave & Osborn
- 2.9 miles Santa Maria Park 71st Ave & Lower Buckeye
- 3.0 miles Sun Ridge Park 63rd & Roosevelt

Staff estimates the cost to build a new community center at this location would be approximately \$2.0M to \$2.5M and ongoing operating expenses are estimated at \$300K - \$400K per year. Resources are not currently available in the budget and would need to be identified for both the design and construction of the community center as well as ongoing operating expenses.

Drug Addiction Rehabilitation Center

The City does not currently provide drug rehabilitation services or centers in the community. The City may look into the possibility of providing this service in the future to determine if providing these services would be legally permissible, including any licensing requirements, and financially feasible.

Additional Information

The proposed balanced 2021-22 GF budget is \$1,607.6M. This is a \$182M increase or 12.8% from the adopted 2020-21 GF Budget of \$1,425.6M. The increase accounts for the additions mentioned earlier in this report and increases in capital pay-as-you-go projects, employee pension costs, and an increase in the contingency fund to maintain 4% of GF operating expenditures. Projected GF revenue in 2021-22 is estimated to be \$1,355.8M and represents an increase of \$32.9M or 2.5% over the 2020-21 Revised Estimate of \$1,322.9M, excluding one-time revenues of \$109.2M from the Council approved transfer from the Coronavirus Relief Fund to offset public safety salaries as permitted by the Federal guidelines. Growth in 2021-22 reflects anticipated increases in city and state sales taxes and state-shared vehicle license taxes, this growth is offset by estimated declines in state-shared income tax revenues, which is based on collections from two years prior. This decline is due to the State's action to delay income tax filings in the last quarter of FY2019-20 in response to the COVID-19 pandemic. **Schedule 2** included in this report provides more information on City

revenue estimates and additional information can be found on the Budget and Research website at <https://www.phoenix.gov/budgetphoenix.gov/budget>. Total GF resources for FY 2021-22 are estimated at \$1,607.6M and includes the estimated beginning fund balance of \$244.7M (largely made up of one-time funds discussed earlier in this report), estimated revenue of \$1,355.8M and fund transfers and recoveries estimated at \$7.1M.

For all funds, which includes General, Enterprise and Special Revenue funds such as grants, and all debt service and pay-as-you-go capital costs, the proposed 2021-22 budget is \$5,626.5M. Included in this proposed budget amount is \$416M allocated to the City by the Federal government in the American Rescue Plan Act (ARPA). Details on the 2021-22 proposed budget for all City funds is attached to this report in **Schedules 1-11** and include:

- Resources and expenditures by Fund for 2019-20 actual; 2020-21 estimate; and 2021-22 proposed budget.
- Proposed revenues for all City funds by major source.
- Proposed operating expenditures by department, including fund source.
- Proposed debt service by program, source of funds, and expense type.
- Preliminary 2021-22 Capital Improvement Program budget financed by operating funds.
- Proposed interfund transfers.
- Proposed full-time equivalent (FTE) positions by department.
- Preliminary 2021-22 Capital Improvement Program resources and expenditures by capital fund, program and fund source.
- Summary of proposed property tax levy and rate information. The levy is anticipated to grow due to growth in assessed property valuations, however as described below in this report the combined property tax rate is proposed to drop by \$0.01 from \$2.13 to \$2.12.

Next Steps

The City Manager's Proposed Budget was presented for information and discussion at the May 4, 2021 City Council meeting for review and comment. Following the Council's budget action on May 18, both the City Charter and State law require subsequent public notification, advertising, and City Council actions. The May 18 Council action provides staff with direction and sufficient time to prepare the required legal publications for the following actions:

Date	Event
June 2, 2021	2021-22 Tentative Budget Ordinance Adoption

June 16, 2021	2021-22 Funding Plan and Final Budget Ordinance Adoption
July 1, 2021	2021-22 Property Tax Levy Ordinance Adoption

On July 1, 2021 City Council is scheduled to adopt property tax as the last step in the legally required budget adoption process. Primary property tax revenues support operating costs for General Fund programs and services, while secondary property taxes pay the bonded debt service for facilities like libraries, police and fire stations, storm drains and parks. The total combined primary and secondary property tax rate for FY2021-22 of \$2.12 represents a one-cent (or 0.6%) reduction from the 2020-21 combined rate of \$2.13. The proposed primary property tax rate for FY2021-22 of \$1.31 will remain unchanged and is consistent with City Council policy to maximize the primary rate within City Charter Limits. If approved, the secondary property tax rate will drop one-cent from \$0.82 to \$0.81. Although the primary property tax rate remains constant, the primary property tax levy increases for FY 2021-22 to \$191.3M, which is \$11.4M or 6.3% more than the FY 2020-21 revenue estimate of \$179.9M due to increasing net assessed valuations (property values) and new construction. Additionally, State law requires a Truth in Taxation hearing notice to property owners, which requires notification any time the average primary property tax bill increases, even if the tax rate is not increased. The law does not require notice on the City's secondary property tax. The hearing is scheduled to take place at the City Council Formal meeting on June 16, 2021.

Responsible Department

This item is submitted by City Manager Ed Zuercher, Assistant City Manager Jeff Barton and the Budget and Research Department.

ATTACHMENT A

2021-22

PROPOSED SUPPLEMENTALS
GENERAL FUND

View the [Inventory of Programs published online](#) for program details.

Department/Program	2021-22 Total
--------------------	------------------

EMPLOYEE COMPENSATION

Labor

- | | | |
|----|---|---------------|
| 1. | Current employee contracts expire June 30, 2021. All five union contracts have been ratified and approved by City Council. The proposed budget includes allocating approximately 76 percent of the available surplus for employee compensation. | \$118,300,000 |
|----|---|---------------|

TOTAL EMPLOYEE COMPENSATION	\$118,300,000
------------------------------------	----------------------

PUBLIC SAFETY REFORM AND RESPONSIVENESS

Fire

- | | | |
|----|--|------------------|
| 1. | <i>Emergency Medical Services</i>
Paramedic Training: Add funding for two Paramedic Training Coordinators and one Admin Aide position. These positions will support current and future programs of Emergency Medical Services including the addition and implementation of a new electronic patient care reporting (EPCR) system. These positions will also restore previously eliminated positions from prior budget reductions. | \$382,000
3.0 |
| 2. | <i>Administration</i>
Radio Repair: Add funding for one User Technology Specialist to support the maintenance and repair of radios used by Firefighters. Add funding for one Admin Aide to provide administrative support to the Phoenix Fire Regional Dispatch Center. The onetime costs include one vehicle, technology equipment, and office space reconfiguration. | \$260,000
2.0 |

Department/Program**2021-22
Total**

3.	<p><i>Crisis Intervention</i></p> <p>Crisis Response: Expand the City of Phoenix Community Assistance Program in order to provide additional resources for responding to behavioral and mental health calls for service using a civilian model. Full implementation of the enhanced program is anticipated to take 18-24 months. During this time the City plans to seek input from the community and mental and behavioral health stakeholders to ensure that the program meets the needs of all. Staff also plans to engage an independent consultant to conduct a thorough review of the program to include process mapping, best practices identification, community engagement, developing performance measures, and developing the scope of the behavioral health unit request for proposal. The concept is to create an effective City of Phoenix behavioral and mental health crisis response program where multiple city departments work alongside non-profit organizations and the behavioral health community to improve the quality of life for residents in need. The program will also allow first responders to return to core public safety emergencies to reduce response times.</p>	<p>\$15,000,000</p> <p>130.9</p>
4.	<p><i>Fire Emergency Medical Services and Hazardous Incident Response</i></p> <p>Fire Dispatch: Add funding for 10 new positions consisting of two Fire Communications Supervisor, two Fire Emergency Dispatcher * Lead, and six Fire Emergency Dispatchers for the Phoenix Fire Regional Dispatch Center (PFDRDC) which provides 9-1-1 fire and medical emergency call taking and dispatching services for the City of Phoenix and 26 other jurisdictions. Funding is shared between the City of Phoenix (50%) and the 26 partner jurisdictions (50%). In FY 2020-21, the City Council approved eight positions fully funded by the City of Phoenix with the shared cost beginning in FY 2021-22. The FY 2021-22 cost shown represents additional funding needed for one position since eight are already funded in the General Fund. The cost of the remaining nine positions will be paid for by the partner cities.</p>	<p>\$87,000</p> <p>10.0</p>
	Total Fire	<p>\$15,729,000</p> <p>145.9</p>
	<u>Human Services</u>	
1.	<p><i>Victim Advocacy Services</i></p> <p>Traumatic Incident Liaison: Add a Caseworker III position to assist relatives of decedents, incapacitated individuals and juveniles as a result of a police interaction. Relatives of decedents may not be entitled to victims rights advocacy until the determination of a criminal offense. This position will provide case management services to relatives to address needs outside of the criminal justice system.</p>	<p>\$93,000</p> <p>1.0</p>
	Total Human Services	<p>\$93,000</p> <p>1.0</p>

Department/Program**2021-22
Total****Municipal Court**

1.	<i>Civil Courtroom Operations - Civil Division</i> Intake, Transfer, and Release (ITR) Staff: Add two Bailiff positions to provide judicial and operational support in a criminal courtroom located at the new Maricopa County ITR facility that opened in November 2020. This criminal courtroom is designed to handle initial appearances for individuals who have been arrested and held by the City of Phoenix. Funding would provide for the continued processing of cases in a timely and efficient manner.	\$133,000 2.0
2.	<i>Civil Courtroom Operations - Civil Division</i> Orders of Protection: Add one Court Interpreter and two Court/Legal Clerk II positions to support the operations of the Order of Protection Office. In September 2019, the Phoenix Municipal Court implemented the mandated firearm transfer process for defendants that are deemed a credible threat in an Order of Protection (OOP) case. Additionally, in January 2020, the Arizona Administration Office of the Courts (AOC) required the utilization of an on-line public portal system. Both process changes have caused increased staff workload and wait times. Staff and resources are needed in a customer service capacity, for administrative documentation and translation services.	\$224,000 3.0
Total Municipal Court		\$357,000 5.0

Police

1.	<i>Fiscal Management Bureau - Public Records Unit</i> Public Records Support: Add funding for nine Administrative Aide, three Forensic Photo Specialist, two Administrative Assistant I, and one Forensic Photo Specialist Lead positions to provide additional staff support for the Public Records and Services Unit. These positions will help eliminate public records request backlogs, ensure timely request processing, and improve overall customer service and transparency.	\$1,009,000 15.0
2.	<i>Professional Standards Bureau - Inspections Unit</i> Early Intervention: Add two Administrative Aide, one Management Assistant I, and one Police Research Analyst positions to support the Early Intervention System (EIS). These positions will ensure timely and accurate data and implement intervention recommendations, with the goal of identifying employee risk and preventing adverse events.	\$298,000 4.0

Department/Program	2021-22 Total
3. <i>Strategic Information Bureau</i>	\$1,924,000
Data Transparency: Add staffing required to meet federal National Incident-Based Reporting System (NIBRS) standards, additional demands for increased transparency in policing and timely publication of data, and increased workload due to Proposition 207's requirement to purge prior criminal records related to marijuana offenses. This funding will allow for 22 ongoing positions, including 12 Police Coding Clerk, six Admin Aide*U7, two Police Records Clerk, one Criminal Intelligence Analyst, and one Police R&I Bureau Shift Supervisor. It also includes funding for 12 temporary part-time Police Coding Clerk positions.	34.0
4. <i>Centralized Booking Detail</i>	\$0
Civilianize Central Booking: Add funding for 18 temporary Detention Officer positions and four temporary Detention Supervisor positions in the Centralized Booking Detail. These civilian positions will take the place of sworn positions, allowing officers to be redeployed to higher priority duties. Vacancies in the department will offset the cost of the new positions.	22.0
5. <i>Various</i>	\$500,000
Police Reform Reviews: To support police reform, community trust, and enhanced transparency we are recommending a comprehensive review of the Phoenix Police Department. Funds will be used to hire independent third-parties that have a demonstrated track record with assisting police departments across the country achieve these goals. Reviews will include practices and policies, stakeholder and community feedback, and provide recommendations for improvement.	0.0
Total Police	\$3,731,000 75.0
<u>Street Transportation</u>	
1. <i>Traffic Safety and Neighborhood Traffic</i>	\$600,000
Pedestrian Safety: Add funding as part of the Roadway Safety Action Plan adopted by City Council on March 2, 2021. The plan addresses comprehensive roadway safety issues on City streets. The effort will be funded using the General Fund, the Transportation 2050 fund (T2050), and the Arizona Highway User Revenue fund (AHUR). The General Fund portion being requested is six-hundred thousand per year over five years.	0.0
Total Street Transportation	\$600,000 0.0
TOTAL PUBLIC SAFETY REFORM AND RESPONSIVENESS	\$20,510,000 226.9

COVID RESPONSE AND RESILIENCY

City Manager's Office

- | | | |
|----|--|-----------|
| 1. | <i>Oversight of and Assistance to Departments; City Council Support; Strategic Planning</i> | \$150,000 |
| | Public Health Advisors: Continue funding for COVID-19 consultants, including medical experts, to advise the City on reopening facilities and providing up-to-date guidance from the CDC. | 0.0 |

Total City Manager's Office	\$150,000
	0.0

Environmental Programs

- | | | |
|----|---|-----------|
| 1. | <i>Brownfields Land Recycling</i> | \$300,000 |
| | Food Program: Add funding for a Program Manager to continue the COVID-19 emergency food assistance program, the 2025 Phoenix Food Action Plan approved by Council in March 2020, and community engagement by hosting educational events and workshops including Phoenix Food Day. | 1.0 |

Total Environmental Programs	\$300,000
	1.0

Information Technology Services

- | | | |
|----|---|-----------|
| 1. | <i>Enterprise Business Applications Services</i> | \$585,000 |
| | City Services IT Support: Add contractual services funding to provide development support for the 311 and Learning Management System projects. Funding three additional senior developers will continue citywide integration and mobile app development for these critical initiatives, which enhance citizen access to City services and provide a needed virtual learning environment for City employees. | 0.0 |

- | | | |
|----|--|-----------|
| 2. | <i>IT Project Management Services</i> | \$350,000 |
| | 311: Add contractual services funding for project management services of several large-scale projects that emerged due to COVID-19, including 311, Learning Management System, enhanced security needs, and conference room technology upgrades. The City's 311 system significantly expanded due to COVID-19, providing enhanced connectivity to City services for residents. This expansion requires additional ongoing support to ensure continued seamless integration with City applications. | 0.0 |

- | | | |
|----|---|-----------|
| 3. | <i>Enterprise Infrastructure Services</i> | \$169,000 |
| | WiFi Support: Add funding for one Senior Information Technology Systems Specialist to serve as a Senior WiFi Engineer. This position will provide ongoing support and management for the 50+ new public WiFi locations the City added during COVID-19 to address public need for WiFi. These locations are currently managed by a temporary position. | 1.0 |

Department/Program	2021-22 Total
4. <i>Various</i> IT Security: Add one Lead Information Technology Systems Specialist and one Senior Information Technology Systems Specialist. These positions are needed to support security applications and additional infrastructure support required as a result of COVID-19 related enhancements.	\$354,000 2.0
5. <i>Enterprise Infrastructure Services</i> Remote Work Support: Convert one temporary Information Technology Systems Specialist and one temporary Senior Information Technology Systems Specialist to ongoing to provide coordination and administration of City video conferencing needs. The City continues to require vastly expanded video conferencing capabilities, which facilitates virtual work and helps ensure public access to City Council and other meetings. The temporary positions are currently being funded by vacancies in the department.	\$323,000 0.0
Total Information Technology Services	\$1,781,000 3.0
<u>Library</u>	
1. <i>Administration</i> Add funding to continue mobile and self-serve computing services initiated as a result of the COVID-19 pandemic. These include cellular service for the MiFi hotspot loan program, annual maintenance for additional self-checkout payment kiosks, and security software for the laptop loan program.	\$181,000 0.0
Total Library	\$181,000 0.0
<u>Public Works</u>	
1. <i>Property Management Services</i> City Hall by Appointment: Add staff and resources to support the operation of the appointment only counter at Phoenix City Hall and the Calvin Goode building. In response to COVID health concerns, three full-time Support Service Aide positions will support, coordinate and schedule appointments for residents and manage authorized access to these facilities. The appointment only desk is currently being staffed on a temporary basis with part-time Parks and Recreation staff that were displaced due to COVID closures.	\$191,000 3.0
Total Public Works	\$191,000 3.0
TOTAL COVID RESPONSE AND RESILIENCY	\$2,603,000 7.0

CLIMATE CHANGE AND HEAT READINESS

City Manager's Office

- | | | |
|----|--|-----------|
| 1. | <i>Professional Administration of Policies and Objectives Set Forth by Mayor and Council</i> | \$475,000 |
| | Office of Heat Response and Mitigation: The office will establish a cohesive strategy and action plan to address the growing hazard of urban heat, which threatens the City's economic viability and health and well-being of vulnerable residents. The office will increase the community's capacity to prepare for and respond to both extreme heat events and the increasing frequency of high temperature days that adversely affect residents' and visitors' comfort. The office will build a research and practice-informed process to ensure that heat is addressed in an effective manner by using technology and innovative, locally-relevant solutions, providing preventative information and education, and encouraging coordination and cooperation among diverse stakeholders. Will include a Chief Heat Response Officer, Tree and Shade administrator, shade infrastructure manager, and an Administrative Aide. | 4.0 |

Total City Manager's Office	\$475,000
	4.0

Environmental Programs

- | | | |
|----|--|-----------|
| 1. | <i>Air Quality</i> | \$200,000 |
| | Climate Change and Support: Add funding to support existing and future needs relating to air quality, climate and resilience planning. Funds will be used to conduct greenhouse gas emissions inventories, facilitate bilingual community engagement, implementation of the Climate Action Plan and efforts to reduce emissions. | 0.0 |

Total Environmental Programs	\$200,000
	0.0

Fire

- | | | |
|----|--|-----|
| 1. | <i>Fire Prevention General Inspections</i> | \$0 |
| | Solar Energy Inspection: Add funding for vehicles, supplies, and five new positions for a new energy system inspection program. The new positions include one Planning and Development Team Lead and four Fire Prevention Specialist II. This program will provide Fire Prevention the staff to conduct plan reviews and inspections of photovoltaic and energy storage systems. This addition is offset with \$698,000 in revenue generated from permit fees. | 5.0 |

Total Fire	\$0
	5.0

Department/Program

**2021-22
Total**

Parks and Recreation

1. *Specialized Maintenance-Skilled Trades* \$674,000
5.0
Parks Trees: Add staff and equipment to create an additional Forestry Crew to maintain the increasing citywide tree inventory. The City adopted the Tree and Shade Master Plan in 2010 with a goal to double the tree and shade canopy by 2030. This has led to a significant increase in tree planting on City property and rights-of-way to mitigate the effects of the urban heat island in vulnerable neighborhoods that have a limited tree canopy and where residents have a greater exposure to heat while walking to transit, schools and work. The Parks and Recreation Department Forestry section provides citywide tree planting, tree maintenance activity, technical support, and 24/7 emergency response for several City departments.

Total Parks and Recreation \$674,000
5.0

Street Transportation

1. *Landscape Management* \$1,483,000
0.0
Cool Corridors: Add funding for the Cool Corridors Program to plant 1,800 trees annually. Each year tree plantings will occur in one-mile roadway segments located in each Council district, plus a one-mile roadway segment for the Mayor's Office. This program will contribute to achieving the City of Phoenix's goals for the Tree and Shade Master Plan, reducing the City's overall carbon footprint and reducing climate impacts through the cooling effects of shade trees.

Total Street Transportation \$1,483,000
0.0

TOTAL CLIMATE CHANGE AND HEAT READINESS \$2,832,000
14.0

AFFORDABLE HOUSING AND HOMELESSNESS

Housing

1. *Family Housing* \$162,000
1.0
NEW Affordable Housing Manager: Add one Special Projects Administrator position to continue implementation of the Housing Phoenix Plan, focusing on redevelopment of city-owned land for mixed-income housing. This position will help to achieve the goal of creating or preserving 50,000 housing units by 2030.

Department/Program	2021-22 Total
2. <i>Family Housing</i> Santa Fe Springs Rehabilitation: Add funding to complete critical safety and infrastructure repairs at Santa Fe Springs Apartments. These repairs will address community safety and quality of life concerns, including improved lighting, cameras, and fencing, as well as the rehabilitation of deteriorated structures and amenities.	\$1,400,000 0.0
Total Housing	\$1,562,000 1.0
<u>Human Services</u>	
1. <i>Business and Workforce Development</i> Employment Connection: Add a Workforce Development Specialist position to link with rapid rehousing programs to incorporate employment support by providing direct client services for individuals experiencing homelessness to better access employment benefits and training. This will support a key goal of the Strategies to Address Homelessness Plan by helping to achieve seamless comprehensive, and integrated access to services.	\$89,000 1.0
2. <i>Homeless Emergency Services</i> Homelessness Strategy Support: Add an Administrative Assistant I position to support the Homeless Services Division by assisting with monitoring federal regulatory requirements for grant funds, contract and fiscal compliance as well as various administrative tasks needed to support the programs around the Strategies to Address Homelessness Plan.	\$88,000 1.0
Total Human Services	\$177,000 2.0
<u>Neighborhood Services</u>	
1. <i>Neighborhood Engagement Program</i> Neighborhood Specialist Homeless Strategies: Add a Neighborhood Specialist position to serve within a three mile radius of the Human Services Campus. This position will work with businesses and neighborhoods to provide better communication, as well as a more coordinated team effort within the surrounding area by assisting neighborhoods in organizing community meetings, coordinating cleanups, and working with other City departments, partner agencies and the business community to bring needed resources to the community.	\$99,000 1.0
Total Neighborhood Services	\$99,000 1.0

Department/Program	2021-22 Total
--------------------	------------------

Public Works

1.	<i>Education and Enforcement</i>		\$815,000
		Human Services Campus Cleanup: Add funding to support the coordination and expansion of the Human Services Campus Clean-Up service. The request includes adding one Supervisor and two Solid Waste Equipment Operator positions, one Rear Loader, one Articulator Loader, and one Trailer positions. Positions will be in the Solid Waste Division of Public Works.	0.0

Total Public Works	\$815,000 0.0
---------------------------	--------------------------------

Street Transportation

1.	<i>Street Cleaning</i>		\$134,000
		Street Cleaning: Convert federally-funded deep-cleaning process around the Human Services Campus (HSC) and the right of way in the West Hatcher Road area of Sunnyslope to General Fund. The process uses antibacterial chemicals and high-pressure sprayers to clean and sanitize the sidewalks and right-of-way surrounding the HSC facility and the right-of-way in the area of 10th Street and Hatcher. Service is completed once or twice a month.	0.0

Total Street Transportation	\$134,000 0.0
------------------------------------	--------------------------------

TOTAL AFFORDABLE HOUSING AND HOMELESSNESS	\$2,787,000 4.0
--	----------------------------------

BUILDING COMMUNITY AND RESPONDING TO GROWTH

Community and Economic Development

1.	<i>Business Development</i>		\$301,000
		Retail Revitalization: Add funding for one Economic Development Program Manager and one Project Manager to support citywide retail revitalization projects. The positions will facilitate small business growth, redevelopment, and potential new development, including infill of commercial projects.	2.0

Total Community and Economic Development	\$301,000 2.0
---	--------------------------------

Department/Program

**2021-22
Total**

Human Services

- 1. *Administration* \$250,000
NEW Fast Track Cities: Add contractual services to support the Fast Track Cities Initiative. Fast Track Cities is an international effort working to end the HIV/Aids pandemic and the City of Phoenix is one of 25 cities in the U.S. working to reach this goal. The additional funding will help increase engagement and awareness so that people know their HIV status, are linked to treatment, are retained in care, and follow-up is conducted with patients that fall out of care. Support can also help with advocacy and enhance access to care for evolving Antiretroviral Treatment and continue outreach to communities of color who are disproportionately impacted by HIV and AIDS. The goal of this outreach is for 90 percent of Phoenicians to know their status, 90 percent who know their HIV-positive status to be in antiviral treatment, 90 percent who are on antiviral treatment to achieve viral suppression and to have no stigma or discrimination. 0.0

- 2. *Administration* \$95,000
NEW Veterans Case Management: Add a Caseworker III position that will be responsible for coordinating with the U.S. Department of Veterans Affairs (VA) to assist with navigation and referrals to social services such as emergency rental/utility assistance, counseling, housing needs, healthcare, employment and other supports necessary to promote self-sustainability or stabilization for veterans. This position would also assist the VA case managers in providing general needs assessments, recommendations on root causes of the veteran’s needs and follow-up ensuring services have been provided. 1.0

Total Human Services **\$345,000**
1.0

Library

- 1. *College Depot* \$210,000
Add an Administrative Assistant II position and a Caseworker II position for the expansion of the College Depot program to accommodate growing demand for additional GED classes, ACT/SAT prep classes, and one-on-one counseling appointments. The program expansion is projected to serve 291 additional students, offer 103 additional classes, and increase the one-on-one GRIT appointments by 546 hours. 2.0

Total Library **\$210,000**
2.0

Office of Arts and Culture

- 1. *Community Investment and Engagement Program* \$110,000
Increase funding for arts grants for nonprofit arts and cultural organizations. Arts grants enable artists, arts and culture organizations, youth, and neighborhood groups to carry out high-quality arts programming for all residents. 0.0

Department/Program	2021-22 Total
2. <i>Community Investment and Engagement Program</i> Add funding for youth arts and culture development programs, professional development and technical assistance for artists and arts administrators, and pop-up programming around the city to promote the Latino Cultural Center. This funding will supplement increasingly unreliable funding from the State of Arizona.	\$30,000 0.0
3. <i>Public Art Program</i> Increase funding for public art maintenance which would allow residents to enjoy the collection, showcase the city's initial investment, and help avoid safety issues with artwork in the community. Maintenance includes lighting upgrades, annual maintenance, and renovations to address wear and damage. The public art collection includes over 200 art installations.	\$60,000 0.0
Total Office of Arts and Culture	\$200,000 0.0
<u>Parks and Recreation</u>	
1. <i>Community Centers</i> Cesar Chavez Community Center: Add staff and supplies for the new Cesar Chavez Community Center, scheduled to open in the fall of 2021. The Cesar Chavez Community Center will offer a variety of activities to the general public. These activities will include special events, sports programs, specialty classes, adaptive/inclusive programs, out-of-school time sessions, field trips, and provide meeting space for events and community groups.	\$911,000 9.8
2. <i>Parks Maintenance</i> Hance Park: Add staff and equipment for grounds maintenance at Margaret T. Hance Park. The Fiesta Bowl PLAY at Hance Park opened to the community in December 2020. As part of this phase, a new landscape design incorporating over 7,000 new plants and trees was added. Maintenance of this plant material will require staff with both horticultural and irrigation skills to maintain the new park amenities.	\$260,000 3.0
3. <i>Park Rangers-Community and Neighborhood Parks</i> Ranger Support: Add a Park Supervisor position to oversee the Urban Park Ranger Patrol Program. This position will manage daily operations, establish additional Field Operation Procedures, manage personnel issues and work directly with PhxCARES to increase contacts to individuals requiring services.	\$106,000 1.0
4. <i>Administration</i> Property Management: Add a Property Manager position to manage the maintenance of Parks facilities. The Parks and Recreation Department directly manages an estimated two million square feet of indoor space, various specialty facilities (examples include: 29 public pools, South Mountain Tower site, historic buildings, museums, and Tovrea Castle), and outdoor park and trail amenities.	\$108,000 1.0

Department/Program**2021-22
Total**

5.	<i>Parks Maintenance</i> Deem Hills: Add a part-time Groundskeeper position and supplies to maintain the phase 3 project at Deem Hills Park, which includes: a sand volleyball court, a tennis court, pickleball courts, a large ramada, three small ramadas, a .7 mile nature trail interpretive loop, 25 additional parking stalls and other site furnishings like new trees, irrigation system and landscaping.	\$34,000 0.5
6.	<i>General Recreation</i> Adaptive Recreation: Add staff and supplies to maintain the current Adaptive/Inclusive Recreation Program with General Funds upon the expiration of the existing donations and to expand the program citywide. This program started in March 2020 and is currently funded until March 2022 based on a two-year funding commitment from the Phoenix Suns. It offers adaptive recreation services to individuals with developmental disabilities and adaptive recreation programming and inclusion services for youth and adults, their families and caregivers to enhance quality of life and to promote inclusion. Failure to continue funding this program when the donations expire will result in the program not being able to continue leaving the City without any adaptive recreation programs.	\$68,000 3.0
7.	<i>Parks Maintenance</i> *NEW* New Parks: Add a General Fund set-aside for staff, supplies and equipment to operate three new parks expected to open in fiscal year 2022-23. The new parks will be located at 55th Ave. & Samantha Way, 71st Ave. & Meadow Loop Rd., and 87th Ave & Lower Buckeye Rd. Construction of the parks will be paid for using available resources from impact fees.	\$945,000 6.0
8.	<i>Parks Maintenance</i> *NEW* Historic Cemeteries: Add staff and equipment to provide more frequent maintenance at two historic cemeteries, the Phoenix Pioneer and Military Cemetery and Cementerio Lindo Cemetery, and to begin providing maintenance services for the historic Sotelo Heard Cemetery located at 4545 South 12th Street. The cemeteries are highly visited by residents and out of town tourists alike as part of the History of the City of Phoenix tours offered by the nonprofit Phoenix Cemetery Association (PCA).	\$171,000 2.0
9.	<i>Parks Maintenance</i> *NEW* Highline Canal Trail: Add staff, supplies and equipment to maintain the Highline Canal Trail between 7th Avenue and 40th Street. The trail includes a 6' wide asphalt path, advanced irrigation system, trees and shrubs and two large urban desert bosques (urban forests areas). In addition, the trail is also home to the "Zanjero" Art Project, which includes numerous art features playing tribute to the agrarian roots of South Phoenix.	\$171,000 2.0

Department/Program	2021-22 Total
10. <i>Art, Educational & Environmental Facilities Operated by City Staff</i>	\$78,000
NEW Pueblo Grande Museum: Convert a temporary Museum Assistant position to an ongoing position in the General Fund. The Museum Assistant is a professional-level position responsible for the registration, curation, and care of collections in the archaeological repository. This includes creating new repository agreements, arranging curation deliveries, accessioning incoming collections, and conducting registration activities for repository collections.	1.0
Total Parks and Recreation	\$2,852,000 29.3
<u>Planning and Development</u>	
1. <i>Long Range Planning</i>	\$296,000
Community Planning: Add two Planner II positions and a Planner III position to support Council and community-initiated projects and priorities. The team will devote significant time to Rio Reimagined, leading the development of a plan with the vision, goals, policies and strategies that guide the future growth, redevelopment and preservation along the banks of the Salt River. The Planning team will work with the Mayor and Council and community, along with multiple city departments, consultants and other partners to establish a Rio Reimagined Plan that provides a foundation for future actions and investments, including sustainable land use, heat mitigation, diverse housing options, economic development and other important programs.	3.0
2. <i>Office of the Customer Advocacy</i>	\$30,000
NEW Adaptive Reuse: Increase funding for the Adaptive Reuse Program. The program provides resources to assist small business owners who are locating their businesses in Phoenix, and supports the City's reenergized clean construction efforts, resulting in the expanded use of underutilized/vacant existing buildings. The City Manager is proposing a \$5,000 increase to the Trial Budget proposal of \$25,000.	0.0
3. <i>Administration and Enforcement of Local and Federal Historic Preservation Laws</i>	\$200,000
Historic Preservation: Add funding for historic preservation grants to assist residential property owners in maintaining their historic properties.	0.0
Total Planning and Development	\$526,000 3.0

Department/Program	2021-22 Total
<u>Public Works</u>	
1. <i>Floodplain Management</i> Flood Plan Management: Add one Civil Engineer II to support the Flood Plain Management program and assist in maintaining Federal Emergency Management Agency (FEMA) compliance to the National Flood Insurance Program (NFIP) and the Community Rating System (CRS) which provides insurance premium discounts for residents. This position is needed to assist in completing the increasingly complex compliance requirements.	\$107,000 1.0
Total Public Works	\$107,000 1.0
<u>Street Transportation</u>	
1. <i>Landscape Management</i> New Street Landscaping: Add funding to maintain street landscaping along newly developed and renovated streetscapes. This includes maintenance for new landscaping along the Grand Canal Phase II, Avenida Rio Salado from 35th Avenue to 51st Avenue, and the east side of 107th Avenue from Indian School Road to Camelback Road.	\$147,000 0.0
2. <i>Central Records</i> Public Records Support: Add an Engineering Technician position in the Central Records Section to support increased public records requests for right-of-way, City infrastructure, facilities and private development plans and maps including paving, storm drain, traffic services, and procurement and street maintenance records for the public, media and legal request. This position will be charged out to departments for whom records are being requested regarding their projects.	\$0 1.0
Total Street Transportation	\$147,000 1.0
TOTAL BUILDING COMMUNITY AND RESPONDING TO GROWTH	\$4,688,000 39.3

ADMINISTRATIVE ACCOUNTABILITY

City Clerk

- | | | |
|----|---|-----------|
| 1. | <i>Elections Administration</i> | \$300,000 |
| | Election Transparency: Add funding for consulting services to perform a strategic assessment of the City’s election services information technology needs. This would include the evaluation of the existing application portfolio and the development of a strategic, multi-year plan. Additional requests for funding will follow in future years once an overall information technology strategy is approved. Improving the information systems supporting election services will enable the City to meet the need for increased transparency in elections, and for voters, candidates and elected officials to more easily engage in the elections process. | 0.0 |

Total City Clerk	\$300,000
	0.0

City Manager's Office

- | | | |
|----|--|-----------|
| 1. | <i>Professional Administration of Policies and Objectives Set Forth by Mayor and Council</i> | \$272,000 |
| | Diversity, Equity, and Inclusion: Add an Assistant to the City Manager position to act as the Diversity, Equity, and Inclusion Officer and an Administrative Assistant I position to provide administrative support. This new office will be charged with ensuring equitable distribution of City services throughout the entire City and serve as the champion for delivering racial equity programs for the community. | 2.0 |

Total City Manager's Office	\$272,000
	2.0

Communications Office

- | | | |
|----|---|----------|
| 1. | <i>Public Records, Customer Requests, and Customer Service to the Public</i> | \$94,000 |
| | Citywide Public Records Support: Add a Management Assistant I position to assist with tracking and responding to public records requests. In the last several years the volume of records requests has increased by more than 60%to over 9,500 per year. Adding this position will allow for the maintenance of service levels. | 1.0 |

Total Communications Office	\$94,000
	1.0

Department/Program

**2021-22
Total**

Human Resources

1. *Various* \$391,000
3.0
- HR Support: Add three positions for procurement, data management, and investigations. A Contracts Specialist II*Lead position to conduct formal procurement processes and manage contracts. Contract monitoring and administration is critical to ensure contractors perform in accordance with the City's terms and conditions and with satisfactory performance. A Human Resources Officer position to conduct investigations as a result of the increase in citywide complaints in recent years. These complaints have been received through a variety of sources including departments, employees, citizens, and through the internal integrity line. A Lead Business Systems Analyst position to create and collect data, convert raw data into meaningful information, make recommendations to various levels of City staff, and facilitate or participate in work groups tasked with making business improvements.

**Total Human Resources \$391,000
3.0**

Information Technology Services

1. *Enterprise Business Applications Services* \$750,000
0.0
- ERP System Support: Add contractual funding for a managed services agreement with a technology provider specializing in Enterprise Resource Planning (ERP) systems. This support is needed to bridge the technical expertise gap in existing City personnel who support the City's SAP and Peoplesoft ERP systems. The agreement will be to provide an ERP program manager, business analyst, technical leader and other needed services in an effort to improve processes and implement system advancements.
2. *IT Strategic Services* \$523,000
3.0
- IT Information Security: Add one Lead Information Technology Systems Specialist and two Senior Information Technology Systems Specialist positions to support the City's growing technology infrastructure. These critical positions are needed to lead infrastructure and application vulnerability remediation efforts that mitigate known security and operational deficiencies.

**Total Information Technology Services \$1,273,000
3.0**

Department/Program

**2021-22
Total**

Law

1.	<i>Civil Division</i>	\$0
	In-source Legal Support: Convert contractual services for paralegal support to create two Legal Assistant positions. The Law Department utilizes a paralegal contract for support of civil litigation cases. It was determined that hiring two full-time employees and reducing the contracted services results in a cost savings and greater efficiency of services.	2.0
	Total Law	\$0 2.0

Library

1.	<i>Administration</i>	\$306,000
	Add two information technology positions to support expanded technology services. Positions include a Lead Information Technology Systems Specialist to manage teams that support 60 applications, 1,000 public access computers, and multiple platforms for 17 libraries; and a User Technology Specialist position to support new programs to reach customers remotely such as the public laptop lending program.	2.0
2.	<i>Administration</i>	\$93,000
	Add an Accountant II position to oversee the daily operation of the Library's accounting section. This position will provide support for accounts payables and receivables, fixed asset accounting, bank account reconciliations, inter-agency invoices, grant administration support, expenditures review, response to auditors, and payroll accounting.	1.0
	Total Library	\$399,000 3.0

Parks and Recreation

1.	<i>Administration</i>	\$208,000
	Parks IT Support: Add a Senior User Technology 2.0 Specialist position and a User Technology Specialist to provide IT support for the department. The Parks and Recreation Department Information Technology staff provides support to 32 community/recreation centers, numerous offsite office locations, over 800 devices and over 1,500 full and part-time employees. These additional positions are necessary to support the significant increase in new hardware and IT projects that have been implemented in the department.	2.0
	Total Parks and Recreation	\$208,000 2.0

Department/Program

**2021-22
Total**

Public Works

1.	<i>Equipment Maintenance Repair and Related Parts Service Support</i>	\$137,000
	Fleet Maintenance: Restore 10 fleet maintenance positions that support the Fire, Parks and Recreation, Public Works Solid Waste, Street Transportation, and Water Services Departments. Funding for these positions is primarily from Non-GF departments. Adding these positions will decrease downtime and service delays. The cost of these positions will be partially offset by a reduction in contract vendor funding. The ten positions include two Equipment Service Worker II, five Heavy Equipment Mechanic, one Auto Technician, one Auto Parts Clerk II and one Support Services Aide.	10.0
2.	<i>Administration</i>	\$0
	Add one Senior Human Resources Analyst position to provide support to the Solid Waste divisions. This position is located in the General Fund but will be funded by the Solid Waste fund and is needed to increase response time, provide supervisor support, process corrective actions and recruitments.	1.0
	Total Public Works	\$137,000 11.0
	TOTAL ADMINISTRATIVE ACCOUNTABILITY	\$3,074,000 27.0

POSITION CONVERSIONS TO MAINTAIN EXISTING SERVICES

City Manager's Office

1.	<i>Youth and Education Coordination</i>	\$0
	Convert 1.5 FTE of temporary part-time Recreation Leader positions in the Youth and Education Program to ongoing status to continue to assist with program implementation, school presentations, developing and planning activities in specialized program areas, and working with neighborhoods, schools, and community groups on matters of civic and program interest.	0.0
2.	<i>Citywide Volunteer Program</i>	\$0
	Convert a temporary Admin Aide U7 position in the Citywide Volunteer program to ongoing status to support and coordinate the City's AmeriCorps VISTA program, the annual Mayor's Day of Recognition for National Service, and the new Service Learning collaboration with community colleges.	0.0

Department/Program	2021-22 Total
3. <i>Oversight of and Assistance to Departments; City Council Support; Strategic Planning</i>	\$0
Convert a temporary Management Assistant I position to ongoing status. The position manages the citywide 311 Call Center and oversees staffing of the Phoenix City Hall Lobby by-appointment only program.	0.0
Total City Manager's Office	\$0 0.0
 <u>Community and Economic Development</u>	
1. <i>Community Development</i>	\$0
Convert one Special Project Administrator position from temporary to regular status. This position is currently responsible for the arena renovation project and is needed to manage citywide major economic development projects. This position is funded by the Sports Fund until completion of the arena project. Primary funding will shift to the General Fund once the arena project is complete next fiscal year and the position will be used for the growing number of economic development initiatives.	0.0
Total Community and Economic Development	\$0 0.0
 <u>Finance</u>	
1. <i>Goods & General Services Procurement and Contract Management</i>	\$0
Convert a temporary Special Projects Administrator position in the Procurement Division to ongoing status. The position will manage the Agile technology procurement process, supervise a team focused on IT procurements, engage and optimize citywide strategic buying, and direct the citywide policy on contract management.	0.0
2. <i>Administration</i>	\$0
Convert a temporary Special Projects Administrator position in the Revenue Collections Division to ongoing status. The position is responsible for directing and coordinating the operations of financial projects that requires a high degree of specialized knowledge, establishing and monitoring fiscal management procedures related to revenue collections and supervises senior level professional staff.	0.0
Total Finance	\$0 0.0

Department/Program

**2021-22
Total**

Fire

- 1. *Fire Prevention General Inspections* \$0
Convert a Fire Prevention Specialist II position from temporary to ongoing status. 0.0
This position is assigned to the Public Works Department and performs plan review activities for City of Phoenix owned properties and building projects. This ensures City of Phoenix projects conform to applicable Fire Code requirements.

Total Fire \$0
0.0

Government Relations

- 1. *Federal, State, Regional and Tribal Programs* \$0
Convert one Special Project Administrator position from temporary to ongoing to support a long term strategy of managing the City's governmental relations efforts. 0.0
This critical position coordinates the City's lobbyist team, the Arizona League of Cities and Towns, and works with City departments to track and respond to legislation that impacts the City.

Total Government Relations \$0
0.0

Human Resources

- 1. *Various* \$0
Convert 10 temporary positions to ongoing status to continue to support employee customer service and ongoing operations in Labor Relations, Safety, Benefits, and the Employee Relations Divisions. 0.0

Total Human Resources \$0
0.0

Information Technology Services

- 1. *Administration* \$0
Convert the Deputy Chief Information Officer for operations from temporary to ongoing status. This critical position manages the city's business continuity and disaster recovery program. 0.0
- 2. *Enterprise Business Applications Services* \$0
Convert Fire Deputy Chief Information Officer from temporary to ongoing status to continue to support the Fire Department and the Chief Information Officer with critical technology needs. 0.0

Department/Program	2021-22 Total
3. <i>Radio Communications Services</i>	\$0
Convert a Senior User Technology Specialist position from temporary to ongoing status. This position serves as the Regional Wireless Cooperative (RWC) Emergency Responder Radio Communication System Specialist responsible for managing critical radio network installation projects.	0.0
Total Information Technology Services	\$0 0.0
<u>Neighborhood Services</u>	
1. <i>Code Compliance Program</i>	\$0
Convert four temporary Neighborhood Inspector positions to ongoing status. These positions were originally created for the Structured Sober Living Home (SSLH) licensing program. There is an ongoing need for the positions.	0.0
Total Neighborhood Services	\$0 0.0
<u>Police</u>	
1. <i>Professional Standards Bureau - Inspections Unit</i>	\$0
Convert one temporary Police Administrator position and two Police Research Analyst positions to ongoing positions in the Compliance & Oversight Bureau. The Police Administrator position serves as the Data Quality Administrator and is responsible for the Early Identification and Intervention System, provides key department data, and manages inspections and audits in the Professional Standards Bureau. The Police Research Analyst positions analyze officer data to predict possible trends of employee incidents.	0.0
2. <i>Administration</i>	\$0
Convert a temporary Management Assistant II to an ongoing position to continue support of the Center for Continuous Improvement Bureau, which focuses on improving community and internal relationships and identifying process improvements and efficiencies.	0.0
Total Police	\$0 0.0
TOTAL POSITION CONVERSIONS TO MAINTAIN EXISTING SERVICES	\$0 0.0
<u>TOTAL PROPOSED GENERAL FUND ADDITIONS</u>	\$154,794,000 318.2

ATTACHMENT B

2021-22

**PROPOSED SUPPLEMENTALS
NON-GENERAL FUND**

View the [Inventory of Programs published online](#) for program details.

Department/Program	2021-22 Total
CLIMATE CHANGE AND HEAT READINESS	
<u>Water Services</u>	
1. <i>Water Resource Management and Development Planning</i>	\$724,000
<i>*NEW* Water Conservation: Add staff and equipment to implement Phase II of the water conservation plan approved by City Council. The positions are being requested based on the Water Conservation Ad Hoc Committee recommendation to expand conservation outreach within the City. Council also adopted the water conservation metric to reduce the total gallons-per-capita-per-day (GPCD) from 169 to 155 by 2030.</i>	5.0
Total Water Services	\$724,000 5.0
TOTAL CLIMATE CHANGE AND HEAT READINESS	\$724,000 5.0
AFFORDABLE HOUSING AND HOMELESSNESS	
<u>Public Works</u>	
1. <i>Education and Enforcement</i>	\$0
<i>Human Services Campus Cleanup: Add funding to support the coordination and expansion of the Human Services Campus Clean-Up service. The request includes adding one Supervisor and two Solid Waste Equipment Operator positions, one Rear Loader, one Articulator Loader, and one Trailer positions. Positions will be in the Solid Waste Division of Public Works.</i>	3.0
Total Public Works	\$0 3.0
TOTAL AFFORDABLE HOUSING AND HOMELESSNESS	\$0 3.0

BUILDING COMMUNITY AND RESPONDING TO GROWTH

Planning and Development

1.	<p><i>Residential Plan Review & Inspections</i> Add two Construction Permit Specialist II positions and a Plan Review Coordinator position to the Residential Plan Review section which has seen a 49% increase in Single Family Residence plot plan submittals compared to last fiscal year along with a 90% increase in photovoltaic submittals. Additional staffing resources are needed to reduce the turnaround times for these reviews and maintain turnaround times in the future.</p>	<p>\$284,000 3.0</p>
2.	<p><i>Commercial Plan Review & Inspections</i> Add a Structural Plans Engineer position, a Mechanical Plans Engineer position and a Principal Engineering Technician position in the Commercial Plan Review section due to several large development projects, including the semiconductor plant project, which is expected to meet strict deadlines to keep the project on track.</p>	<p>\$325,000 3.0</p>
3.	<p><i>Administration</i> Add an Accountant I position to support the data reconciliation, analysis and reporting of financial data for accounts receivable, accounts payable and budget/cost recovery. Additional financial analysis support is needed primarily due to new duties anticipated with the KIVA/SHAPE PHX permitting system conversion. This position will provide technical/financial expertise and support in the new SHAPE PHX system to over 50 cash handling staff across various payment counters and sections within the department.</p>	<p>\$78,000 1.0</p>
4.	<p><i>Residential Plan Review & Inspections</i> Add a General Inspector II position for the Remote Inspections program. This position will be dedicated to the Remote Inspections program but will also be able to assist with other inspections as needed.</p>	<p>\$116,000 1.0</p>
5.	<p><i>Administration</i> Add a User Technology Specialist position. IT staff provide day-to-day support for more than 500 computer workstations and associated software. This position will help ensure any service or technical issues are being proactively resolved in order to minimize customer impact.</p>	<p>\$96,000 1.0</p>
6.	<p><i>Administration</i> Add a Records Clerk II position to support the scanning of planning, zoning and historic preservation files. Increased activity and resulting workloads of planners supports the need for this position. PDD averages 750 to 1,000 zoning cases annually. Each of these Zoning adjustment, rezoning and special permit case files need to be scanned into SIRE database system after the cases are completed.</p>	<p>\$60,000 1.0</p>
Total Planning and Development		\$959,000 10.0

Department/Program**2021-22
Total****Public Works**

1.	<i>Contained Residential Collection</i> Add funding to support the refuse and recycle collection service growth needed to efficiently maintain existing and future service levels. The request is consistent with the 2019 Solid Waste Rate Advisory Committee and financial plan approved by Mayor and City Council. Includes adding four Solid Waste Equipment Operator and four Automated Side Loader positions.	\$2,012,000 4.0
2.	<i>Open Landfill</i> Add one Equipment Operator IV position to support the citywide growth in solid waste tonnage at the SR85 Landfill. This position is needed to reduce overtime, employee fatigue and operational efficiency.	\$72,000 1.0
Total Public Works		\$2,084,000 5.0

Street Transportation

1.	<i>Street Maintenance</i> Add a Senior GIS Technician position in the Geographic Technology Services Section to oversee quality control, training, and data research for the GIS land base information and ensure recorded documents are correctly prepared and documented for GIS Technicians to map. Position will replace consulting services resulting in a net zero add.	\$0 1.0
2.	<i>Administration</i> Add a Senior GIS Technician position in the Technical Services Section to meet the needs of Pavement Management program's GIS editing and analyses, and the demand for GIS maps, tools, and services.	\$94,000 1.0
3.	<i>Various</i> Restore two Street Maintenance Foreman III positions and add funding for two vehicles. Positions are assigned to the Preventive Maintenance and Street Cleaning Sections. Six Foreman III positions were eliminated during the recession, four positions were restored, these are the last two positions. Positions handle day-to-day operations, provide training on procedures and safe operation of equipment, and handle administrative responsibilities related to emergency and storm response.	\$262,000 2.0
4.	<i>Street Maintenance</i> Add an Administrative Aide position in the Field Operations Administration section, dispatch function to assist with phone service requests, email, and other communications from the public, City staff, and other agencies regarding emergency, non-emergency street maintenance, and non-street related concerns.	\$77,000 1.0
Total Street Transportation		\$433,000 5.0

Department/Program

**2021-22
Total**

TOTAL BUILDING COMMUNITY AND RESPONDING TO GROWTH

**\$3,476,000
20.0**

ADMINISTRATIVE ACCOUNTABILITY

Public Works

1. *Administration* \$94,000
Add one Senior Human Resources Analyst position to provide support to the Solid Waste divisions. This position is located in the General Fund but will be funded by the Solid Waste fund and is needed to increase response time, provide supervisor support, process corrective actions and recruitments. 0.0

Total Public Works

**\$94,000
0.0**

TOTAL ADMINISTRATIVE ACCOUNTABILITY

**\$94,000
0.0**

POSITION CONVERSIONS TO MAINTAIN EXISTING SERVICES

Law

1. *Criminal Division - Victim Services Unit* \$0
Conversion of eleven existing temporary positions to ongoing positions within the Law Department's Criminal Division - Victim Services Unit funded by Victims of Crimes Act (VOCA) Advocacy Services Grant, VOCA Advocate for Victims 50 & Over Grant and Arizona Governor's Office of Highway Safety (GOHS) Grant. These positions are of a long-term nature as grants have been awarded consistently over the past fifteen years. 0.0

Total Law

**\$0
0.0**

Neighborhood Services

1. *Administration* \$0
Convert a temporary Special Project Administrator position (Grants Compliance Administrator) to ongoing status. A continued long term need is due to increased complexity and reporting requirements per the U.S. Department of Housing and Urban Development and to perform critical financial and programmatic analysis and oversight to identify strategic opportunities to maximize CDBG funds. This addition will provide the City with a dedicated position to perform specialized CDBG compliance and programmatic research and provide recommendations to City management and Council on initiatives and projects to best meet the diverse needs of Phoenix neighborhoods. 0.0

Department/Program

**2021-22
Total**

2.	<i>Targeted Neighborhood Revitalization Programs</i>	\$0
	Convert a temporary Project Manager position and an Accountant II position to ongoing status. These positions were originally funded with Neighborhood Stabilization Program grant funds and support programs to purchase foreclosed or abandoned homes and multi-family properties at a discount to rehabilitate, resell, or redevelop these properties in order to stabilize neighborhoods within the City of Phoenix. The programs are now funded with program income expected from outstanding 15-30 year loans which must also comply with the HUD federal funding regulations including regular grant reporting and program administration for reuse of available funds.	0.0
3.	<i>Housing Rehab Programs</i>	\$0
	Convert a temporary Housing Rehabilitation Specialist position and a Project Manager position to ongoing status. These positions support weatherization grant programs that provide energy efficient improvements for low-income residents. The City has continuously received level or increased funding to assist Phoenix residents and there is no indication of the City not being a continued recipient of these grant funds.	0.0
	Total Neighborhood Services	\$0 0.0

Public Transit

1.	<i>Light Rail</i>	\$0
	Convert a temporary Management Assistant II position (Business Assistance Coordinator) to ongoing status. This position is responsible for the creation and implementation of the Small Business Financial Assistance Program Pilot in conjunction with Valley Metro and the program administrator. This position is essential for developing programs that support the business communities that might be impacted by light rail construction and for working with Valley Metro, business owners and other stakeholders to assure the quality and standards for the City of Phoenix and Light Rail Business Assistance program are maintained.	0.0
2.	<i>Light Rail</i>	\$0
	Convert a temporary Economic Development Program Manager position to ongoing status. The position is in the construction oversight and coordination section of the Light Rail Transit Division and is responsible for the implementation of a quality assurance program, and serves as a liaison for other internal City departments as it relates to Light Rail operations and construction. The position is also responsible for making sound engineering determinations to forward the progress of light rail projects.	0.0
	Total Public Transit	\$0 0.0

Department/Program**2021-22
Total****Street Transportation**

1.	<i>Administration</i>	\$0
	Convert a temporary Special Projects Administrator position in the Horizontal Project Management (HPM) section to ongoing status to manage the design and construction staff and the Materials Testing Lab and Survey sections and oversee the work of design consultants and construction contractors.	0.0
2.	<i>Transportation and Drainage Design and Construction</i>	\$70,000
	Convert a temporary Chief Construction Inspector and Senior Construction Inspector to ongoing status, and add funding for vehicles. Inspectors are responsible for project management of multiple projects, project and public safety, adhering and monitoring Americans with Disabilities Act (ADA) Federal compliance, and addressing citizen concerns and efficient resolution of citizen complaints related to projects.	0.0
	Total Street Transportation	\$70,000 0.0
	TOTAL POSITION CONVERSIONS TO MAINTAIN EXISTING SERVICES	\$70,000 0.0
	<u>TOTAL PROPOSED NON-GENERAL FUND ADDITIONS</u>	\$4,364,000 28.0

**2019-20 SCHEDULE 1
RESOURCES AND EXPENDITURES BY FUND
ACTUAL
(In Thousands of Dollars)**

	Resources					Expenditures				Ending Fund Balance	
	Beginning Fund Balance	Revenue ^{1/}	Recovery and Proceeds	Interfund Transfers-In	Interfund Transfers-Out	Total	Operating	Capital	Debt Service		Total
General Funds											
General Fund	133,580	351,218	5,443	937,469	(109,274)	1,318,436	1,135,541	13,776	-	1,149,317	169,119
Library	-	39,624	1,424	-	(2,659)	38,389	37,758	631	-	38,389	-
Parks	-	15,732	396	76,627	-	92,755	92,755	-	-	92,755	-
Cable Television	-	10,369	1	-	(8,000)	2,370	2,370	-	-	2,370	-
Total General Funds	133,580	416,943	7,264	1,014,096	(119,933)	1,451,950	1,268,424	14,407	-	1,282,831	169,119
Special Revenue Funds											
Excise Tax	-	1,393,827	-	-	(1,393,827)	-	-	-	-	-	-
Arizona Highway User Revenue	41,347	138,553	11,814	28,000	(31,893)	187,820	75,913	67,422	-	143,336	44,484
Capital Construction	15,992	565	236	8,548	-	25,341	153	4,482	-	4,635	20,705
City Improvement	-	19	-	124,980	(1,027)	123,972	-	-	123,972	123,972	-
Community Reinvestment	13,274	10,841	1	-	(2,065)	22,051	1,104	5,774	-	6,878	15,173
Court Awards	(300)	4,873	103	-	-	4,676	5,734	-	-	5,734	(1,058) ^{2/}
Development Services	70,367	70,424	21	-	(4,322)	136,490	60,353	17,416	-	77,768	58,722
Golf	796	6,958	7	-	-	7,761	5,630	95	-	5,725	2,036
Neighborhood Protection - Block Watch	4,857	287	-	1,812	(5)	6,950	1,519	-	-	1,519	5,431
Neighborhood Protection - Fire	4,636	676	-	9,058	(27)	14,343	9,683	-	-	9,683	4,659
Neighborhood Protection - Police	15,459	1,657	-	25,363	(472)	42,008	29,563	-	-	29,563	12,445
Parks and Preserves	63,604	3,394	187	38,331	(108)	105,407	5,638	33,677	-	39,315	66,092
Public Safety Enhancement - Fire	10,998	752	-	9,112	-	20,861	9,559	-	-	9,559	11,303
Public Safety Enhancement - Police	13,078	866	-	14,866	(356)	28,454	18,191	-	-	18,191	10,263
Public Safety Expansion - Fire	6,102	941	-	14,493	(166)	21,370	13,306	-	-	13,306	8,064
Public Safety Expansion - Police	30,255	4,690	-	57,971	(926)	91,991	67,186	-	-	67,186	24,806
Regional Transit	(7,529)	43,148	128	-	-	35,748	34,263	6,964	-	41,228	(5,480) ^{3/}
Regional Wireless Cooperative	1,823	4,602	9	188	(188)	6,434	4,636	-	-	4,636	1,798
Secondary Property Tax	100	111,103	-	5,107	-	116,310	-	-	116,210	116,210	100
Sports Facilities	52,882	5,379	9	18,476	(6,238)	70,509	2,788	6,941	-	9,729	60,780
Transit 2000 ^{4/}	(699)	18	447	713	(478)	-	-	-	-	-	-
Transportation 2050 ^{4/}	158,917	44,650	7,522	248,327	(73,197)	386,218	192,013	32,608	-	224,621	161,597
Other Restricted	90,732	37,848	404	31,767	(6,036)	154,717	50,955	2,070	-	53,025	101,692
Grants and Public Housing	29,009	305,608	1,314	1,274	(1,623)	335,582	260,818	46,654	-	307,472	28,110
Total Special Revenue Funds	615,701	2,191,680	22,202	638,386	(1,522,954)	1,945,013	849,006	224,103	240,183	1,313,292	631,721
Enterprise Funds											
Aviation	272,617	362,345	1,980	454,260	(337,921)	753,281	259,333	20,366	91,827	371,526	381,755
Convention Center	58,271	21,155	560	62,201	(10,497)	131,690	51,449	3,741	19,952	75,142	56,548
Solid Waste	33,349	155,730	5,719	-	(9,385)	185,414	142,140	4,305	14,041	160,486	24,927
Wastewater	85,045	252,665	2,288	77,068	(86,611)	330,455	101,251	26,196	72,806	200,253	130,202
Water	90,191	454,116	4,645	147,266	(171,361)	524,857	217,710	65,435	128,287	411,432	113,425
Total Enterprise Funds	539,474	1,246,010	15,193	740,795	(615,775)	1,925,697	771,884	120,044	326,912	1,218,840	706,857
GRAND TOTAL	1,288,755	3,854,633	44,658	2,393,277	(2,258,662)	5,322,659	2,889,314	358,554	567,095	3,814,963	1,507,696

^{1/} General fund sales tax revenue is reflected as a transfer-in from the excise tax fund. Total transfer equates to \$890.4 million, and is included in the General Funds revenue total of \$1,307.4 million shown on Schedule 2.

^{2/} The negative balance in Court Awards is due to the timing of reimbursements for the Records Management System (RMS).

^{3/} The negative balance in Regional Transit is due to the timing of reimbursements for project costs from the regional transportation plan (Proposition 400).

^{4/} The Transportation 2050 sales tax (Proposition 104) was established by the voters effective January 1, 2016 and increased the Transit 2000 sales tax (proposition 2000) to fund a comprehensive transportation plan with a 35 year sunset date. The proposition increased the transaction privilege (sales) tax rates by 0.3% for various business activities.

**2020-21 SCHEDULE 1
RESOURCES AND EXPENDITURES BY FUND
PROPOSED ESTIMATE
(In Thousands of Dollars)**

	Resources					Expenditures				Ending Fund Balance	
	Beginning Fund Balance	Revenue ^{1/}	Recovery and Proceeds	Interfund Transfers-In	Interfund Transfers-Out	Total	Operating	Capital	Debt Service		Total
General Funds											
General Fund	169,119	405,227	1,000	1,049,574	(145,284)	1,479,635	1,207,319	27,551	-	1,234,870	244,765
Library	-	42,314	-	1,287	(2,619)	40,981	40,026	955	-	40,981	-
Parks	-	14,489	-	84,212	-	98,701	95,701	3,000	-	98,701	-
Cable Television	-	9,600	-	-	(6,904)	2,696	2,696	-	-	2,696	-
Total General Funds	169,119	471,630	1,000	1,135,072	(154,807)	1,622,014	1,345,743	31,506	-	1,377,249	244,765
Special Revenue Funds											
Excise Tax	-	1,473,964	-	-	(1,473,964)	-	-	-	-	-	-
Arizona Highway User Revenue	44,484	142,879	691	-	(3,793)	184,261	81,714	71,585	-	153,299	30,962
Capital Construction	20,705	45	468	7,992	-	29,210	140	9,253	-	9,393	19,816
City Improvement	-	-	351	59,384	(1,028)	58,706	-	-	58,706	58,706	-
Community Reinvestment	15,173	5,938	75	2,800	(2,064)	21,922	2,181	2,470	-	4,651	17,271
Court Awards	(1,058)	5,608	9	-	-	4,559	4,393	-	-	4,393	167
Development Services	58,722	69,500	160	-	(4,440)	123,942	66,475	11,713	-	78,188	45,754
Golf	2,036	8,439	1	-	-	10,476	7,364	1,793	-	9,157	1,319
Neighborhood Protection - Block Watch	5,431	236	-	1,913	(10)	7,571	1,749	-	-	1,749	5,822
Neighborhood Protection - Fire	4,659	965	-	9,565	(50)	15,140	10,827	-	-	10,827	4,313
Neighborhood Protection - Police	12,445	2,232	5	26,780	(701)	40,760	27,125	-	-	27,125	13,635
Parks and Preserves	66,092	1,627	-	43,903	(201)	111,421	5,929	28,178	-	34,107	77,314
Public Safety Enhancement - Fire	11,303	1,128	-	9,265	-	21,696	11,723	-	-	11,723	9,973
Public Safety Enhancement - Police	10,263	1,299	2	15,116	(416)	26,264	17,173	-	-	17,173	9,091
Public Safety Expansion - Fire	8,064	1,337	-	15,304	(225)	24,480	16,309	-	-	16,309	8,171
Public Safety Expansion - Police	24,806	6,807	3	61,213	(1,214)	91,615	65,735	-	-	65,735	25,880
Regional Transit	(5,480)	27,828	14	2,000	-	24,362	15,364	8,997	-	24,362	-
Regional Wireless Cooperative	1,798	5,543	199	-	-	7,539	5,947	-	-	5,947	1,592
Secondary Property Tax	100	118,215	-	10,631	-	128,946	-	-	128,846	128,846	100
Sports Facilities	60,780	4,313	130	11,905	(14,655)	62,474	3,120	7,060	-	10,180	52,294
Transportation 2050	161,597	15,855	1,263	261,183	(5,842)	434,056	120,323	167,201	-	287,524	146,532
Other Restricted	101,692	20,019	378	23,652	(17,136)	128,605	52,701	7,708	-	60,409	68,196
Grants and Public Housing	28,110	541,082	482	-	(270)	569,403	491,317	49,135	-	540,453	28,951
Total Special Revenue Funds	631,721	2,454,860	4,231	562,606	(1,526,010)	2,127,408	1,007,609	365,093	187,552	1,560,254	567,154
Enterprise Funds											
Aviation	381,755	426,477	5,220	87,566	(12,306)	888,711	353,029	30,820	126,449	510,298	378,413
Convention Center	56,548	3,557	949	50,420	(3,944)	107,530	49,003	5,344	20,639	74,986	32,544
Solid Waste	24,927	182,178	3,077	-	(10,114)	200,068	158,968	8,138	14,977	182,084	17,984
Wastewater	130,202	253,208	2,714	28,581	(45,151)	369,555	111,243	32,039	71,783	215,064	154,491
Water	113,425	502,979	4,137	15,079	(51,576)	584,044	229,793	61,496	136,908	428,196	155,847
Total Enterprise Funds	706,857	1,368,400	16,097	181,645	(123,091)	2,149,908	902,037	137,837	370,756	1,410,629	739,279
GRAND TOTAL	1,507,696	4,294,890	21,328	1,879,324	(1,803,908)	5,899,330	3,255,388	534,436	558,308	4,348,132	1,551,198

^{1/} General fund sales tax revenue is reflected as a transfer-in from the excise tax fund. Total transfer equates to \$960.5 million, and is included in the General Funds revenue total of \$1,432.1 million shown on Schedule 2.

**2021-22 SCHEDULE 1
RESOURCES AND EXPENDITURES BY FUND
PROPOSED BUDGET
(In Thousands of Dollars)**

	Resources					Expenditures				Ending Fund Balance	
	Beginning Fund Balance	Revenue ^{1/}	Recovery and Proceeds	Interfund Transfers-In	Interfund Transfers-Out	Total	Operating	Capital	Debt Service		Total
General Funds											
General Fund	244,765	314,884	1,000	1,021,545	(131,740)	1,450,454	1,426,402	24,052	-	1,450,454	-
Library	-	45,248	-	2,119	(2,546)	44,820	43,865	955	-	44,820	-
Parks	-	15,816	-	93,358	-	109,174	109,174	-	-	109,174	-
Cable Television	-	9,600	-	-	(6,431)	3,169	3,169	-	-	3,169	-
Total General Funds	244,765	385,547	1,000	1,117,023	(140,717)	1,607,618	1,582,611	25,007	-	1,607,618	-
Special Revenue Funds											
Excise Tax	-	1,516,161	-	-	(1,516,161)	-	-	-	-	-	-
Arizona Highway User Revenue	30,962	149,715	691	-	(892)	180,475	89,856	85,482	-	175,338	5,138
Capital Construction	19,816	222	236	7,370	-	27,644	140	20,380	-	20,520	7,124
City Improvement	-	-	-	71,447	(1,026)	70,421	-	-	70,421	70,421	-
Community Reinvestment	17,271	5,863	1	4,845	(2,221)	25,759	2,128	7,734	-	9,862	15,897
Court Awards	167	5,296	2	-	-	5,464	5,464	-	-	5,464	1
Development Services	45,754	71,428	14	-	(4,440)	112,756	81,906	4,451	-	86,357	26,399
Golf	1,319	6,794	-	-	-	8,112	6,224	-	-	6,224	1,889
Neighborhood Protection - Block Watch	5,822	236	-	2,011	(9)	8,060	2,114	-	-	2,114	5,946
Neighborhood Protection - Fire	4,313	37	-	10,053	(48)	14,355	11,063	-	-	11,063	3,292
Neighborhood Protection - Police	13,635	132	-	28,150	(696)	41,222	32,494	-	-	32,494	8,728
Parks and Preserves	77,314	1,852	-	40,369	(193)	119,343	6,479	66,212	-	72,691	46,652
Public Safety Enhancement - Fire	9,973	-	-	9,388	-	19,361	11,104	-	-	11,104	8,257
Public Safety Enhancement - Police	9,091	-	-	15,318	(416)	23,993	19,378	-	-	19,378	4,615
Public Safety Expansion - Fire	8,171	82	-	16,086	(222)	24,117	17,613	-	-	17,613	6,504
Public Safety Expansion - Police	25,880	239	-	64,342	(1,201)	89,260	79,093	-	-	79,093	10,167
Regional Transit	-	38,945	14	-	-	38,959	24,998	13,961	-	38,959	-
Regional Wireless Cooperative	1,592	5,515	9	-	-	7,116	5,485	-	-	5,485	1,632
Secondary Property Tax	100	123,686	650	5,379	-	129,814	-	-	129,714	129,714	100
Sports Facilities	52,294	4,240	1	16,604	(15,415)	57,724	22,690	2,393	-	25,083	32,641
Transportation 2050	146,532	27,973	-	274,396	(21,192)	427,709	91,311	308,724	-	400,036	27,673
Other Restricted	68,196	31,622	32	34,824	(7,541)	127,133	66,468	12,718	-	79,186	47,947
Grants and Public Housing	28,951	1,031,004	74	-	(274)	1,059,755	912,952	125,058	-	1,038,010	21,745
Total Special Revenue Funds	567,154	3,021,042	1,724	600,583	(1,571,948)	2,618,554	1,488,959	647,114	200,135	2,336,209	282,346
Enterprise Funds											
Aviation	378,413	412,546	1,781	32,747	(10,290)	815,197	372,968	126,993	87,281	587,242	227,955
Convention Center	32,544	18,800	61	57,196	(3,801)	104,801	48,880	15,480	20,763	85,123	19,677
Solid Waste	17,984	189,870	268	-	(9,802)	198,320	171,647	11,278	15,227	198,151	169
Wastewater	154,491	254,696	1,222	30,004	(47,712)	392,701	128,461	71,659	71,389	271,510	121,191
Water	155,847	487,697	2,099	17,737	(46,103)	617,277	261,694	125,355	153,620	540,668	76,609
Total Enterprise Funds	739,279	1,363,609	5,431	137,685	(117,708)	2,128,296	983,649	350,766	348,280	1,682,695	445,601
GRAND TOTAL	1,551,198	4,770,197	8,155	1,855,290	(1,830,372)	6,354,468	4,055,219	1,022,887	548,415	5,626,521	727,947

^{1/} General fund sales tax revenue is reflected as a transfer-in from the excise tax fund. Total transfer equates to \$970.2 million, and is included in the General Funds revenue total of \$1,355.8 million shown on Schedule 2.

SCHEDULE 2
PROPOSED REVENUES BY MAJOR SOURCE
(In Thousands of Dollars)

Revenue Source	2019-20 Actuals	2020-21 Estimate	Percent Increase/ Decrease from 2019-20 Actuals	2021-22 Budget	Percent Increase/ Decrease from 2020-21 Estimate
GENERAL FUND					
Local Taxes and Related Fees					
Local Sales Tax	479,705	505,957	5.5%	528,111	4.4%
Privilege License Fees	2,436	2,800	14.9%	2,800	0.0%
Other General Fund Excise Taxes	18,837	19,106	1.4%	19,286	0.9%
Subtotal	500,978	527,863	5.4%	550,197	4.2%
State Shared Revenues					
Sales Tax	171,927	189,898	10.5%	197,945	4.2%
State Income Tax	214,697	240,237	11.9%	219,316	-8.7%
Vehicle License Tax	70,484	75,200	6.7%	79,100	5.2%
Subtotal	457,108	505,335	10.6%	496,361	-1.8%
Primary Property Tax	170,210	179,950	5.7%	191,294	6.3%
User Fees/Other Revenue					
Licenses & Permits	2,812	2,502	-11.0%	2,771	10.8%
Cable Communications	10,369	9,600	-7.4%	9,600	0.0%
Fines and Forfeitures	10,734	8,918	-16.9%	8,956	0.4%
Court Default Fee	1,310	1,216	-7.2%	1,451	19.3%
Fire	49,893	45,686	-8.4%	50,098	9.7%
Hazardous Materials Inspection Fee	1,408	1,400	-0.6%	1,500	7.1%
Library Fees	371	204	-45.0%	483	+100%
Parks and Recreation	5,453	3,461	-36.5%	4,093	18.3%
Planning	1,589	1,387	-12.7%	1,497	7.9%
Police	14,848	12,975	-12.6%	13,108	1.0%
Street Transportation	6,155	6,145	-0.2%	6,481	5.5%
Other Service Charges	22,519	13,589	-39.7%	15,306	12.6%
Other	3,067	2,674	-12.8%	2,579	-3.6%
Subtotal	130,528	109,757	-15.9%	117,923	7.4%
Coronavirus Relief Fund ^{1/}	48,533	109,225	+100%	-	-100.0%
TOTAL GENERAL FUNDS	1,307,357	1,432,130	9.5%	1,355,775	-5.3%

SCHEDULE 2
PROPOSED REVENUES BY MAJOR SOURCE (Continued)
(In Thousands of Dollars)

Revenue Source	2019-20 Actuals	2020-21 Estimate	Percent Increase/ Decrease from	2021-22 Budget	Percent Increase/ Decrease from
			2019-20 Actuals		2020-21 Estimate
SPECIAL REVENUE FUNDS					
Neighborhood Protection	38,853	41,691	7.3%	40,619	-2.6%
2007 Public Safety Expansion	78,096	84,663	8.4%	80,749	-4.6%
Public Safety Enhancement	25,596	26,808	4.7%	24,706	-7.8%
Parks and Preserves	39,627	39,886	0.7%	42,066	5.5%
Transit 2000 ^{2/}	18	-	-100.0%	-	NA
Transportation 2050 ^{2/}	292,242	277,038	-5.2%	302,368	9.1%
Court Awards	4,872	5,608	15.1%	5,296	-5.6%
Development Services	70,425	69,500	-1.3%	71,428	2.8%
Capital Construction	9,113	7,835	-14.0%	7,592	-3.1%
Sports Facilities	22,829	15,190	-33.5%	19,818	30.5%
Arizona Highway User Revenue	138,553	142,879	3.1%	149,715	4.8%
Regional Transit Revenues	43,148	27,828	-35.5%	38,945	39.9%
Community Reinvestment	10,841	5,938	-45.2%	5,863	-1.3%
Secondary Property Tax	111,103	118,215	6.4%	123,686	4.6%
Impact Fee Program Administration	524	515	-1.7%	525	1.9%
Regional Wireless Cooperative	4,602	5,543	20.4%	5,515	-0.5%
Golf Courses	6,958	8,439	21.3%	6,794	-19.5%
City Improvement Fund	19	-	-100.0%	-	NA
Other Restricted Revenues	42,976	25,283	-41.2%	36,929	46.1%
Grants					
Public Housing Grants	93,470	109,733	17.4%	105,745	-3.6%
Human Services Grants	56,629	96,447	70.3%	86,581	-10.2%
Community Development	15,289	41,795	+100%	70,581	68.9%
Criminal Justice	7,921	14,769	86.5%	18,876	27.8%
Public Transit Grants	64,026	142,349	+100%	240,756	69.1%
Other Grants	68,270	135,989	99.2%	508,465	+100%
Subtotal - Grants	305,605	541,082	77.1%	1,031,004	90.5%
SUBTOTAL SPECIAL REVENUE FUNDS	1,246,000	1,443,941	15.9%	1,993,618	38.1%
ENTERPRISE FUNDS					
Aviation	362,346	426,477	17.7%	412,547	-3.3%
Water System	454,115	502,979	10.8%	487,696	-3.0%
Wastewater System	252,664	253,208	0.2%	254,696	0.6%
Solid Waste	155,730	182,178	17.0%	189,869	4.2%
Convention Center	76,421	53,977	-29.4%	75,996	40.8%
SUBTOTAL ENTERPRISE FUNDS	1,301,276	1,418,819	9.0%	1,420,804	0.1%
TOTAL ALL OPERATING FUNDS	3,854,633	4,294,890	11.4%	4,770,197	11.1%

^{1/} Coronavirus Relief Fund (CRF) is a one-time resource received from the federal government. It is approved by the City Council to offset public safety salaries as permitted by the Federal guidelines.

^{2/} The Transportation 2050 sales tax (Proposition 104) was established by the voters effective January 1, 2016 and increased the Transit 2000 sales tax (Proposition 2000) to fund a comprehensive transportation plan with a 35 year sunset date. The Proposition increased the transaction privilege (sales) tax rates by 0.3% for various business activities.

SCHEDULE 3
PROPOSED OPERATING EXPENDITURES BY DEPARTMENT^{1/}
(In Thousands of Dollars)

	2019-20	2020-21		2021-22	Percent Change from 2020-21	
	Actuals	Budget	Estimate	Budget	Budget	Estimate
General Government						
Mayor's Office	1,624	2,244	2,258	2,323	3.5%	2.9%
City Council	4,024	5,444	5,398	5,577	2.4%	3.3%
City Manager's Office	2,433	6,307	13,741	8,826	39.9%	-35.8%
City Auditor	2,523	3,205	2,912	3,174	-1.0%	9.0%
Information Technology Services	46,980	53,181	68,804	60,974	14.7%	-11.4%
Equal Opportunity	2,308	3,341	2,968	3,453	3.4%	16.3%
City Clerk	4,528	7,285	6,336	7,475	2.6%	18.0%
Human Resources	12,258	13,528	22,650	19,762	46.1%	-12.7%
Retirement Systems	-	-	-	-	0.0%	0.0%
Phoenix Employment Relations Board	104	107	140	124	15.9%	-11.4%
Law	5,802	6,390	6,074	6,737	5.4%	10.9%
Budget and Research	3,333	3,975	3,823	4,311	8.5%	12.8%
Regional Wireless Cooperative	4,636	5,118	5,947	5,485	7.2%	-7.8%
Finance	28,749	30,158	41,131	33,541	11.2%	-18.5%
Communications Office	2,446	2,780	2,740	3,159	13.7%	15.3%
Government Relations	4,291	1,541	1,514	1,259	-18.3%	-16.8%
Total General Government	126,039	144,603	186,437	166,180	14.9%	-10.9%
Public Safety						
Police	708,888	743,792	719,962	786,708	5.8%	9.3%
Fire	393,757	413,812	416,986	462,262	11.7%	10.9%
Homeland Security & Emergency Management	980	1,287	708	690	-46.4%	-2.5%
Total Public Safety	1,103,625	1,158,891	1,137,656	1,249,660	7.8%	9.8%
Criminal Justice						
City Prosecutor	17,283	21,416	20,578	19,210	-10.3%	-6.6%
Municipal Court	32,376	35,136	34,376	37,489	6.7%	9.1%
Public Defender	5,327	5,380	5,373	5,634	4.7%	4.9%
Total Criminal Justice	54,986	61,932	60,327	62,334	0.6%	3.3%
Transportation						
Street Transportation	98,378	104,841	104,914	115,853	10.5%	10.4%
Aviation	258,733	468,150	352,359	352,246	-24.8%	0.0%
Public Transit	253,972	280,022	241,369	277,014	-1.1%	14.8%
Total Transportation	611,082	853,013	698,643	745,113	-12.6%	6.7%

SCHEDULE 3 (Continued)
PROPOSED OPERATING EXPENDITURES BY DEPARTMENT^{1/}
(In Thousands of Dollars)

	2019-20	2020-21		2021-22	Percent Change from 2020-21	
	Actuals	Budget	Estimate	Budget	Budget	Estimate
Community Development						
Planning and Development	64,824	72,794	71,815	81,254	11.6%	13.1%
Housing	96,702	117,938	111,780	113,507	-3.8%	1.5%
Community and Economic Development	15,848	13,183	21,821	13,882	5.3%	-36.4%
Neighborhood Services	45,778	63,556	75,640	82,998	30.6%	9.7%
Total Community Development	223,152	267,471	281,055	291,641	9.0%	3.8%
Community Enrichment						
Office of Arts and Culture	3,871	4,661	6,951	4,773	2.4%	-31.3%
Parks and Recreation	107,259	117,482	112,702	124,443	5.9%	10.4%
Library	38,565	41,958	41,504	44,860	6.9%	8.1%
Phoenix Convention Center	53,680	60,860	51,413	48,223	-20.8%	-6.2%
Human Services	85,644	100,447	160,315	147,633	47.0%	-7.9%
Total Community Enrichment	289,018	325,408	372,885	369,932	13.7%	-0.8%
Environmental Services						
Office of Sustainability	425	656	680	910	38.7%	33.9%
Environmental Programs	1,300	1,449	3,756	1,997	37.8%	-46.8%
Public Works	19,006	18,598	23,222	23,368	25.6%	0.6%
Solid Waste Disposal	141,943	158,908	158,768	170,439	7.3%	7.4%
Water Services	318,738	341,893	340,636	364,980	6.8%	7.1%
Total Environmental Services	481,411	521,505	527,062	561,694	7.7%	6.6%
Non-Departmental Operating						
Contingencies	-	124,096	-	203,664	64.1%	+100%
Other Non-Departmental ^{2/}	-	256,400	(8,677)	405,000	58.0%	+100%
Total Non-Departmental Operating	-	380,496	(8,677)	608,664	60.0%	+100%
Total	2,889,314	3,713,320	3,255,388	4,055,219	9.2%	24.6%

^{1/} For purposes of this schedule, department budget allocations include Grants.

^{2/} Other Non-Departmental consists of the Coronavirus Aid, Relief, and Economic Security Act (CARES) Coronavirus Relief Fund, the American Rescue Plan Act (ARPA) Fund and Unassigned Vacancy Savings.

SCHEDULE 4
2021-22 PROPOSED OPERATING EXPENDITURES BY DEPARTMENT^{1/}
BY SOURCE OF FUNDS
(In Thousands of Dollars)

	Total	General Funds	Special Revenue Funds	Enterprise Funds
General Government				
Mayor's Office	2,323	2,323	-	-
City Council	5,577	5,577	-	-
City Manager's Office	8,826	8,111	494	222
City Auditor	3,174	3,174	-	-
Information Technology Services	60,974	60,150	87	737
Equal Opportunity	3,453	2,875	579	-
City Clerk	7,475	7,475	-	-
Human Resources	19,762	19,275	487	-
Retirement Systems	-	-	-	-
Phoenix Employment Relations Board	124	124	-	-
Law	6,737	6,737	-	-
Budget and Research	4,311	4,311	-	-
Regional Wireless Cooperative	5,485	-	5,485	-
Finance	33,541	29,715	1,733	2,093
Communications Office	3,159	3,159	-	-
Government Relations	1,259	1,259	-	-
Total General Government	166,180	154,264	8,864	3,052
Public Safety				
Police	786,708	611,239	175,469	-
Fire	462,262	388,358	73,904	-
Homeland Security & Emergency Management	690	133	557	-
Total Public Safety	1,249,660	999,730	249,930	-
Criminal Justice				
City Prosecutor	19,210	17,127	2,083	-
Municipal Court	37,489	34,224	3,265	-
Public Defender	5,634	5,634	-	-
Total Criminal Justice	62,334	56,986	5,348	-
Transportation				
Street Transportation	115,853	21,639	94,215	-
Aviation	352,246	-	-	352,246
Public Transit	277,014	1,838	275,176	-
Total Transportation	745,113	23,476	369,391	352,246

SCHEDULE 4 (Continued)

**2021-22 PROPOSED OPERATING EXPENDITURES BY DEPARTMENT^{1/}
BY SOURCE OF FUNDS
(In Thousands of Dollars)**

	Total	General Funds	Special Revenue Funds	Enterprise Funds
Community Development				
Planning and Development	81,254	5,173	76,081	-
Housing	113,507	1,772	111,734	-
Community and Economic Development	13,882	6,884	6,388	610
Neighborhood Services	82,998	15,515	67,483	-
Total Community Development	291,641	29,344	261,686	610
Community Enrichment				
Office of Arts and Culture	4,773	4,726	47	-
Parks and Recreation	124,443	108,229	16,214	-
Library	44,860	43,865	995	-
Phoenix Convention Center	48,223	2,292	555	45,376
Human Services	147,633	22,051	125,202	380
Total Community Enrichment	369,932	181,164	143,012	45,756
Environmental Services				
Office of Sustainability	910	474	436	-
Environmental Programs	1,997	1,280	285	431
Public Works	23,368	22,728	641	-
Solid Waste Disposal	170,439	-	-	170,439
Water Services	364,980	-	2,366	362,615
Total Environmental Services	561,694	24,482	3,727	533,485
Non-Departmental Operating				
Contingencies	203,664	124,164	31,000	48,500
Other Non-Departmental ^{2/}	405,000	(11,000)	416,000	-
Total Non-Departmental Operating	608,664	113,164	447,000	48,500
Total	4,055,219	1,582,611	1,488,959	983,649

^{1/} For purposes of this schedule, department budget allocations include Grants.

^{2/} Other Non-Departmental consists of the American Rescue Plan Act (ARPA) Fund and Unassigned Vacancy Savings.

SCHEDULE 5
PROPOSED DEBT SERVICE EXPENDITURES
BY SOURCE AND USE OF FUNDS AND TYPE OF EXPENDITURE
(In Thousands of Dollars)

	2019-20 Actual	2020-21 Estimate	2021-22 Proposed Budget
Operating Funds			
City Improvement			
Economic Development	6,570	4,199	3,911
Finance and General Government	912	11,894	19,686
Fire	4,231	381	253
Housing	71	70	74
Human Resources	816	648	363
Human Services	78	47	4
Information Technology	12,150	10,300	1,840
Issuance Costs	-	351	-
Municipal Court	6,722	5,870	5,076
Parks and Recreation	390	176	24
Police	2,601	393	339
Public Transit	70,656	571	17,993
Public Works	7,179	6,978	6,379
Sports Facilities	7,242	12,169	12,708
Street Transportation	4,355	4,658	1,770
Sub-Total City Improvement	123,972	58,706	70,421
Secondary Property Tax			
Cultural Facilities	11,404	16,925	20,260
Education & Econ Development	6,784	5,034	4,164
Environmental Improvement	1,899	1,567	268
Fire Protection	7,086	7,825	8,039
Freeway Mitigation	610	539	541
Historic Preservation	616	1,490	1,474
Housing	4,952	5,131	4,348
Human Services & Senior Centers	2,176	2,472	2,225
Information Systems	3,221	3,491	3,037
Issuance Costs	-	-	650
Library	7,229	7,051	7,206
Maintenance Service Centers	3,507	761	654
Municipal Facilities	10	-	-
Neighborhood Services	9,776	5,142	1,362
Parks & Mountain Preserves	16,270	18,356	19,862
Police	6,784	9,634	10,676
Police, Fire & Computer Tech	10,366	12,034	12,088
Storm Sewers	16,044	20,417	20,796
Street Improvements	7,475	10,979	12,065
Sub-Total Secondary Property Tax	116,210	128,846	129,714
Aviation	91,827	126,449	87,281
Convention Center	19,952	20,639	20,763
Solid Waste	14,041	14,977	15,227
Wastewater	72,806	71,783	71,389
Water	128,287	136,908	153,620
Total Operating Funds	567,095	558,308	548,415

SCHEDULE 5 (Continued)
PROPOSED DEBT SERVICE EXPENDITURES
BY SOURCE AND USE OF FUNDS AND TYPE OF EXPENDITURE
(In Thousands of Dollars)

	2019-20 Actual	2020-21 Estimate	2021-22 Proposed Budget
Bond Funds			
Aviation	1,722	-	-
Convention Center	-	259	-
Transportation 2050	-	-	800
Water	770	302	498
Other	-	164	-
Total Bond Funds	2,492	725	1,298
Other Capital Funds			
Capital Reserves	-	800	-
Customer Facility Charges	14,024	15,557	20,558
Federal, State and Other Participation	23,500	23,998	24,498
Passenger Facility Charges	49,945	22,598	56,763
Total Other Capital Funds	87,469	62,953	101,820
Total Debt Service	657,055	621,986	651,533
Type of Expenditure			
Principal	361,917	306,895	314,169
Interest and Other	295,138	315,090	337,363
Total Debt Service Expenditures	657,055	621,986	651,533

SCHEDULE 6
SUMMARY OF 2021-22 CAPITAL IMPROVEMENT PROGRAM
FINANCED BY OPERATING FUNDS
(In Thousands of Dollars)

	2019-20 Actuals	2020-21 Estimate	2021-22 Proposed Budget
<u>Use of Funds</u>			
Aviation	20,335	30,577	126,448
Economic Development	8,167	5,766	9,450
Environmental Programs	333	250	250
Facilities Management	12,573	15,728	16,491
Fire Protection	-	4,007	11,263
Historic Preservation & Planning	17,301	10,850	3,648
Housing	4,146	16,098	34,064
Information Technology	2,342	5,247	9,680
Libraries	631	955	955
Neighborhood Services	2,026	1,377	12,306
Parks, Recreation & Mountain Preserves	38,698	36,271	68,126
Phoenix Convention Center	6,428	8,267	15,638
Public Art Program	137	1,970	1,584
Public Transit	55,433	195,898	337,340
Solid Waste Disposal	4,243	7,790	9,344
Street Transportation & Drainage	94,466	100,762	168,966
Wastewater	26,050	31,660	69,595
Water	65,245	60,964	127,740
Total Operating Funds	358,554	534,436	1,022,887
<u>Source of Funds</u>			
General Funds			
General Fund	13,776	27,551	24,052
Library	631	955	955
Parks	-	3,000	-
Total General Funds	14,407	31,506	25,007
Special Revenue Funds			
Arizona Highway User Revenue	67,422	71,585	85,482
Capital Construction	4,482	9,253	20,380
Community Reinvestment	5,774	2,470	7,734
Development Services	17,416	11,713	4,451
Golf	95	1,793	-
Grants and Public Housing	46,654	49,135	125,058
Other Restricted	2,070	7,708	12,718
Parks and Preserves	33,677	28,178	66,212
Regional Transit	6,964	8,997	13,961
Sports Facilities	6,941	7,060	2,393
Transportation 2050	32,608	167,201	308,724
Total Special Revenue Funds	224,103	365,093	647,114
Enterprise Funds			
Aviation	20,366	30,820	126,993
Convention Center	3,741	5,344	15,480
Solid Waste	4,305	8,138	11,278
Wastewater	26,196	32,039	71,659
Water	65,435	61,496	125,355
Total Enterprise Funds	120,044	137,837	350,766
Total Operating Funds	358,554	534,436	1,022,887

SCHEDULE 7
PROPOSED INTERFUND TRANSFERS TO THE GENERAL FUND
(In Thousands of Dollars)

	2019-20 Actuals	2020-21 Estimate	2021-22	
			Budget	Increase/ (Decrease)
Transfers to the General Fund				
<u>Enterprise Funds</u>				
Aviation				
Central Service Cost Allocation	9,736	10,117	10,117	-
Water Funds				
Central Service Cost Allocation	8,511	10,014	10,014	-
In-Lieu Property Taxes	15,585	16,367	18,650	2,283
Total	24,096	26,381	28,664	2,283
Wastewater Funds				
Central Service Cost Allocation	5,674	6,676	6,676	-
In-Lieu Property Taxes	9,579	9,834	10,962	1,128
Total	15,253	16,510	17,638	1,128
Solid Waste				
Central Service Cost Allocation	6,153	6,952	6,952	-
In-Lieu Property Taxes	1,311	1,256	1,424	168
Total	7,464	8,208	8,376	168
Convention Center				
Central Service Cost Allocation	2,944	3,044	3,044	-
Total From Enterprise Funds	59,493	64,260	67,839	3,579

SCHEDULE 7
PROPOSED INTERFUND TRANSFERS TO THE GENERAL FUND (Continued)
(In Thousands of Dollars)

	2019-20 Actuals	2020-21 Estimate	2021-22	
			Budget	Increase/ (Decrease)
<u>Special Revenue Funds</u>				
Excise				
Transfer to General Fund	890,414	960,500	970,229	9,729
Development Services				
Central Service Cost Allocation	4,322	4,440	4,440	-
Sports Facilities				
Central Service Cost Allocation	174	148	148	-
Phoenix Union Parking Maintenance	79	79	79	-
Total	253	227	227	-
Public Housing In-Lieu Property Taxes	279	200	200	-
ASU Facilities Operations Fund	781	169	128	(41)
Downtown Community Reinvestment Fund	2,065	2,064	2,065	1
Human Trafficking Prevention Fund	2	-	-	-
T2050 Central Service Costs	985	1,063	1,063	-
Neighborhood Protection Central Service Costs	396	561	561	-
Public Safety Enhancement Central Service Costs	356	416	416	-
Public Safety Expansion Central Service Costs	871	1,037	1,037	-
Housing Central Office Central Service Costs	310	371	371	-
Other Restricted - Sale of Land	1,000	6,865	-	(6,865)
Library Reserve Fund	-	1,286	1,753	467
Total From Special Revenue Funds	902,034	979,199	982,490	3,291
Total Transfers to the General Fund	961,527	1,043,459	1,050,329	6,870
Transfers from the General Fund				
Strategic Economic Development Fund	(1,000)	(1,000)	(1,200)	(200)
Public Safety Other Restricted Fund	(16,000)	(16,000)	(17,000)	(1,000)
Public Safety Pension Reserve Fund	(5,500)	(1,000)	(1,000)	-
Other Restricted	(509)	-	-	-
Aviation-Emergency Transportation Services	(248)	-	(125)	(125)
Community Facilities Districts-Restricted Fund	(207)	(279)	(262)	17
Enhanced Municipal Services District Fund	(454)	-	-	-
Aerial Fleet Capital Reserve Fund	-	(5,000)	(7,000)	(2,000)
Fire SCBA Sinking Fund	-	-	(10,000)	(10,000)
Library Reserve Fund	(248)	-	-	-
Retiree Rate Stabilization Fund	(1,027)	(1,028)	(1,026)	2
Infrastructure Repayment Agreements	(574)	(1,369)	(1,427)	(58)
City Improvement - Library	(115)	(112)	(39)	73
City Improvement	(41,482)	(37,407)	(34,943)	2,464
Total Transfers from the General Fund	(67,364)	(63,195)	(74,022)	(10,827)
Net Transfers to the General Fund	894,163	980,264	976,307	(3,957)

SCHEDULE 8
PROPOSED POSITIONS BY DEPARTMENT
Number of Full Time Equivalent Positions

	2019-20 Actual	2020-21 Adopted	2020-21 Estimate	Estimate less Adopted	2021-22 Budget	Budget less Estimate
General Government						
Mayor's Office	13.0	13.0	15.3	2.3	14.3	(1.0)
City Council	33.0	33.0	32.0	(1.0)	32.0	0.0
City Manager's Office	20.5	21.5	27.9	6.4	33.9	6.0
City Auditor	25.4	25.4	25.4	0.0	25.4	0.0
Information Technology Services	200.0	201.0	206.0	5.0	209.0	3.0
Equal Opportunity	27.0	27.0	27.0	0.0	27.0	0.0
City Clerk	51.5	51.5	51.5	0.0	51.5	0.0
Human Resources	112.7	112.7	117.7	5.0	118.7	1.0
Retirement Systems	16.0	16.0	16.0	0.0	16.0	0.0
Phoenix Employment Relations Board	1.0	1.0	1.0	0.0	1.0	0.0
Law	65.0	65.0	66.0	1.0	67.0	1.0
Budget and Research	24.0	24.0	25.0	1.0	25.0	0.0
Regional Wireless Cooperative	4.0	4.0	4.0	0.0	4.0	0.0
Finance	213.0	213.0	215.0	2.0	214.0	(1.0)
Communications Office	19.1	19.1	19.1	0.0	20.1	1.0
Government Relations	7.0	7.0	5.0	(2.0)	5.0	0.0
Total General Government	832.2	834.2	853.9	19.7	863.9	10.0
Public Safety						
Police	4,363.6	4,360.6	4,363.6	3.0	4,436.6	73.0
Fire	2,089.8	2,091.8	2,127.8	36.0	2,277.7	149.9
Homeland Security & Emergency Management	9.0	9.0	7.0	(2.0)	7.0	0.0
Total Public Safety	6,462.4	6,461.4	6,498.4	37.0	6,721.3	222.9
Criminal Justice						
City Prosecutor	147.0	147.0	148.0	1.0	148.0	0.0
Municipal Court	274.0	274.0	274.0	0.0	279.0	5.0
Public Defender	11.0	11.0	11.0	0.0	11.0	0.0
Total Criminal Justice	432.0	432.0	433.0	1.0	438.0	5.0
Transportation						
Street Transportation	721.0	721.0	728.0	7.0	734.0	6.0
Aviation	890.0	890.0	889.0	(1.0)	889.0	0.0
Public Transit	120.0	120.0	121.0	1.0	121.0	0.0
Total Transportation	1,731.0	1,731.0	1,738.0	7.0	1,744.0	6.0

SCHEDULE 8 (Continued)
PROPOSED POSITIONS BY DEPARTMENT
Number of Full Time Equivalent Positions

	2019-20 Actual	2020-21 Adopted	2020-21 Estimate	Estimate less Adopted	2021-22 Budget	Budget less Estimate
Community Development						
Planning and Development	444.8	444.8	467.8	23.0	480.8	13.0
Housing	129.0	134.0	126.0	(8.0)	126.0	0.0
Community and Economic Development	57.0	57.0	57.0	0.0	59.0	2.0
Neighborhood Services	190.0	189.0	190.0	1.0	191.0	1.0
Total Community Development	820.8	824.8	840.8	16.0	856.8	16.0
Community Enrichment						
Office of Arts and Culture	11.0	11.0	11.0	0.0	11.0	0.0
Parks and Recreation	1,013.1	1,014.1	1,017.0	2.9	1,050.0	33.0
Library	401.3	401.3	397.8	(3.5)	402.8	5.0
Phoenix Convention Center	220.0	220.0	219.0	(1.0)	219.0	0.0
Human Services	391.0	391.0	392.0	1.0	395.0	3.0
Total Community Enrichment	2,036.4	2,037.4	2,036.8	(0.6)	2,077.8	41.0
Environmental Services						
Office of Sustainability	5.0	5.0	5.0	0.0	4.0	(1.0)
Environmental Programs	10.0	10.0	10.0	0.0	11.0	1.0
Public Works	426.0	426.0	431.0	5.0	443.0	12.0
Solid Waste Disposal	603.0	609.0	625.5	16.5	633.5	8.0
Water Services	1,485.0	1,487.0	1,480.0	(7.0)	1,485.0	5.0
Total Environmental Services	2,529.0	2,537.0	2,551.5	14.5	2,576.5	25.0
Total	14,843.8	14,857.8	14,952.4	94.6	15,278.3	325.9

SCHEDULE 9
2021-22 CAPITAL FUNDS
RESOURCES AND EXPENDITURES PROPOSED BUDGET
(In Thousands of Dollars)

	Budgeted Beginning Fund Balance	Revenues and Other Sources/ (Uses)	Expenditures	Ending Balance	Projected Resources Beyond 2021-22	Funds Available Beyond 2021-22
1988 General Obligation Bonds						
1988 Freeway Mitigation Bonds	849	-	-	849	1,000	1,849
1988 Parks Bonds	419	-	-	419	-	419
1988 Police Bonds	27	-	-	27	-	27
	1,295	-	-	1,295	1,000	2,295
1989 General Obligation Bonds						
1989 Historic Preservation Bonds	2	-	-	2	-	2
	2	-	-	2	-	2
2001 General Obligation Bonds						
2001 Affordable Housing and Homeless Shelter Bonds	1,053	-	-	1,053	-	1,053
2001 Education, Youth and Cultural Facilities Bonds	(275)	-	902	(1,177)	1,700	523
2001 Environmental Improvement and Cleanup Bonds	261	-	-	261	630	891
2001 Fire Protection Bonds	(788)	-	-	(788)	800	12
2001 Neighborhood Protection and Senior Centers Bonds	631	-	-	631	2,355	2,986
2001 New & Improved Libraries Bonds	3,450	-	-	3,450	900	4,350
2001 Parks, Open Space and Recreation Facilities Bonds	(332)	-	-	(332)	4,425	4,093
2001 Police, Fire and Computer Technology Bonds	(51)	-	-	(51)	615	564
2001 Police Protection Facilities and Equipment Bonds	(524)	-	-	(524)	1,115	591
2001 Preserving Phoenix Heritage Bonds	(173)	-	-	(173)	795	622
2001 Storm Sewer Bonds	-	-	-	-	50	50
2001 Street Improvement Bonds	(457)	-	-	(457)	2,225	1,768
	2,795	-	902	1,893	15,610	17,503
2006 General Obligation Bonds						
2006 Affordable Housing and Neighborhoods Bonds	3,539	-	-	3,539	17,795	21,334
2006 Education Bonds	(4,549)	-	-	(4,549)	8,090	3,541
2006 Libraries, Senior and Cultural Centers Bonds	(3,127)	-	600	(3,727)	27,190	23,463
2006 Parks and Open Spaces Bonds	2,049	-	-	2,049	13,685	15,734
2006 Police, Fire and City Technology Bonds	621	-	-	621	4,790	5,411
2006 Police, Fire and Homeland Security Bonds	(4,051)	-	3,500	(7,551)	36,700	29,149
2006 Street and Storm Sewer Improvements Bonds	5,939	-	270	5,669	27,495	33,164
	421	-	4,370	(3,949)	135,745	131,796
Nonprofit Corporation Bond Funds						
Aviation Bonds	325,805	(14,975)	92,487	218,343	546,210	764,553
Convention Center Bonds	(101)	-	-	(101)	4,000	3,899
Other Bonds	71,871	-	40,590	31,281	70,095	101,376
Parks and Preserves Bonds	-	-	-	-	66,000	66,000
Solid Waste Bonds	39,542	-	19,145	20,397	145,000	165,397
Transit 2000 Bonds	66	-	-	66	-	66
Transportation 2050 Bonds	37,666	500,000	39,898	497,768	600,000	1,097,768
Wastewater Bonds	(109,207)	-	112,016	(221,223)	271,730	50,507
Water Bonds	(236,863)	200,000	219,648	(256,511)	331,870	75,359
	128,780	685,025	523,784	290,021	2,034,905	2,324,926
Total Bond Funds	133,292	685,025	529,057	289,260	2,187,260	2,476,520

SCHEDULE 9 (Continued)
2021-22 CAPITAL FUNDS
RESOURCES AND EXPENDITURES PROPOSED BUDGET
(In Thousands of Dollars)

	Budgeted Beginning Fund Balance	Revenues and Other Sources/ (Uses)	Expenditures	Ending Balance	Projected Resources Beyond 2021-22	Funds Available Beyond 2021-22
Other Capital Funds						
Capital Gifts	35	-	-	35	-	35
Capital Grants	-	189,542	189,542	-	689,554	689,554
Capital Reserves	242,187	19,250	15,151	246,286	-	246,286
Customer Facility Charges	6,669	17,645	20,558	3,756	220,851	224,607
Federal, State and Other Participation	-	118,761	118,761	-	209,465	209,465
Impact Fees	206,409	-	166,111	40,298	-	40,298
Other Capital	1,374	-	835	539	-	539
Other Cities' Share in Joint Ventures	-	34,721	34,721	-	197,884	197,884
Passenger Facility Charges	37,606	77,959	81,365	34,200	372,302	406,502
Solid Waste Remediation	5,992	-	1,465	4,527	-	4,527
Total Other Capital Funds	500,273	457,878	628,509	329,642	1,690,057	2,019,699
Total	633,566	1,142,903	1,157,566	618,903	3,877,317	4,496,220

SCHEDULE 10
SUMMARY OF 2021-22 CAPITAL IMPROVEMENT PROGRAM
BY PROGRAM AND SOURCE OF FUNDS
(In Thousands of Dollars)

Program	Total 2021-22 Proposed Budget	Operating Funds	General Obligation Bond Funds	Nonprofit Corporation Bond Funds	Other Capital Funds
Arts and Cultural Facilities	902	-	902	-	-
Aviation	349,354	126,448	-	90,102	132,804
Economic Development	9,450	9,450	-	-	-
Environmental Programs	250	250	-	-	-
Facilities Management	25,688	16,491	-	8,362	835
Finance	8,000	-	-	8,000	-
Fire Protection	37,133	11,263	-	14,576	11,294
Historic Preservation & Planning	3,648	3,648	-	-	-
Housing	46,013	34,064	-	-	11,949
Human Services	600	-	600	-	-
Information Technology	19,331	9,680	-	9,651	-
Libraries	5,621	955	-	-	4,666
Neighborhood Services	12,306	12,306	-	-	-
Non-Departmental Capital	103,118	-	-	1,298	101,820
Parks, Recreation & Mountain Preserves	83,802	68,126	-	-	15,676
Phoenix Convention Center	15,638	15,638	-	-	-
Police Protection	24,412	-	3,500	-	20,912
Public Art Program	6,039	1,584	-	4,453	2
Public Transit	407,919	337,340	-	1,360	69,219
Regional Wireless Cooperative	6,001	-	-	-	6,001
Solid Waste Disposal	30,954	9,344	-	18,995	2,616
Street Transportation & Drainage	332,786	168,966	270	37,738	125,812
Wastewater	248,640	69,595	-	111,732	67,312
Water	402,848	127,740	-	217,517	57,591
Total	2,180,453	1,022,887	5,272	523,784	628,509

SCHEDULE 11
Tax Levy and Tax Rate Information
Fiscal Year 2021-22
(In Thousands)

	2020-21	2021-22
1. Maximum allowable primary property tax levy. A.R.S. §42-17051(A)	\$ <u>185,429</u>	\$ <u>193,314</u>
2. Amount received from primary property taxation in the current year in excess of the sum of that year's maximum allowable primary property tax levy. A.R.S. §42-17102(A)(18)	\$ <u> </u>	
3. Property tax levy amounts		
A. Primary property taxes	\$ <u>181,767</u>	\$ <u>193,225</u>
B. Secondary property taxes	<u>114,741</u>	<u>120,494</u>
C. Total property tax levy amounts	\$ <u>296,508</u>	\$ <u>313,719</u>
4. Property taxes collected*		
A. Primary property taxes		
(1) Current year's levy	\$ <u>179,950</u>	
(2) Prior years' levies	<u>1,261</u>	
(3) Total primary property taxes	\$ <u>181,211</u>	
B. Secondary property taxes		
(1) Current year's levy	\$ <u>113,594</u>	
(2) Prior years' levies	<u>868</u>	
(3) Total secondary property taxes	\$ <u>114,462</u>	
C. Total property taxes collected	\$ <u>295,673</u>	
5. Property tax rates		
A. City/Town tax rate		
(1) Primary property tax rate	<u>1.3055</u>	<u>1.3055</u>
(2) Secondary property tax rate	<u>0.8241</u>	<u>0.8141</u>
(3) Total city/town tax rate	<u>2.1296</u>	<u>2.1196</u>
B. Special assessment district tax rates		

Secondary property tax rates - As of the date the proposed budget was prepared, the city/town was operating zero special assessment districts for which secondary property taxes are levied. For information pertaining to these special assessment districts and their tax rates, please contact the city/town.

* The 2021-22 planned primary and secondary levies are \$193,225,455 and \$120,493,943, respectively. Historically, actual property tax collections have been slightly lower than the amount levied. For 2021-22, actual collections for primary and secondary property taxes are estimated to be \$191,294,000 and \$119,289,000, or 99% of the levy amount.

** Includes actual property taxes collected as of the date the proposed budget was prepared, plus estimated property tax collections for the remainder of the fiscal year.



City of Phoenix

To: Mayor and City Council

Date: May 12, 2021

From: Ed Zuercher
City Manager

A handwritten signature in black ink, appearing to read 'EZ', with a long horizontal flourish extending to the right.

Subject: AMERICAN RESCUE PLAN ACT FUNDS

Earlier this year, the federal government announced American Rescue Plan Act (ARPA) funds for local governments. Phoenix will receive \$396 million in ARPA funding, broken out in two payments of \$198 million each over the next two years.

Based on the successful strategic plan for the Coronavirus Relief Funds (CRF) from 2020 and the City Council discussion from April 27, we have identified multiple options for transformational investments of ARPA funds to benefit the community and improve city operations for the long term.

The attached report from Assistant City Manager Jeff Barton details potential programs that build from the experience of the past year and possible uses of ARPA funds that that Councilmembers have discussed. As the City Council deliberates on a Strategic Funding Program that balances the significant needs in the City and community with our ability to successfully implement these creative ideas, one approach is to use the Guiding Principles that were used to evaluate CRF options in 2020.

Just over one year ago - on May 5, 2020 - the Council discussed the CRF Strategic Plan and worked from the following 6 Guiding Principles:

1. Provide a transparent approach that will support a clean audit by the federal Office of Inspector General
2. Allocate to one-time uses that avoid ongoing General Fund obligations for the City
3. Use existing processes where possible to expedite deployment and avoid duplicated administrative burden
4. Preserve City services and the City employees who provide them to avoid worsening the impact of the recession on the community
5. Fund programs that reduce the economic burden on residents and businesses from the COVID-19 downturn
6. Identify opportunities for ongoing improvements that will benefit the community and the organization in a post-Covid economy.

We are at a different point today than we were in 2020 so we can update these Guiding Principles. As we discuss how to implement the Council's policy direction on the 2021-22 allocations of ARPA funds, I suggest the following set of Guiding Principles for Council consideration:

1. Provide a transparent approach that will support a clean audit by the federal Office of Inspector General
2. Consider one-time capital fund investments that avoid ongoing General Fund obligations for the City that can't be fulfilled
3. Use existing processes where possible to expedite deployment and avoid duplicated administrative burden
4. Fund programs that reduce the economic burden on residents and businesses from the impacts of COVID
5. Identify opportunities for ongoing improvements that will benefit the community and the City organization in a post-COVID economy.

+NEW+

6. Build on successful experience with CRF Strategic Plan.
7. Avoid duplication of other COVID funds and other government programs
8. Provide adequate staffing to successfully implement new or expanded programs.

Following a set of Guiding Principles, I am confident that City staff can implement a Council-adopted Strategic Plan of programs and investments that make Phoenix better.



American Rescue Plan Proposed Strategic Plan - Update

This report serves as a follow up to the April 27, 2021 report that provided City Council with information to begin discussing a framework for the use of federal American Rescue Plan Act (ARPA) funds. At the time of that report, guidance from the federal government was very limited and the City expected to be awarded approximately \$416 million. On May 10, 2021, the Department of Treasury released "The State and Local Fiscal Recovery Fund Fact Sheet" (**Attachment A**) and the "Interim Final Rule" (**Attachment B**) which provided staff with the information needed to develop a more detailed and robust list of programs (**Attachment C**) for City Council consideration. Treasury also revised the City's anticipated allocation down from earlier estimates to approximately \$396 million. This report presents City Council with a strategic plan based on the recently released guidance and the discussion from the April 27, 2021 City Council meeting.

THIS ITEM IS FOR INFORMATION AND DISCUSSION.

Summary

Based on information released earlier this week, the federal government is expected to award the City of Phoenix approximately \$396 million in State and Local Fiscal Recovery Funds under the umbrella of the previously approved American Rescue Plan Act which was signed by President Biden in March. Funding is anticipated to be received in two equal distributions 12 months apart. The City expects the first allocation of approximately \$198 million within the next few weeks. The second allocation of \$198 million will be awarded one year after the first allocation and is not expected to be available to spend until FY 2022-23. Based on this and the discussion with Council last month, this report focuses on only the first allocation of funds.

According to federal guidance, these funds may only be used to cover costs that are necessary expenditures caused by COVID-19 incurred between March 3, 2021 and Dec. 31, 2024. Per the revised guidance and language currently available, funds can only be used:

- to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including assistance to

households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;

- to respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the state, territory, or tribal government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;
- for the provision of government services to the extent of the reduction in revenue of such state, territory, or tribal government due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the state, territory, or tribal government prior to the emergency; or
- to make necessary investments in water, sewer, or broadband infrastructure.

The proposed strategic options included in this report are based on input from councilmembers and designed to fit within the parameters set forth in the recently released federal guidance. Some of the proposals are continuations of programs that were successfully implemented under the \$293 million Coronavirus Relief Fund (CRF) Strategic Plan and others are new initiatives which will require additional time and resources to fully develop and deploy.

Allocation 1 (\$198 million)

Like the CRF strategic plan, this proposed strategic plan includes three areas of emphasis: Community Investment (\$118 million), City Operations (\$70 million) and a Contingency for Future Operational Needs (\$10 million). **Attachment C** provides the Council with a detailed summary of the programs that staff have developed to address important community and operational initiatives. Guidance from the federal government will likely continue to evolve and the City will need to be nimble to adjust programs to ensure compliance with the ever-changing federal guidance. The following is a high level summary of the information contained in **Attachment C**.

Community Investment - \$118 million

The community investment category, the largest proposed allocation in this plan, is strategically focused on providing assistance to vulnerable populations, businesses and those hardest hit by the COVID-19 pandemic. This portion of the plan includes six distinct focus areas consisting of multiple programs. The six focus areas include the following:

Phoenix Arts, Business and Employee Assistance - \$36,000,000

Small business is the heart and soul of the local economy. Many of our small businesses are still struggling to stay open due to COVID-19. These funds will provide resources that Phoenix businesses, including our vibrant arts community, need to stay open, pay employees and to cover other operational costs due to the downturn in business. Funds are also proposed provide robust job training opportunities for those that lost their jobs during the downturn. Additionally, as the local economy recovers, staff is proposing a robust arts program that provides the arts community with a lifeline that will ultimately provide working capital to the struggling arts industry.

Mitigation and Care of Vulnerable Populations - \$30,500,000

Research shows that the pandemic has been extremely hard on underserved populations. This focus area proposes funding that provides resources to address homelessness, mental and behavioral health, veterans issues and community and senior center needs. Some of the funding in this category also lends itself to a larger regional approach to address the issues of homelessness and mental and behavioral health. **Attachment C** provides a summary of proposed programs included in this focus area.

Household and Residential Assistance - \$24,000,000

Funding in this category is intended to provide families with the resources needed to address rent, mortgage and utility shortages. More specifically these funds are intended to provide resources for residents who don't qualify for the Emergency Rental Assistance Programs (ERA 1 or 2). Funding is also proposed to provide families with young children financial assistance to cover childcare costs and grocery expenses. Staff will need Council discussion and direction on the scope of any such program. Additionally funding is proposed to provide public transportation subsidies to those in need of financial assistance due to loss of wages or employment because of COVID-19.

Youth Sports, Recreation, Education and After-School - \$15,500,000

As parents return back to the workplace and others struggle with having the resources needed to have recreation and educational opportunities for their children, staff is proposing to use ARPA funds to provide resources that could be used to restore after-school programs, provide financial assistance to youth sports leagues and to enhance library programs. As well, funding will be used to continue the development of the large broadband project that staff has been working on with regional partners and to further enhance free broadband access for Phoenix residents in public housing and for customers in City facilities. **Attachment C** provides a robust list of proposals for Council to consider that addresses this area of concern.

Phoenix Resilient Food System - \$9,000,000

One of our most successful CRF funded programs was our Feed Phoenix Food Program. This allocation of funding builds off of that success and provides additional resources to encourage and develop more sustainable food options for Phoenix residents. Based on conversation and discussion with Council on April 27, this program also includes funding to provide resources to local and neighborhood food banks and food kitchens.

Better Health and Community Outcomes - \$3,000,000

This funding would be used to extend the use of the mobile testing vans that the City has deployed to assist underserved communities with COVID-19 testing. If necessary, these funds could also be used to offset any unexpected costs associated with the City taking on a more active role in vaccine distribution.

City Operations - \$70 million

The city operations category, the second largest of the three plan areas is strategically focused on General Fund (GF) resiliency and capitalizing on the one-time nature of this funding source to address issues that will free up future GF resources and support transformational investments. This area includes the following areas of focus:

Infrastructure, Technology and Capital Needs - \$40,000,000

This funding would be used to provide resources needed to address key infrastructure, technology and capital projects that have been deferred or exacerbated as a result of the pandemic. One example is to provide resources to upgrade the 27th Avenue Recycling Facility. This facility was deferred due to economic pressures, however, the need to replace this facility has intensified due to the increase in residential tonnage due to COVID-19. Funding can also be used for technology projects that address enhanced cyber security. **Attachment C** provides other examples of projects that staff has identified. Additional projects will be vetted and brought back to Council.

Revenue Replacement - \$25,000,000

Unlike the CRF fund, the ARPA funds are allowed to be used for revenue replacement. Because of the pandemic, the Phoenix Convention Center has been severely impacted due the downturn in the travel, tourism and hospitality industry. As a result, there are significant concerns about how long that industry will take to recover and how deep of an impact that recovery will have on the convention center's fund balance. It is important to note that the convention center is ultimately backed by GF revenues. If the tourism and convention downturn lags as long as some economists suggest, this could impair convention center revenues enough that the GF would be forced to make reductions to provide working capital. Allocating ARPA funds to replace a portion of the revenue lost by the convention center over the last 15 months would

be a sound financial decision that would be viewed favorably by the City's rating agencies. Additionally, ARPA allows for the City to offset costs for trust fund expenses that are directly tied to COVID-19 expenses. For example, the City has seen over \$2.4 million in worker's compensation related claims due to COVID-19. It is the City's opinion that these claims are eligible to be replaced with ARPA funds and would reduce the actuarial impact to future City resources.

Administrative Oversight and Staff Augmentation to Support New ARPA Funded Initiatives - \$3,000,000

In order to successfully deploy the wide range of programs that the ARPA funds will provide requires enhancing service levels in key areas of the organization. These staffing enhancements will also be instrumental in providing the oversight and compliance functions that will be critical to ensuring a clean audit at the end of funding cycle.

PPE, Cleaning, Sanitizing/Testing and Vaccine Distribution - \$2,000,000

One thing the City learned during the first few months of the pandemic was that the City did not possess an adequate supply of PPE and sanitizing agents needed to ensure that employees were adequately protected. We also realized like many other cities across the country that the impact of not being fully prepared led to significant supply chain disruption. This allocation of funds will be used to stockpile equipment and supplies needed to ensure that our staff is adequately protected against the spread of COVID-19 and to ensure that the City is not a victim to future disruptions in the supply chain for these necessary items. Funding could also be used to address additional employee testing and vaccination related costs as needed.

Contingency - \$10 million

A \$10 million Reserve is proposed to preserve resources in case the federal government changes guidance to allow the funds to be used in new areas of concern for the Council or to supplement funding for an approved program that exhausts its allocation of funds before more funding becomes available. The Reserve would also be available to cover other unexpected COVID-19 expenses that could occur later in the year. The reserve is not a requirement and Council could allocate this funding immediately or at any other point in the fiscal year as necessary.

Staff is seeking Council feedback and direction on a draft strategic plan with priorities for implementation. Based on the Council's strategic direction and feedback, staff will return to a future meeting with refined recommendations reflecting the feedback received from Council and the community.

Responsible Department

This item is submitted by City Manager Ed Zuercher and Assistant City Manager Jeff Barton.

Attachment A

FACT SHEET: The Coronavirus State and Local Fiscal Recovery Funds Will Deliver \$350 Billion for State, Local, Territorial, and Tribal Governments to Respond to the COVID-19 Emergency and Bring Back Jobs

May 10, 2021

Aid to state, local, territorial, and Tribal governments will help turn the tide on the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery

Today, the U.S. Department of the Treasury announced the launch of the Coronavirus State and Local Fiscal Recovery Funds, established by the American Rescue Plan Act of 2021, to provide \$350 billion in emergency funding for eligible state, local, territorial, and Tribal governments. Treasury also released details on how these funds can be used to respond to acute pandemic response needs, fill revenue shortfalls among these governments, and support the communities and populations hardest-hit by the COVID-19 crisis. With the launch of the Coronavirus State and Local Fiscal Recovery Funds, eligible jurisdictions will be able to access this funding in the coming days to address these needs.

State, local, territorial, and Tribal governments have been on the frontlines of responding to the immense public health and economic needs created by this crisis – from standing up vaccination sites to supporting small businesses – even as these governments confronted revenue shortfalls during the downturn. As a result, these governments have endured unprecedented strains, forcing many to make untenable choices between laying off educators, firefighters, and other frontline workers or failing to provide other services that communities rely on. Faced with these challenges, state and local governments have cut over 1 million jobs since the beginning of the crisis. The experience of prior economic downturns has shown that budget pressures like these often result in prolonged fiscal austerity that can slow an economic recovery.

To support the immediate pandemic response, bring back jobs, and lay the groundwork for a strong and equitable recovery, the American Rescue Plan Act of 2021 established the Coronavirus State and Local Fiscal Recovery Funds, designed to deliver \$350 billion to state, local, territorial, and Tribal governments to bolster their response to the COVID-19 emergency and its economic impacts. Today, Treasury is launching this much-needed relief to:

- 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.

The Coronavirus State and Local Fiscal Recovery Funds provide substantial flexibility for each jurisdiction to meet local needs—including support for households, small businesses, impacted industries, essential workers, and the communities hardest-hit by the crisis. These funds also deliver resources that recipients can invest in building, maintaining, or upgrading their water, sewer, and broadband infrastructure.

Starting today, eligible state, territorial, metropolitan city, county, and Tribal governments may request Coronavirus State and Local Fiscal Recovery Funds through the Treasury Submission Portal. Concurrent with this program launch, Treasury has published an Interim Final Rule that implements the provisions of this program.

FUNDING AMOUNTS

The American Rescue Plan provides a total of \$350 billion in Coronavirus State and Local Fiscal Recovery Funds to help eligible state, local, territorial, and Tribal governments meet their present needs and build the foundation for a strong recovery. Congress has allocated this funding to tens of thousands of jurisdictions. These allocations include:

Type	Amount (\$ billions)
States & District of Columbia	\$195.3
Counties	\$65.1
Metropolitan Cites	\$45.6
Tribal Governments	\$20.0
Territories	\$4.5
Non-Entitlement Units of Local Government	\$19.5

Treasury expects to distribute these funds directly to each state, territorial, metropolitan city, county, and Tribal government. Local governments that are classified as non-entitlement units will receive this funding through their applicable state government. Treasury expects to provide further guidance on distributions to non-entitlement units next week.

Local governments should expect to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered 12 months later. States that have experienced a net increase in the unemployment rate of more than 2 percentage points from February 2020 to the latest available data as of the date of certification will receive their full allocation of funds in a single payment; other states will receive funds in two equal tranches. Governments of U.S. territories will receive a single payment. Tribal governments will receive two payments, with the first payment available in May and the second payment, based on employment data, to be delivered in June 2021.

USES OF FUNDING

Coronavirus State and Local Fiscal Recovery Funds provide eligible state, local, territorial, and Tribal governments with a substantial infusion of resources to meet pandemic response needs and rebuild a stronger, more equitable economy as the country recovers. Within the categories of eligible uses, recipients have broad flexibility to decide how best to use this funding to meet the needs of their communities. Recipients may use Coronavirus State and Local Fiscal Recovery Funds to:

- **Support public health expenditures**, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
- **Address negative economic impacts caused by the public health emergency**, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
- **Replace lost public sector revenue**, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
- **Provide premium pay for essential workers**, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
- **Invest in water, sewer, and broadband infrastructure**, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

Within these overall categories, Treasury’s Interim Final Rule provides guidelines and principles for determining the types of programs and services that this funding can support, together with examples of allowable uses that recipients may consider. As described below, Treasury has also designed these provisions to take into consideration the disproportionate impacts of the COVID-19 public health emergency on those hardest-hit by the pandemic.

1. Supporting the public health response

Mitigating the impact of COVID-19 continues to require an unprecedented public health response from state, local, territorial, and Tribal governments. Coronavirus State and Local Fiscal Recovery Funds provide resources to meet these 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. Recipients may use this funding to address a broad range of public health needs across COVID-19 mitigation, medical expenses, behavioral healthcare, and public health resources. Among other services, these funds can help support:

- **Services and programs to contain and mitigate the spread of COVID-19, including:**
 - ✓ Vaccination programs
 - ✓ Medical expenses
 - ✓ Testing
 - ✓ Contact tracing
 - ✓ Isolation or quarantine
 - ✓ PPE purchases
 - ✓ Support for vulnerable populations to access medical or public health services
 - ✓ Public health surveillance (e.g., monitoring for variants)
 - ✓ Enforcement of public health orders
 - ✓ Public communication efforts
 - ✓ Enhancement of healthcare capacity, including alternative care facilities
 - ✓ Support for prevention, mitigation, or other services in congregate living facilities and schools
 - ✓ Enhancement of public health data systems
 - ✓ Capital investments in public facilities to meet pandemic operational needs
 - ✓ Ventilation improvements in key settings like healthcare facilities

- **Services to address behavioral healthcare needs exacerbated by the pandemic, including:**
 - ✓ Mental health treatment
 - ✓ Substance misuse treatment
 - ✓ Other behavioral health services
 - ✓ Hotlines or warmlines
 - ✓ Crisis intervention
 - ✓ Services or outreach to promote access to health and social services
- **Payroll and covered benefits expenses** for public health, healthcare, human services, public safety and similar employees, to the extent that they work on the COVID-19 response. For public health and safety workers, recipients can use these funds to cover the full payroll and covered benefits costs for employees or operating units or divisions primarily dedicated to the COVID-19 response.

2. Addressing the negative economic impacts caused by the public health emergency

The COVID-19 public health emergency resulted in significant economic hardship for many Americans. As businesses closed, consumers stayed home, schools shifted to remote education, and travel declined precipitously, over 20 million jobs were lost between February and April 2020. Although many have since returned to work, as of April 2021, the economy remains more than 8 million jobs below its pre-pandemic peak, and more than 3 million workers have dropped out of the labor market altogether since February 2020.

To help alleviate the economic hardships caused by the pandemic, Coronavirus State and Local Fiscal Recovery Funds enable eligible state, local, territorial, and Tribal governments to provide a wide range of assistance to individuals and households, small businesses, and impacted industries, in addition to enabling governments to rehire public sector staff and rebuild capacity. Among these uses include:

- **Delivering assistance to workers and families**, including aid to unemployed workers and job training, as well as aid to households facing food, housing, or other financial insecurity. In addition, these funds can support survivor’s benefits for family members of COVID-19 victims.
- **Supporting small businesses**, helping them to address financial challenges caused by the pandemic and to make investments in COVID-19 prevention and mitigation tactics, as well as to provide technical assistance. To achieve these goals, recipients may employ this funding to execute a broad array of loan, grant, in-kind assistance, and counseling programs to enable small businesses to rebound from the downturn.
- **Speeding the recovery of the tourism, travel, and hospitality sectors**, supporting industries that were particularly hard-hit by the COVID-19 emergency and are just now beginning to mend. Similarly impacted sectors within a local area are also eligible for support.
- **Rebuilding public sector capacity**, by rehiring public sector staff and replenishing unemployment insurance (UI) trust funds, in each case up to pre-pandemic levels. Recipients may also use this funding to build their internal capacity to successfully implement economic relief programs, with investments in data analysis, targeted outreach, technology infrastructure, and impact evaluations.

3. **Serving the hardest-hit communities and families**

While the pandemic has affected communities across the country, it has disproportionately impacted low-income families and communities of color and has exacerbated systemic health and economic inequities. Low-income and socially vulnerable communities have experienced the most severe health impacts. For example, counties with high poverty rates also have the highest rates of infections and deaths, with 223 deaths per 100,000 compared to the U.S. average of 175 deaths per 100,000.

Coronavirus State and Local Fiscal Recovery Funds allow for a broad range of uses to address the disproportionate public health and economic impacts of the crisis on the hardest-hit communities, populations, and households. Eligible services include:

- **Addressing health disparities and the social determinants of health**, through funding for community health workers, public benefits navigators, remediation of lead hazards, and community violence intervention programs;
- **Investments in housing and neighborhoods**, such as services to address individuals experiencing homelessness, affordable housing development, housing vouchers, and residential counseling and housing navigation assistance to facilitate moves to neighborhoods with high economic opportunity;
- **Addressing educational disparities** through new or expanded early learning services, providing additional resources to high-poverty school districts, and offering educational services like tutoring or afterschool programs as well as services to address social, emotional, and mental health needs; and,
- **Promoting healthy childhood environments**, including new or expanded high quality childcare, home visiting programs for families with young children, and enhanced services for child welfare-involved families and foster youth.

Governments may use Coronavirus State and Local Fiscal Recovery Funds to support these additional services if they are provided:

- within a Qualified Census Tract (a low-income area as designated by the Department of Housing and Urban Development);
- to families living in Qualified Census Tracts;
- by a Tribal government; or,
- to other populations, households, or geographic areas disproportionately impacted by the pandemic.

4. **Replacing lost public sector revenue**

State, local, territorial, and Tribal governments that are facing budget shortfalls may use Coronavirus State and Local Fiscal Recovery Funds to avoid cuts to government services. With these additional resources, recipients can continue to provide valuable public services and ensure that fiscal austerity measures do not hamper the broader economic recovery.

Many state, local, territorial, and Tribal governments have experienced significant budget shortfalls, which can yield a devastating impact on their respective communities. Faced with budget shortfalls and pandemic-related uncertainty, state and local governments cut staff in all 50 states. These budget shortfalls and staff cuts are particularly problematic at present, as these entities are on the front lines of battling the COVID-19 pandemic and helping citizens weather the economic downturn.

Recipients may use these funds to replace lost revenue. Treasury's Interim Final Rule establishes a methodology that each recipient can use to calculate its reduction in revenue. Specifically, recipients will compute the extent of their reduction in 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 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 or (b) 4.1%, the national average state and local revenue growth rate from 2015-18 (the latest available data).

For administrative convenience, Treasury's Interim Final Rule allows recipients to presume that any diminution in actual revenue relative to the expected trend is due to the COVID-19 public health emergency. Upon receiving Coronavirus State and Local Fiscal Recovery Funds, recipients may immediately calculate the reduction in revenue that occurred in 2020 and deploy funds to address any shortfall. Recipients will have the opportunity to re-calculate revenue loss at several points through the program, supporting those entities that experience a lagged impact of the crisis on revenues.

Importantly, once a shortfall in revenue is identified, recipients will have broad latitude to use this funding to support government services, up to this amount of lost revenue.

5. Providing premium pay for essential workers

Coronavirus State and Local Fiscal Recovery Funds provide resources for eligible state, local, territorial, and Tribal governments to recognize the heroic contributions of essential workers. Since the start of the public health emergency, essential workers have put their physical well-being at risk to meet the daily needs of their communities and to provide care for others.

Many of these essential workers have not received compensation for the heightened risks they have faced and continue to face. Recipients may use this funding to provide premium pay directly, or through grants to private employers, to a broad range of essential workers who must be physically present at their jobs including, among others:

- ✓ Staff at nursing homes, hospitals, and home-care settings
- ✓ Workers at farms, food production facilities, grocery stores, and restaurants
- ✓ Janitors and sanitation workers
- ✓ Public health and safety staff
- ✓ Truck drivers, transit staff, and warehouse workers
- ✓ Childcare workers, educators, and school staff
- ✓ Social service and human services staff

Treasury's Interim Final Rule emphasizes the need for recipients to prioritize premium pay for lower income workers. Premium pay that would increase a worker's total pay above 150% of the greater of the state or county average annual wage requires specific justification for how it responds to the needs of these workers.

In addition, employers are both permitted and encouraged to use Coronavirus State and Local Fiscal Recovery Funds to offer retrospective premium pay, recognizing that many essential workers have not yet received additional compensation for work performed. Staff working for third-party contractors in eligible sectors are also eligible for premium pay.

6. Investing in water and sewer infrastructure

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.

Recipients may use this funding to invest in an array of drinking water infrastructure projects, such as building or upgrading facilities and transmission, distribution, and storage systems, including the replacement of lead service lines.

Recipients may also use this funding to invest in wastewater infrastructure projects, including constructing publicly-owned treatment infrastructure, managing and treating stormwater or subsurface drainage water, facilitating water reuse, and securing publicly-owned treatment works.

To help jurisdictions expedite their execution of these essential investments, Treasury's Interim Final Rule aligns types of eligible projects with the wide range of projects that can be supported by the Environmental Protection Agency's Clean Water State Revolving Fund and Drinking Water State Revolving Fund. Recipients retain substantial flexibility to identify those water and sewer infrastructure investments that are of the highest priority for their own communities.

Treasury's Interim Final Rule also encourages recipients to ensure that water, sewer, and broadband 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.

7. Investing in broadband infrastructure

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. The American Rescue Plan aims to help remedy these shortfalls, providing recipients with flexibility to use Coronavirus State and Local Fiscal Recovery Funds to invest in broadband infrastructure.

Recognizing the acute need in certain communities, Treasury's Interim Final Rule provides that investments in broadband be made in areas that are currently unserved or underserved—in other words, lacking a wireline connection that reliably delivers minimum speeds of 25 Mbps download and 3 Mbps upload. Recipients are also encouraged to prioritize projects that achieve last-mile connections to households and businesses.

Using these funds, recipients generally should build broadband infrastructure with modern technologies in mind, specifically those projects that deliver services offering reliable 100 Mbps download and 100

Mbps upload speeds, unless impracticable due to topography, geography, or financial cost. In addition, recipients are encouraged to pursue fiber optic investments.

In view of the wide disparities in broadband access, assistance to households to support internet access or digital literacy is an eligible use to respond to the public health and negative economic impacts of the pandemic, as detailed above.

8. Ineligible Uses

Coronavirus State and Local Fiscal Recovery Funds provide substantial resources to help eligible state, local, territorial, and Tribal governments manage the public health and economic consequences of COVID-19. Recipients have considerable flexibility to use these funds to address the diverse needs of their communities.

To ensure that these funds are used for their intended purposes, the American Rescue Plan Act also specifies two ineligible uses of funds:

- **States and territories may not use this funding to directly or indirectly offset a reduction in net tax revenue due to a change in law from March 3, 2021 through the last day of the fiscal year in which the funds provided have been spent.** The American Rescue Plan ensures that funds needed to provide vital services and support public employees, small businesses, and families struggling to make it through the pandemic are not used to fund reductions in net tax revenue. Treasury's Interim Final Rule implements this requirement. If a state or territory cuts taxes, they must demonstrate how they paid for the tax cuts from sources other than Coronavirus State Fiscal Recovery Funds—by enacting policies to raise other sources of revenue, by cutting spending, or through higher revenue due to economic growth. If the funds provided have been used to offset tax cuts, the amount used for this purpose must be paid back to the Treasury.
- **No recipient may use this funding to make a deposit to a pension fund.** Treasury's Interim Final Rule defines a "deposit" as an extraordinary contribution to a pension fund for the purpose of reducing an accrued, unfunded liability. While pension deposits are prohibited, recipients may use funds for routine payroll contributions for employees whose wages and salaries are an eligible use of funds.

Treasury's Interim Final Rule identifies several other ineligible uses, including funding debt service, legal settlements or judgments, and deposits to rainy day funds or financial reserves. Further, general infrastructure spending is not covered as an eligible use outside of water, sewer, and broadband investments or above the amount allocated under the revenue loss provision. 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.

Attachment B

DEPARTMENT OF THE TREASURY

31 CFR Part 35

RIN 1505-AC77

Coronavirus State and Local Fiscal Recovery Funds

AGENCY: Department of the Treasury

ACTION: Interim Final Rule

SUMMARY: The Secretary of the Treasury (Treasury) is issuing this Interim Final Rule to implement the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund established under the American Rescue Plan Act.

DATES: *Effective date:* The provisions in this Interim Final Rule are effective [____], 2021.

Comment date: Comments must be received on or before [____], 2021.

ADDRESSES: Please submit comments electronically through the Federal eRulemaking Portal:

<http://www.regulations.gov> [(if hard copy, preferably an original and two copies to the [Office of

the Undersecretary for Domestic Finance], Attention: [Name], Room [#####] MT, Department of

the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220. Because postal mail

may be subject to processing delay, it is recommended that comments be submitted

electronically.] All comments should be captions with “Coronavirus State and Local Fiscal

Recovery Funds Interim Final Rule Comments.” Please include your name, organization

affiliation, address, email address and telephone number in your comment. Where appropriate, a

comment should include a short executive summary (no more than [#] single-spaced pages).]

In general, comments received will be posted on <http://www.regulations.gov> without change,

including any business or personal information provided. Comments received, including

attachments and other supporting materials, will be part of the public record and subject to public

disclosure. Do not enclose any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure.

FOR FURTHER INFORMATION CONTACT:

[Name], [Title], [Office], 202-622-[#####], or [Name], [Title], [Office], 202-622-[#####].

SUPPLEMENTARY INFORMATION:

I. Background Information

A. Overview

Since the first case of coronavirus disease 2019 (COVID-19) was discovered in the United States in January 2020, the disease has infected over 32 million and killed over 575,000 Americans.¹ The disease has impacted every part of life: as social distancing became a necessity, businesses closed, schools transitioned to remote education, travel was sharply reduced, and millions of Americans lost their jobs. 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.² As of April 2021, there were still 8.2 million fewer jobs than before the pandemic.³ During this time, a significant share of households have faced food and housing insecurity.⁴ Economic disruptions impaired the flow of credit to households, State and

¹ Centers for Disease Control and Prevention, COVID Data Tracker, <http://www.covid.cdc.gov/covid-data-tracker/#datatracker-home> (last visited May 8, 2021).

² U.S. Bureau of Labor Statistics, Unemployment Rate [UNRATE], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/UNRATE>, May 3, 2021. U.S. Bureau of Labor Statistics, Employment Level [LNU02000000], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/LNU02000000>, May 3, 2021.

³ U.S. Bureau of Labor Statistics, All Employees, Total Nonfarm [PAYEMS], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PAYEMS>, May 7, 2021.

⁴ Nirmita Panchal et al., The Implications of COVID-19 for Mental Health and Substance Abuse (Feb. 10, 2021), <https://www.kff.org/coronavirus-covid-19/issue-brief/the-implications-of-covid-19-for-mental->

local governments, and businesses of all sizes.⁵ As businesses weathered closures and sharp declines in revenue, many were forced to shut down, especially small businesses.⁶

Amid this once-in-a-century crisis, State, territorial, Tribal, and local governments (State, local, and Tribal governments) have been called on to respond at an immense scale. 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.

At the same time, State, local and Tribal governments launched major efforts to address the economic impacts of the pandemic. These efforts have been tailored to the needs of their communities and have included expanded assistance to unemployed workers; food assistance;

health-and-substance-use/#:~:text=Older%20adults%20are%20also%20more,prior%20to%20the%20current%20crisis; U.S. Census Bureau, Household Pulse Survey: Measuring Social and Economic Impacts during the Coronavirus Pandemic, <https://www.census.gov/programs-surveys/household-pulse-survey.html> (last visited Apr. 26, 2021); Rebecca T. Leeb et al., Mental Health-Related Emergency Department Visits Among Children Aged <18 Years During the COVID Pandemic – United States, January 1 – October 17, 2020, *Morb. Mortal. Wkly. Rep.* 69(45):1675-80 (Nov. 13, 2020), <https://www.cdc.gov/mmwr/volumes/69/wr/mm6945a3.htm>.

⁵ Board of Governors of the Federal Reserve System, Monetary Policy Report (June 12, 2020), <https://www.federalreserve.gov/monetarypolicy/2020-06-mpr-summary.htm>.

⁶ Joseph R. Biden, Remarks by President Biden on Helping Small Businesses (Feb. 22, 2021), <https://www.whitehouse.gov/briefing-room/speeches-remarks/2021/02/22/remarks-by-president-biden-on-helping-small-businesses/>.

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.

In responding to the public health emergency and its negative economic impacts, State, local, and Tribal governments have seen substantial increases in costs to provide these services, often amid substantial declines in revenue due to the economic downturn and changing economic patterns during the pandemic.⁷ Facing these budget challenges, many State, local, and Tribal governments have been forced to make cuts to services or their workforces, or delay critical investments. 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.⁸ These cuts to State, local, and Tribal government workforces come at a time when demand for government services is high, with State, local, and Tribal governments on the frontlines of fighting the pandemic. Furthermore, State, local, and Tribal government austerity measures can hamper overall economic growth, as occurred in the recovery from the Great Recession.⁹

⁷ Michael Leachman, House Budget Bill Provides Needed Fiscal Aid for States, Localities, Tribal Nations, and Territories (Feb. 10, 2021), <https://www.cbpp.org/research/state-budget-and-tax/house-budget-bill-provides-needed-fiscal-aid-for-states-localities>.

⁸ U.S. Bureau of Labor Statistics, All Employees, State Government [CES9092000001] and All Employees, Local Government [CES9093000001], retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/CES9092000001> and <https://fred.stlouisfed.org/series/CES9093000001> (last visited May 8, 2021).

⁹ Tracy Gordon, State and Local Budgets and the Great Recession, Brookings Institution (Dec. 31, 2012), <http://www.brookings.edu/articles/state-and-local-budgets-and-the-great-recession>.

Finally, although the pandemic's impacts have been widespread, both the public health and economic impacts of the pandemic have fallen most severely on communities and populations disadvantaged before it began. Low-income communities, people of color, and Tribal communities have faced higher rates of infection, hospitalization, and death,¹⁰ as well as higher rates of unemployment and lack of basic necessities like food and housing.¹¹ Pre-existing social vulnerabilities magnified the pandemic in these communities, where a reduced ability to work from home and, frequently, denser housing amplified the risk of infection. Higher rates of pre-existing health conditions also may have contributed to more severe COVID-19 health outcomes.¹² Similarly, communities or households facing economic insecurity before the pandemic were less able to weather business closures, job losses, or declines in earnings and were less able to participate in remote work or education due to the inequities in access to reliable and affordable broadband infrastructure.¹³ Finally, though schools in all areas faced challenges, those in high poverty areas had fewer resources to adapt to remote and hybrid

¹⁰ Sebastian D. Romano et al., Trends in Racial and Ethnic Disparities in COVID-19 Hospitalizations, by Region – United States, March–December 2020, *MMWR Morb Mortal Wkly Rep* 2021, 70:560-565 (Apr. 16, 2021), https://www.cdc.gov/mmwr/volumes/70/wr/mm7015e2.htm?s_cid=mm7015e2_w.

¹¹ Center on Budget and Policy Priorities, Tracking the COVID-19 Recession's Effects on Food, Housing, and Employment Hardships, <https://www.cbpp.org/research/poverty-and-inequality/tracking-the-covid-19-recessions-effects-on-housing-and> (last visited May 4, 2021).

¹² Lisa R. Fortuna et al., Inequity and the Disproportionate Impact of COVID-19 on Communities of Color in the United States: The Need for Trauma-Informed Social Justice Response, *Psychological Trauma* Vol. 12(5):443-45 (2020), *available at* <https://psycnet.apa.org/fulltext/2020-37320-001.pdf>.

¹³ Emily Vogles et al., 53% of Americans Say the Internet Has Been Essential During the COVID-19 Outbreak (Apr. 30, 2020), <https://www.pewresearch.org/internet/2020/04/30/53-of-americans-say-the-internet-has-been-essential-during-the-covid-19-outbreak/>.

learning models.¹⁴ Unfortunately, the pandemic also has reversed many gains made by communities of color in the prior economic expansion.¹⁵

B. The Statute and Interim Final Rule

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).¹⁸ 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).¹⁹

¹⁴ Emma Dorn et al., COVID-19 and student learning in the United States: The hurt could last a lifetime (June 2020), https://webtest.childrensinstitute.net/sites/default/files/documents/COVID-19-and-student-learning-in-the-United-States_FINAL.pdf; Andrew Bacher-Hicks et al., Inequality in Household Adaptation to Schooling Shocks: Covid-Induced Online Engagement in Real Time, *J. of Public Econ.* Vol. 193(C) (July 2020), *available at* <https://www.nber.org/papers/w27555>.

¹⁵ *See, e.g.*, Tyler Atkinson & Alex Richter, Pandemic Disproportionately Affects Women, Minority Labor Force Participation, <https://www.dallasfed.org/research/economics/2020/1110> (last visited May 9, 2021); Jared Bernstein & Janelle Jones, The Impact of the COVID19 Recession on the Jobs and Incomes of Persons of Color, https://www.cbpp.org/sites/default/files/atoms/files/6-2-20bud_0.pdf (last visited May 9, 2021).

¹⁶ American Rescue Plan Act of 2021 (ARPA) § 9901, Pub. L. No. 117-2, codified at 42 U.S.C. § 802 *et seq.*

¹⁷ 42 U.S.C. 801 *et seq.*

¹⁸ §§ 602, 603 of the Act.

¹⁹ The CRF was established by the section 601 of the Act as added by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Pub. L. No. 116-136, 134 Stat. 281 (2020).

Through the Fiscal Recovery Funds, Congress provided State, local, and Tribal governments with significant resources to respond to the COVID-19 public health emergency and its economic impacts through four categories of eligible uses. Section 602 and section 603 contain the same eligible uses; the primary difference between the two sections is that section 602 establishes a fund for States, territories, and Tribal governments and section 603 establishes a fund for metropolitan cities, nonentitlement units of local government, and counties.

Sections 602(c)(1) and 603(c)(1) provide that funds may be used:

- a) To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
- b) To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers;
- c) For the provision of government services to the extent of the reduction in revenue due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and
- d) To make necessary investments in water, sewer, or broadband infrastructure.

In addition, Congress clarified two types of uses which do not fall within these four categories. Sections 602(c)(2)(B) and 603(c)(2) provide that these eligible uses do not include, and thus funds may not be used for, depositing funds into any pension fund. Section 602(c)(2)(A) also provides, for States and territories, that the eligible uses do not include:

“directly or indirectly offset[ing] a reduction in the net tax revenue of [the] State or territory resulting from a change in law, regulation, or administrative interpretation.”

The ARPA provides a substantial infusion of resources to meet pandemic response needs and rebuild a stronger, more equitable economy as the country recovers. First, payments from the Fiscal Recovery Funds help to ensure that State, local, and Tribal governments have the resources needed to continue to take actions to decrease the spread of COVID-19 and bring the pandemic under control. Payments from the Fiscal Recovery Funds may also be used by recipients to provide support for costs incurred in addressing public health and economic challenges resulting from the pandemic, including resources to offer premium pay to essential workers, in recognition of their sacrifices over the last year. Recipients may also use payments from the Fiscal Recovery Funds to replace State, local, and Tribal government revenue lost due to COVID-19, helping to ensure that governments can continue to provide needed services and avoid cuts or layoffs. Finally, these resources lay the foundation for a strong, equitable economic recovery, not only by providing immediate economic stabilization for households and businesses, but also by addressing the systemic public health and economic challenges that may have contributed to more severe impacts of the pandemic among low-income communities and people of color.

Within the eligible use categories outlined in the Fiscal Recovery Funds provisions of ARPA, State, local, and Tribal governments have flexibility to determine how best to use payments from the Fiscal Recovery Funds to meet the needs of their communities and populations. The Interim Final Rule facilitates swift and effective implementation by establishing a framework for determining the types of programs and services that are eligible under the ARPA along with examples of uses that State, local, and Tribal governments may consider. These uses build on eligible expenditures under the CRF, including some expansions in eligible uses to respond to the public health emergency, such as vaccination campaigns. They

also reflect changes in the needs of communities, as evidenced by, for example, nationwide data demonstrating disproportionate impacts of the COVID-19 public health emergency on certain populations, geographies, and economic sectors. The Interim Final Rule takes into consideration these disproportionate impacts by recognizing a broad range of eligible uses to help States, local, and Tribal governments support the families, businesses, and communities hardest hit by the COVID-19 public health emergency.

Implementation of the Fiscal Recovery Funds also reflect the importance of public input, transparency, and accountability. Treasury seeks comment on all aspects of the Interim Final Rule and, to better facilitate public comment, has included specific questions throughout this Supplementary Information. Treasury encourages State, local, and Tribal governments in particular to provide feedback and to engage with Treasury regarding issues that may arise regarding all aspects of this Interim Final Rule and Treasury's work in administering the Fiscal Recovery Funds. In addition, the Interim Final Rule establishes certain regular reporting requirements, including by requiring State, local, and Tribal governments to publish information regarding uses of Fiscal Recovery Funds payments in their local jurisdiction. These reporting requirements reflect the need for transparency and accountability, while recognizing and minimizing the burden, particularly for smaller local governments. 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.

II. Eligible Uses

A. Public Health and Economic Impacts

Sections 602(c)(1)(A) and 603(c)(1)(A) provide significant resources for State, territorial, Tribal governments, and counties, metropolitan cities, and nonentitlement units of local governments (each referred to as a recipient) to meet the wide range of public health and economic impacts of the COVID-19 public health emergency.

These provisions authorize the use of payments from the Fiscal Recovery Funds to respond to the public health emergency with respect to COVID-19 or its negative economic impacts. Section 602 and section 603 also describe several types of uses that would be responsive to the impacts of the COVID-19 public health emergency, including assistance to households, small businesses, and nonprofits and aid to impacted industries, such as tourism, travel, and hospitality.²⁰

Accordingly, to assess whether a program or service is included in this category of eligible uses, a recipient should consider whether and how the use would respond to the COVID-19 public health emergency. Assessing whether a program or service “responds to” the COVID-19 public health emergency requires the recipient to, first, identify a need or negative impact of the COVID-19 public health emergency and, second, identify how the program, service, or other intervention addresses the identified need or impact. While the COVID-19 public health emergency affected many aspects of American life, eligible uses under this category must be in response to the disease itself or the harmful consequences of the economic disruptions resulting from or exacerbated by the COVID-19 public health emergency.

²⁰ §§602(c)(1)(A), 603(c)(1)(A) of the Act.

The Interim Final Rule implements these provisions by identifying a non-exclusive list of programs or services that may be funded as responding to COVID-19 or the negative economic impacts of the COVID-19 public health emergency, along with considerations for evaluating other potential uses of the Fiscal Recovery Funds not explicitly listed. 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. As an example, in determining whether a program or service responds to the negative economic impacts of the COVID-19 public health emergency, the Interim Final Rule provides that payments from the Fiscal Recovery Funds should be designed to address an economic harm resulting from or exacerbated by the public health emergency. Recipients should assess the connection between the negative economic harm and the COVID-19 public health emergency, the nature and extent of that harm, and how the use of this funding would address such harm.

As discussed, the pandemic and the necessary actions taken to control the spread had a severe impact on households and small businesses, including in particular low-income workers and communities and people of color. While eligible uses under sections 602(c)(1)(A) and 603(c)(1)(A) provide flexibility to recipients to identify the most pressing local needs, Treasury encourages recipients to provide assistance to those households, businesses, and non-profits in communities most disproportionately impacted by the pandemic.

1. Responding to COVID-19

On January 21, 2020, the Centers for Disease Control and Prevention (CDC) identified the first case of novel coronavirus in the United States.²¹ By late March, the virus had spread to many States and the first wave was growing rapidly, centered in the northeast.²² This wave brought acute strain on health care and public health systems: hospitals and emergency medical services struggled to manage a major influx of patients; response personnel faced shortages of personal protective equipment; testing for the virus was scarce; and congregate living facilities like nursing homes and prisons saw rapid spread. State, local, and Tribal governments mobilized to support the health care system, issue public health orders to mitigate virus spread, and communicate safety measures to the public. The United States has since faced at least two additional COVID-19 waves that brought many similar challenges: the second in the summer, centered in the south and southwest, and a wave throughout the fall and winter, in which the virus reached a point of uncontrolled spread across the country and over 3,000 people died per day.²³ By early May 2021, the United States has experienced over 32 million confirmed COVID-19 cases and over 575,000 deaths.²⁴

²¹ Press Release, Centers for Disease Control and Prevention, First Travel-related Case of 2019 Novel Coronavirus Detected in United States (Jan. 21, 2020), <https://www.cdc.gov/media/releases/2020/p0121-novel-coronavirus-travel-case.html>.

²² Anne Schuchat et al., Public Health Response to the Initiation and Spread of Pandemic COVID-19 in the United States, February 24 – April 21, 2021, *MMWR Morb Mortal Wkly Rep* 2021, 69(18):551-56 (May 8, 2021), <https://www.cdc.gov/mmwr/volumes/69/wr/mm6918e2.htm>.

²³ Centers for Disease Control and Prevention, COVID Data Tracker: Trends in Number of COVID-19 Cases and Deaths in the US Reported to CDC, by State/Territory, https://covid.cdc.gov/covid-data-tracker/#trends_dailytrendscases (last visited May 8, 2021).

²⁴ *Id.*

Mitigating the impact of COVID-19, including taking actions to control its spread and support hospitals and health care workers caring for the sick, continues to require a major public health response from State, local and Tribal governments. New or heightened public health needs include COVID-19 testing, major expansions in contact tracing, support for individuals in isolation or quarantine, enforcement of public health orders, new public communication efforts, public health surveillance (e.g., monitoring case trends and genomic sequencing for variants), enhancement to health care capacity through alternative care facilities, and enhancement of public health data systems to meet new demands or scaling needs. State, local, and Tribal governments have also supported major efforts to prevent COVID-19 spread through safety measures at key settings like nursing homes, schools, congregate living settings, dense worksites, incarceration settings, and in other public facilities. This has included implementing infection prevention measures or making ventilation improvements in congregate settings, health care settings, or other key locations.

Other response and adaptation costs include 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. In recent months, State, local, and Tribal governments across the country have mobilized to support the national vaccination campaign, resulting in over 250 million doses administered to date.²⁵

The need for public health measures to respond to COVID-19 will continue in the months and potentially years to come. This includes the continuation of the vaccination campaign for the general public and, if vaccinations are approved for children in the future, eventually for

²⁵ Centers for Disease Control and Prevention, COVID Data Tracker: COVID-19 Vaccinations in the United States, <https://covid.cdc.gov/covid-data-tracker/#vaccinations> (last visited May 8, 2021).

youths. This also includes monitoring the spread of COVID-19 variants, understanding the impact of these variants (especially on vaccination efforts), developing approaches to respond to those variants, and monitoring global COVID-19 trends to understand continued risks to the United States. Finally, the long-term health impacts of COVID-19 will continue to require a public health response, including medical services for individuals with “long COVID,” and research to understand how COVID-19 impacts future health needs and raises risks for the millions of Americans who have been infected.

Other areas of public health have also been negatively impacted by the COVID-19 pandemic. For example, 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 2019.²⁶ The proportion of children’s emergency department visits related to mental health has also risen noticeably.²⁷ Similarly, 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 2020.²⁸ Stay-at-home orders and other pandemic responses may have also reduced the ability of individuals affected by domestic violence to access services.²⁹

²⁶ Panchal, *supra* note 4; Mark É. Czeisler et al., Mental Health, Substance Abuse, and Suicidal Ideation During COVID-19 Pandemic– United States, June 24-30 2020, *Morb. Mortal. Wkly. Rep.* 69(32):1049-57 (Aug. 14, 2020), <https://www.cdc.gov/mmwr/volumes/69/wr/mm6932a1.htm>.

²⁷ Leeb, *supra* note 4.

²⁸ Centers for Disease Prevention and Control, National Center for Health Statistics, Provisional Drug Overdose Death Counts, <https://www.cdc.gov/nchs/nvss/vsrr/drug-overdose-data.htm> (last visited May 8, 2021).

²⁹ Megan L. Evans, et al., A Pandemic within a Pandemic – Intimate Partner Violence during Covid-19, *N. Engl. J. Med.* 383:2302-04 (Dec. 10, 2020), *available at* <https://www.nejm.org/doi/full/10.1056/NEJMp2024046>.

Finally, some preventative public health measures like childhood vaccinations have been deferred and potentially forgone.³⁰

While the pandemic affected communities across the country, it disproportionately impacted some demographic groups and exacerbated health inequities along racial, ethnic, and socioeconomic lines.³¹ The CDC has found that racial and ethnic minorities are at increased risk for infection, hospitalization, and death from COVID-19, with Hispanic or Latino and Native American or Alaska Native patients at highest risk.³²

Similarly, low-income and socially vulnerable communities have seen the most severe health impacts. For example, counties with high poverty rates also have the highest rates of infections and deaths, with 223 deaths per 100,000 compared to the U.S. average of 175 deaths per 100,000, as of May 2021.³³ Counties with high social vulnerability, as measured by factors such as poverty and educational attainment, have also fared more poorly than the national

³⁰ Jeanne M. Santoli et al., Effects of the COVID-19 Pandemic on Routine Pediatric Vaccine Ordering and Administration – United States, *Morb. Mortal. Wkly. Rep.* 69(19):591-93 (May 8, 2020), <https://www.cdc.gov/mmwr/volumes/69/wr/mm6919e2.htm>; Marisa Langdon-Embry et al., Notes from the Field: Rebound in Routine Childhood Vaccine Administration Following Decline During the COVID-19 Pandemic – New York City, March 1-June 27, 2020, *Morb. Mortal. Wkly. Rep.* 69(30):999-1001 (Jul. 31 2020), <https://www.cdc.gov/mmwr/volumes/69/wr/mm6930a3.htm>.

³¹ Office of the White House, National Strategy for the COVID-19 Response and Pandemic Preparedness (Jan. 21, 2021), <https://www.whitehouse.gov/wp-content/uploads/2021/01/National-Strategy-for-the-COVID-19-Response-and-Pandemic-Preparedness.pdf>.

³² In a study of 13 states from October to December 2020, the CDC found that Hispanic or Latino and Native American or Alaska Native individuals were 1.7 times more likely to visit an emergency room for COVID-19 than White individuals, and Black individuals were 1.4 times more likely to do so than White individuals. *See Romano, supra* note 10.

³³ Centers for Disease Control and Prevention, COVID Data Tracker: Trends in COVID-19 Cases and Deaths in the United States, by County-level Population Factors, https://covid.cdc.gov/covid-data-tracker/#pop-factors_totaldeaths (last visited May 8, 2021).

average, with 211 deaths per 100,000 as of May 2021.³⁴ 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.³⁵ Low-income and minority communities also exhibit higher rates of pre-existing conditions that may contribute to an increased risk of COVID-19 mortality.³⁶

In addition, individuals living in low-income communities may have had more limited ability to socially distance or to self-isolate when ill, resulting in faster spread of the virus, and were over-represented among essential workers, who faced greater risk of exposure.³⁷ Social distancing measures in response to the pandemic may have also exacerbated pre-existing public health challenges. For example, for children living in homes with lead paint, spending substantially more time at home raises the risk of developing elevated blood lead levels, while

³⁴ The CDC's Social Vulnerability Index includes fifteen variables measuring social vulnerability, including unemployment, poverty, education levels, single-parent households, disability status, non-English speaking households, crowded housing, and transportation access.

Centers for Disease Control and Prevention, COVID Data Tracker: Trends in COVID-19 Cases and Deaths in the United States, by Social Vulnerability Index, https://covid.cdc.gov/covid-data-tracker/#pop-factors_totaldeaths (last visited May 8, 2021).

³⁵ Centers for Disease Control and Prevention, Risk for COVID-19 Infection, Hospitalization, and Death By Race/Ethnicity, <https://www.cdc.gov/coronavirus/2019-ncov/covid-data/investigations-discovery/hospitalization-death-by-race-ethnicity.html> (last visited Apr. 26, 2021).

³⁶ *See, e.g.*, Centers for Disease Control and Prevention, Risk of Severe Illness or Death from COVID-19 (Dec. 10, 2020), <https://www.cdc.gov/coronavirus/2019-ncov/community/health-equity/racial-ethnic-disparities/disparities-illness.html> (last visited Apr. 26, 2021).

³⁷ Milena Almagro et al., Racial Disparities in Frontline Workers and Housing Crowding During COVID-19: Evidence from Geolocation Data (Sept. 22, 2020), NYU Stern School of Business (forthcoming), available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3695249; Grace McCormack et al., Economic Vulnerability of Households with Essential Workers, *JAMA* 324(4):388-90 (2020), available at <https://jamanetwork.com/journals/jama/fullarticle/2767630>.

screenings for elevated blood lead levels declined during the pandemic.³⁸ The combination of these underlying social and health vulnerabilities may have contributed to more severe public health outcomes of the pandemic within these communities, resulting in an exacerbation of pre-existing disparities in health outcomes.³⁹

Eligible Public Health Uses. The Fiscal Recovery Funds provide resources to meet and address these emergent public health needs, including through measures to counter the spread of COVID-19, through the provision of care for those impacted by the virus, and through programs or services that address disparities in public health that have been exacerbated by the pandemic. To facilitate implementation and use of payments from the Fiscal Recovery Funds, the Interim Final Rule identifies a non-exclusive list of eligible uses of funding to respond to the COVID-19 public health emergency. Eligible uses listed under this section build and expand upon permissible expenditures under the CRF, while recognizing the differences between the ARPA and CARES Act, and recognizing that the response to the COVID-19 public health emergency has changed and will continue to change over time. To assess whether additional uses would be eligible under this category, recipients should identify an effect of COVID-19 on public health, including either or both of immediate effects or effects that may manifest over months or years, and assess how the use would respond to or address the identified need.

³⁸ See, e.g., Joseph G. Courtney et al., Decreases in Young Children Who Received Blood Lead Level Testing During COVID-19 – 34 Jurisdictions, January-May 2020, *Morb. Mort. Wkly. Rep.* 70(5):155-61 (Feb. 5, 2021), <https://www.cdc.gov/mmwr/volumes/70/wr/mm7005a2.htm>; Emily A. Benfer & Lindsay F. Wiley, Health Justice Strategies to Combat COVID-19: Protecting Vulnerable Communities During a Pandemic, *Health Affairs Blog* (Mar. 19, 2020), <https://www.healthaffairs.org/doi/10.1377/hblog20200319.757883/full/>.

³⁹ See, e.g., Centers for Disease Control and Prevention, *supra* note 34; Benfer & Wiley, *supra* note 38; Nathaniel M. Lewis et al., Disparities in COVID-19 Incidence, Hospitalizations, and Testing, by Area-Level Deprivation – Utah, March 3-July 9, 2020, *Morb. Mortal. Wkly. Rep.* 69(38):1369-73 (Sept. 25, 2020), <https://www.cdc.gov/mmwr/volumes/69/wr/mm6938a4.htm>.

The Interim Final Rule identifies a non-exclusive list of uses that address the effects of the COVID-19 public health emergency, including:

- *COVID-19 Mitigation and Prevention.* A broad range of services and programming are needed to contain COVID-19. Mitigation and prevention efforts for COVID-19 include 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 (e.g., nursing homes, incarceration settings, homeless shelters, group living facilities) and other key settings like schools;⁴⁰ ventilation improvements in congregate settings, health care settings, or other key locations; enhancement of public health data systems; and other public health responses.⁴¹ They also include capital investments in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations

⁴⁰ This includes implementing mitigation strategies consistent with the Centers for Disease Control and Prevention’s (CDC) Operational Strategy for K-12 Schools through Phased Prevention, *available at* <https://www.cdc.gov/coronavirus/2019-ncov/community/schools-childcare/operation-strategy.html>.

⁴¹ Many of these expenses were also eligible in the CRF. Generally, funding uses eligible under CRF as a response to the direct public health impacts of COVID-19 will continue to be eligible under the ARPA, including those not explicitly listed here (e.g., telemedicine costs, costs to facilitate compliance with public health orders, disinfection of public areas, facilitating distance learning, increased solid waste disposal needs related to PPE, paid sick and paid family and medical leave to public employees to enable compliance with COVID–19 public health precautions), with the following two exceptions: 1) the standard for eligibility of public health and safety payrolls has been updated (see details on page 20) and 2) expenses related to the issuance of tax-anticipation notes are no longer an eligible funding use (see discussion of debt service on page 44).

to public buildings to implement COVID-19 mitigation tactics. These COVID-19 prevention and mitigation programs and services, among others, were eligible expenditures under the CRF and are eligible uses under this category of eligible uses for the Fiscal Recovery Funds.⁴²

- *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.⁴³ 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.⁴⁴ State and local governments may need to continue to provide care and services to address these near- and longer-term needs.⁴⁵
- *Behavioral Health Care.* In addition, new or enhanced State, local, and Tribal government 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

⁴² Coronavirus Relief Fund for States, Tribal Governments, and Certain Eligible Local Governments, 86 Fed. Reg. 4182 (Jan. 15, 2021), *available at* https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf.

⁴³ Centers for Disease Control and Prevention, *supra* note 24.

⁴⁴ Centers for Disease Control and Prevention, Long-Term Effects (Apr. 8, 2021), <https://www.cdc.gov/coronavirus/2019-ncov/long-term-effects.html> (last visited Apr. 26, 2021).

⁴⁵ Pursuant to 42 CFR 433.51 and 45 CFR 75.306, Fiscal Recovery Funds may not serve as a State or locality's contribution of certain Federal funds.

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.

- *Public Health and Safety Staff.* Treasury recognizes that responding to the public health and negative economic impacts of the pandemic, including administering the services described above, requires a substantial commitment of State, local, and Tribal government human resources. As a result, the Fiscal Recovery Funds may be used for payroll and covered benefits expenses 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 the COVID-19 public health emergency.⁴⁶ Accordingly, the Fiscal Recovery Funds may be used to support the payroll and covered benefits for the portion of the employee's time that is dedicated to responding to the COVID-19 public health emergency. For administrative convenience, the recipient may consider public health and safety employees to be entirely devoted to mitigating or responding to the COVID-19 public health emergency, and therefore fully covered, if the employee, or his or her operating unit or division, is primarily dedicated to responding to the COVID-19 public health emergency. Recipients may consider other presumptions for assessing the extent to which an employee, division, or operating unit is engaged in activities that respond to

⁴⁶ In general, if an employee's wages and salaries are an eligible use of Fiscal Recovery Funds, recipients may treat the employee's covered benefits as an eligible use of Fiscal Recovery Funds. For purposes of the Fiscal Recovery Funds, covered benefits include costs of all types of leave (vacation, family-related, sick, military, bereavement, sabbatical, jury duty), employee insurance (health, life, dental, vision), retirement (pensions, 401(k)), unemployment benefit plans (federal and state), workers compensation insurance, and Federal Insurance Contributions Act (FICA) taxes (which includes Social Security and Medicare taxes).

the COVID-19 public health emergency, provided that the recipient reassesses periodically and maintains records to support its assessment, such as payroll records, attestations from supervisors or staff, or regular work product or correspondence demonstrating work on the COVID-19 response. Recipients need not routinely track staff hours.

- *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 COVID-19 pandemic, including through use of targeted consumer outreach, improvements to data or technology infrastructure, impact evaluations, and data analysis.

Eligible Uses to Address Disparities in Public Health Outcomes. In addition, in recognition of the disproportionate impacts of the COVID-19 pandemic on health outcomes in low-income and Native American communities and the importance of mitigating these effects, the Interim Final Rule identifies a broader range of services and programs that will be presumed to be responding to the public health emergency when provided in these communities. Specifically, Treasury will presume that certain types of services, outlined below, are eligible uses when provided in a Qualified Census Tract (QCT),⁴⁷ to families living in QCTs, or when these services are provided

⁴⁷ Qualified Census Tracts are a common, readily-accessible, and geographically granular method of identifying communities with a large proportion of low-income residents. Using an existing measure may speed implementation and decrease administrative burden, while identifying areas of need at a highly-localized level.

While QCTs are an effective tool generally, many tribal communities have households with a wide range of income levels due in part to non-tribal member, high income residents living in the community. Mixed income communities, with a significant share of tribal members at the lowest levels of income, are often not included as eligible QCTs yet tribal residents are experiencing disproportionate impacts due to the pandemic. Therefore, including all services provided by Tribal governments is a more effective means of ensuring that disproportionately impacted Tribal members can receive services.

by Tribal governments.⁴⁸ Recipients may also provide these services to other populations, households, or geographic areas that are disproportionately impacted by the pandemic. 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.

Given the exacerbation of health disparities during the pandemic and the role of pre-existing social vulnerabilities in driving these disparate outcomes, services to address health disparities are presumed to be responsive to the public health impacts of the pandemic. Specifically, recipients may use payments from the Fiscal Recovery Funds 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;⁴⁹
- Funding public benefits navigators to assist community members with navigating and applying for available Federal, State, and local public benefits or services;

⁴⁸ U.S. Department of Housing and Urban Development (HUD), Qualified Census Tracts and Difficult Development Areas, <https://www.huduser.gov/portal/datasets/qct.html> (last visited Apr. 26, 2021); U.S. Department of the Interior, Bureau of Indian Affairs, Indian Lands of Federally Recognized Tribes of the United States (June 2016), <https://www.bia.gov/sites/bia.gov/files/assets/bia/ots/webteam/pdf/idc1-028635.pdf> (last visited Apr. 26, 2021).

⁴⁹ The social determinants of health are the social and environmental conditions that affect health outcomes, specifically economic stability, health care access, social context, neighborhoods and built environment, and education access. *See, e.g.*, U.S. Department of Health and Human Services, Office of Disease Prevention and Health Promotion, Healthy People 2030: Social Determinants of Health, <https://health.gov/healthypeople/objectives-and-data/social-determinants-health> (last visited Apr. 26, 2021).

- 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.⁵⁰

2. Responding to Negative Economic Impacts

Impacts on Households and Individuals. The public health emergency, including the necessary measures taken to protect public health, resulted in significant economic and financial hardship for many Americans. As businesses closed, consumers stayed home, schools shifted to remote education, and travel declined precipitously, over 20 million jobs were lost in March and April 2020.⁵¹ Although many have returned to work, as of April 2021, the economy remains 8.2 million jobs below its pre-pandemic peak,⁵² and more than 3 million workers have dropped out of the labor market altogether relative to February 2020.⁵³

Rates of unemployment are particularly severe among workers of color and workers with lower levels of educational attainment; for example, the overall unemployment rate in the United

⁵⁰ National Commission on COVID-19 and Criminal Justice, *Impact Report: COVID-19 and Crime* (Jan. 31, 2021), <https://covid19.counciloncj.org/2021/01/31/impact-report-covid-19-and-crime-3/> (showing a spike in homicide and assaults); Brad Boesrup et al., *Alarming Trends in US domestic violence during the COVID-19 pandemic*, *Am. J. of Emerg. Med.* 38(12): 2753-55 (Dec. 1, 2020), *available at* [https://www.ajemjournal.com/article/S0735-6757\(20\)30307-7/fulltext](https://www.ajemjournal.com/article/S0735-6757(20)30307-7/fulltext) (showing a spike in domestic violence).

⁵¹ U.S. Bureau of Labor Statistics, *All Employees, Total Nonfarm (PAYEMS)*, retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PAYEMS> (last visited May 8, 2021).

⁵² *Id.*

⁵³ U.S. Bureau of Labor Statistics, *Civilian Labor Force Level [CLF16OV]*, retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/CLF16OV> (last visited May 8, 2021).

States was 6.1 percent in April 2021, but certain groups saw much higher rates: 9.7 percent for Black workers, 7.9 percent for Hispanic or Latino workers, and 9.3 percent for workers without a high school diploma.⁵⁴ Job losses have also been particularly steep among low wage workers, with these workers remaining furthest from recovery as of the end of 2020.⁵⁵ A severe recession—and its concentrated impact among low-income workers—has amplified food and housing insecurity, with an estimated nearly 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.⁵⁶ Over the course of the pandemic, inequities also manifested along gender lines, as schools closed to in-person activities, leaving many working families without child care during the day.⁵⁷ Women of color have been hit especially hard: the

⁵⁴ U.S. Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey: Employment status of the civilian population by sex and age (May 8 2021), <https://www.bls.gov/news.release/empsit.t01.htm> (last visited May 8, 2021); U.S. Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey: Employment status of the civilian noninstitutional population by race, Hispanic or Latino ethnicity, sex, and age (May 8, 2021), <https://www.bls.gov/web/empsit/cpseea04.htm> (last visited May 8, 2021); U.S. Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey: Employment status of the civilian noninstitutional population 25 years and over by educational attainment (May 8, 2021), <https://www.bls.gov/web/empsit/cpseea05.htm> (last visited May 8, 2021).

⁵⁵ Elise Gould & Jori Kandra, Wages grew in 2020 because the bottom fell out of the low-wage labor market, Economic Policy Institute (Feb. 24, 2021), <https://files.epi.org/pdf/219418.pdf>. *See also*, Michael Dalton et al., The K-Shaped Recovery: Examining the Diverging Fortunes of Workers in the Recovery from the COVID-19 Pandemic using Business and Household Survey Microdata, U.S. Bureau of Labor Statistics Working Paper Series (Feb. 2021), <https://www.bls.gov/osmr/research-papers/2021/pdf/ec210020.pdf>.

⁵⁶ Center on Budget and Policy Priorities, Tracking the COVID-19 Recession's Effects on Food, Housing, and Employment Hardships, <https://www.cbpp.org/research/poverty-and-inequality/tracking-the-covid-19-recessions-effects-on-food-housing-and> (last visited May 8, 2021).

⁵⁷ Women have carried a larger share of childcare responsibilities than men during the COVID-19 crisis. *See, e.g.*, Gema Zamarró & María J. Prados, Gender differences in couples' division of childcare, work and mental health during COVID-19, *Rev. Econ. Household* 19:11-40 (2021), *available at* <https://link.springer.com/article/10.1007/s11150-020-09534-7>; Titan Alon et al., The Impact of COVID-19 on Gender Equality, National Bureau of Economic Research Working Paper 26947 (April 2020), *available at* <https://www.nber.org/papers/w26947>.

labor force participation rate for Black women has fallen by 3.2 percentage points⁵⁸ during the pandemic as compared to 1.0 percentage points for Black men⁵⁹ and 2.0 percentage points for White women.⁶⁰

As the economy recovers, the effects of the pandemic-related recession may continue to impact households, including a risk of longer-term effects on earnings and economic potential. For example, unemployed workers, especially those who have experienced longer periods of unemployment, earn lower wages over the long term once rehired.⁶¹ In addition to the labor market consequences for unemployed workers, recessions can also cause longer-term economic challenges through, among other factors, damaged consumer credit scores⁶² and reduced familial and childhood wellbeing.⁶³ These potential long-term economic consequences underscore the continued need for robust policy support.

⁵⁸ U.S. Bureau of Labor Statistics, Labor Force Participation Rate - 20 Yrs. & Over, Black or African American Women [LNS11300032], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/LNS11300032> (last visited May 8, 2021).

⁵⁹ U.S. Bureau of Labor Statistics, Labor Force Participation Rate - 20 Yrs. & Over, Black or African American Men [LNS11300031], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/LNS11300031> (last visited May 8, 2021).

⁶⁰ U.S. Bureau of Labor Statistics, Labor Force Participation Rate - 20 Yrs. & Over, White Women [LNS11300029], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/LNS11300029> (last visited May 8, 2021).

⁶¹ See, e.g., Michael Greenstone & Adam Looney, Unemployment and Earnings Losses: A Look at Long-Term Impacts of the Great Recession on American Workers, Brookings Institution (Nov. 4, 2021), <https://www.brookings.edu/blog/jobs/2011/11/04/unemployment-and-earnings-losses-a-look-at-long-term-impacts-of-the-great-recession-on-american-workers/>.

⁶² Chi Chi Wu, Solving the Credit Conundrum: Helping Consumers' Credit Records Impaired by the Foreclosure Crisis and Great Recession (Dec. 2013), https://www.nclc.org/images/pdf/credit_reports/report-credit-conundrum-2013.pdf.

⁶³ Irwin Garfinkel, Sara McLanahan, Christopher Wimer, eds., Children of the Great Recession, Russell Sage Foundation (Aug. 2016), available at <https://www.russellsage.org/publications/children-great-recession>.

Impacts on Businesses. The pandemic has also severely impacted many businesses, with small businesses hit especially hard. Small businesses make up nearly half of U.S. private-sector employment⁶⁴ and play a key role in supporting the overall economic recovery as they are responsible for two-thirds of net new jobs.⁶⁵ Since the beginning of the pandemic, however, 400,000 small businesses have closed, with many more at risk.⁶⁶ Sectors with a large share of small business employment have been among those with the most drastic drops in employment.⁶⁷ The negative outlook for small businesses has continued: as of April 2021, approximately 70 percent 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.⁶⁸

This negative outlook is likely the result of many small businesses having faced periods of closure and having seen declining revenues as customers stayed home.⁶⁹ In general, small businesses can face greater hurdles in accessing credit,⁷⁰ and many small businesses were

⁶⁴ Board of Governors of the Federal Reserve System, *supra* note 5.

⁶⁵ U.S. Small Business Administration, Office of Advocacy, Small Businesses Generate 44 Percent of U.S. Economic Activity (Jan. 30, 2019), <https://advocacy.sba.gov/2019/01/30/small-businesses-generate-44-percent-of-u-s-economic-activity/>.

⁶⁶ Biden, *supra* note 6.

⁶⁷ Daniel Wilmoth, U.S. Small Business Administration Office of Advocacy, The Effects of the COVID-19 Pandemic on Small Businesses, Issue Brief No. 16 (Mar. 2021), *available at* <https://cdn.advocacy.sba.gov/wp-content/uploads/2021/03/02112318/COVID-19-Impact-On-Small-Business.pdf>.

⁶⁸ U.S. Census Bureau, Small Business Pulse Survey, <https://portal.census.gov/pulse/data/> (last visited May 8, 2021).

⁶⁹ Olivia S. Kim et al., Revenue Collapses and the Consumption of Small Business Owners in the Early Stages of the COVID-19 Pandemic (Nov. 2020), <https://www.nber.org/papers/w28151>.

⁷⁰ *See e.g.*, Board of Governors of the Federal Reserve System, Report to Congress on the Availability of Credit to Small Businesses (Sept. 2017), *available at* <https://www.federalreserve.gov/publications/2017-september-availability-of-credit-to-small-businesses.htm>.

already financially fragile at the outset of the pandemic.⁷¹ Non-profits, which provide vital services to communities, have similarly faced economic and financial challenges due to the pandemic.⁷²

Impacts to State, Local, and Tribal Governments. State, local, and Tribal governments have felt substantial fiscal pressures. As noted above, State, local, and Tribal governments have faced significant revenue shortfalls and remain over 1 million jobs below their pre-pandemic staffing levels.⁷³ These reductions in staffing may undermine the ability to deliver services effectively, as well as add to the number of unemployed individuals in their jurisdictions.

Exacerbation of Pre-existing Disparities. The COVID-19 public health emergency may have lasting negative effects on economic outcomes, particularly in exacerbating disparities that existed prior to the pandemic.

The negative economic impacts of the COVID-19 pandemic are particularly pronounced in certain communities and families. Low- and moderate-income jobs make up a substantial portion of both total pandemic job losses,⁷⁴ and jobs that require in-person frontline work, which

⁷¹ Alexander W. Bartik et al., The Impact of COVID-19 on small business outcomes and expectations, PNAS 117(30): 17656-66 (July 28, 2020), available at <https://www.pnas.org/content/117/30/17656>.

⁷² Federal Reserve Bank of San Francisco, Impacts of COVID-19 on Nonprofits in the Western United States (May 2020), <https://www.frbsf.org/community-development/files/impact-of-covid-nonprofits-serving-western-united-states.pdf>.

⁷³ Wolfe & Kassa, *supra* note 7; Elijah Moreno & Heather Sobrepena, Tribal entities remain resilient as COVID-19 batters their finances, Federal Reserve Bank of Minneapolis (Nov. 10, 2021), <https://www.minneapolisfed.org/article/2020/tribal-entities-remain-resilient-as-covid-19-batters-their-finances>.

⁷⁴ Kim Parker et al., Economic Fallout from COVID-19 Continues to Hit Lower-Income Americans the Hardest, Pew Research Center (Sept. 24, 2020), <https://www.pewresearch.org/social-trends/2020/09/24/economic-fallout-from-covid-19-continues-to-hit-lower-income-americans-the-hardest/>; Gould, *supra* note 55.

are exposed to greater risk of contracting COVID-19.⁷⁵ Both factors compound pre-existing vulnerabilities and the likelihood of food, housing, or other financial insecurity in low- and moderate-income families and, given the concentration of low- and moderate-income families within certain communities,⁷⁶ raise a substantial risk that the effects of the COVID-19 public health emergency will be amplified within these communities.

These compounding effect of recessions on concentrated poverty and the long-lasting nature of this effect were observed after the 2007-2009 recession, including a large increase in concentrated poverty with the number of people living in extremely poor neighborhoods more than doubling by 2010-2014 relative to 2000.⁷⁷ Concentrated poverty has a range of deleterious impacts, including additional burdens on families and reduced economic potential and social cohesion.⁷⁸ Given the disproportionate impact of COVID-19 on low-income households discussed above, there is a risk that the current pandemic-induced recession could further increase concentrated poverty and cause long-term damage to economic prospects in neighborhoods of concentrated poverty.

The negative economic impacts of COVID-19 also include significant impacts to children in disproportionately affected families and include impacts to education, health, and welfare, all

⁷⁵ See *infra* Section II.B of this Supplementary Information.

⁷⁶ Elizabeth Kneebone, The Changing geography of US poverty, Brookings Institution (Feb. 15, 2017), <https://www.brookings.edu/testimonies/the-changing-geography-of-us-poverty/>.

⁷⁷ Elizabeth Kneebone & Natalie Holmes, U.S. concentrated poverty in the wake of the Great Recession, Brookings Institution (Mar. 31, 2016), <https://www.brookings.edu/research/u-s-concentrated-poverty-in-the-wake-of-the-great-recession/>.

⁷⁸ David Erickson et al., The Enduring Challenge of Concentrated Poverty in America: Case Studies from Communities Across the U.S. (2008), *available at* https://www.frbsf.org/community-development/files/cp_fullreport.pdf.

of which contribute to long-term economic outcomes.⁷⁹ Many low-income and minority students, who were disproportionately served by remote or hybrid education during the pandemic, lacked the resources to participate fully in remote schooling or live in households without adults available throughout the day to assist with online coursework.⁸⁰ Given these trends, the pandemic may widen educational disparities and worsen outcomes for low-income students,⁸¹ an effect that would substantially impact their long-term economic outcomes. Increased economic strain or material hardship due to the pandemic could also have a long-term impact on health, educational, and economic outcomes of young children.⁸² Evidence suggests

⁷⁹ Educational quality, as early as Kindergarten, has a long-term impact on children’s public health and economic outcomes. *See, e.g.*, Tyler W. Watts et al., The Chicago School Readiness Project: Examining the long-term impacts of an early childhood intervention, *PLoS ONE* 13(7) (2018), *available at* <https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0200144>; Opportunity Insights, How Can We Amplify Education as an Engine of Mobility? Using big data to help children get the most from school, <https://opportunityinsights.org/education/> (last visited Apr. 26, 2021); U.S. Department of Health and Human Services (HHS), Office of Disease Prevention and Health Promotion, Early Childhood Development and Education, <https://www.healthypeople.gov/2020/topics-objectives/topic/social-determinants-health/interventions-resources/early-childhood-development-and-education> (last visited Apr. 26, 2021).

⁸⁰ *See, e.g.*, Bacher-Hicks, *supra* note 14.

⁸¹ A Department of Education survey found that, as of February 2021, 42 percent of fourth grade students nationwide were offered only remote education, compared to 48 percent of economically disadvantaged students, 54 percent of Black students and 57 percent of Hispanic students. Large districts often disproportionately serve low-income students. *See* Institute of Education Sciences, Monthly School Survey Dashboard, <https://ies.ed.gov/schoolsurvey/> (last visited Apr. 26, 2021). In summer 2020, a review found that 74 percent of the largest 100 districts chose remote learning only. *See* Education Week, School Districts’ Reopening Plans: A Snapshot (Jul. 15, 2020), <https://www.edweek.org/leadership/school-districts-reopening-plans-a-snapshot/2020/07> (last visited May 4, 2021).

⁸² HHS, *supra* note 79.

that adverse conditions in early childhood, including exposure to poverty, food insecurity, housing insecurity, or other economic hardships, are particularly impactful.⁸³

The pandemic's disproportionate economic impacts are also seen in Tribal communities across the country—for Tribal governments as well as families and businesses on and off Tribal lands. In the early months of the pandemic, Native American unemployment spiked to 26 percent and, while partially recovered, remains at nearly 11 percent.⁸⁴ Tribal enterprises are a significant source of revenue for Tribal governments to support the provision of government services. These enterprises, notably concentrated in gaming, tourism, and hospitality, frequently closed, significantly reducing both revenues to Tribal governments and employment. As a result, Tribal governments have reduced essential services to their citizens and communities.⁸⁵

Eligible Uses. Sections 602(c)(1)(A) and 603(c)(1)(A) permit use of payments from the Fiscal Recovery Funds to respond to the negative economic impacts of the COVID-19 public health emergency. Eligible uses that respond to the negative economic impacts of the public health emergency must be designed to address an economic harm resulting from or exacerbated by the public health emergency. In considering whether a program or service would be eligible under this category, the recipient should assess whether, and the extent to which, there has been

⁸³ Hirokazu Yoshikawa, Effects of the Global Coronavirus Disease – 2019 Pandemic on Early Childhood Development: Short- and Long-Term Risks and Mitigating Program and Policy Actions, *J. of Pediatrics* Vol. 223:188-93 (Aug. 1, 2020), available at [https://www.jpeds.com/article/S0022-3476\(20\)30606-5/abstract](https://www.jpeds.com/article/S0022-3476(20)30606-5/abstract).

⁸⁴ Based on calculations conducted by the Minneapolis Fed's Center for Indian Country Development using Flood et al. (2020)'s Current Population Survey." Sarah Flood, Miriam King, Renae Rodgers, Steven Ruggles and J. Robert Warren. Integrated Public Use Microdata Series, Current Population Survey: Version 8.0 [dataset]. Minneapolis, MN: IPUMS, 2020. <https://doi.org/10.18128/D030.V8.0>; see also Donna Feir & Charles Golding, Native Employment During COVID-19: Hard hit in April but Starting to Rebound? (Aug. 5, 2020), <https://www.minneapolisfed.org/article/2020/native-employment-during-covid-19-hit-hard-in-april-but-starting-to-rebound>.

⁸⁵ Moreno & Sobrepena, *supra* note 73.

an economic harm, such as loss of earnings or revenue, that resulted from the COVID-19 public health emergency and whether, and the extent to which, the use would respond or address this harm.⁸⁶ A recipient should first consider whether an economic harm exists and whether this harm was caused or made worse by the COVID-19 public health emergency. While economic impacts may either be immediate or delayed, assistance or aid to individuals or businesses that did not experience a negative economic impact from the public health emergency would not be an eligible use under this category.

In addition, the eligible use must “respond to” the identified negative economic impact. Responses must be related and reasonably proportional to the extent and type of harm experienced; uses that bear no relation or are grossly disproportionate to the type or extent of harm experienced would not be eligible uses. Where there has been a negative economic impact resulting from the public health emergency, States, local, and Tribal governments have broad latitude to choose whether and how to use the Fiscal Recovery Funds to respond to and address the negative economic impact. Sections 602(c)(1)(A) and 603(c)(1)(A) describe several types of uses that would be eligible under this category, including assistance to households, small businesses, and nonprofits and aid to impacted industries such as tourism, travel, and hospitality.

To facilitate implementation and use of payments from the Fiscal Recovery Funds, the Interim Final Rule identifies a non-exclusive list of eligible uses of funding that respond to the negative economic impacts of the public health emergency. Consistent with the discussion above, the eligible uses listed below would respond directly to the economic or financial harms resulting from and or exacerbated by the public health emergency.

⁸⁶ In some cases, a use may be permissible under another eligible use category even if it falls outside the scope of section (c)(1)(A) of the Act.

- *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 established under section 904 of the Social Security Act (42 U.S.C. 1104) 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 (42 U.S.C. 1321) for the payment of benefits between January 27, 2020 and [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER], given the close nexus between Unemployment Trust Fund costs, solvency of Unemployment Trust Fund systems, and pandemic economic impacts. Further, Unemployment Trust Fund deposits can decrease fiscal strain on Unemployment Insurance systems impacted by the pandemic. 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. Because both of these impacts were driven directly by the need for assistance to unemployed workers during the pandemic, replenishing Unemployment Trust Funds up to the pre-pandemic level responds to the pandemic's negative economic impacts on unemployed workers.

- *Assistance to Households.* Assistance to households or populations facing negative economic impacts due to COVID-19 is also an eligible use. This includes: food assistance; rent, mortgage, or utility assistance; counseling and legal aid to prevent eviction or homelessness; cash assistance (discussed below); 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. As discussed above, in considering whether a potential use is eligible under this category, a recipient must consider whether, and the extent to which, the household has experienced a negative economic impact from the pandemic. In assessing whether a household or population experienced economic harm as a result of the pandemic, 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. For example, a cash transfer program may focus on unemployed workers or low- and moderate-income families, which have faced disproportionate economic harms due to the pandemic. Cash transfers must be reasonably proportional to the negative economic impact they are intended to address. Cash transfers grossly in excess of the amount needed to address the negative economic impact identified by the recipient would not be considered to be a response to the COVID-19 public health emergency or its negative impacts. In particular, when considering the appropriate size of permissible cash transfers made in response to the COVID-19 public health emergency, State, local and

Tribal governments may consider and take guidance from the per person amounts previously provided by the Federal government in response to the COVID-19 crisis. Cash transfers that are grossly in excess of such amounts would be outside the scope of eligible uses under section 602(c)(1)(A) and 603(c)(1)(A) and could be subject to recoupment. 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.

- *Expenses to Improve Efficacy of Economic Relief Programs.* State, local, and Tribal 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.
- *Small Businesses and Non-profits.* As discussed above, small businesses and non-profits faced significant challenges in covering payroll, mortgages or rent, and other operating costs as a result of the public health emergency and measures taken to contain the spread of the virus. State, local, and Tribal governments may provide assistance to small businesses to adopt safer operating procedures, weather periods of closure, or mitigate financial hardship resulting from the COVID-19 public health emergency, including:
 - Loans or grants to mitigate financial hardship such as declines in revenues or impacts of periods of business closure, for example by 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, such as physical plant changes to enable social distancing, enhanced cleaning efforts, barriers or partitions, or COVID-19 vaccination, testing, or contact tracing programs; and
- Technical assistance, counseling, or other services to assist with business planning needs.

As discussed above, these services should respond to the negative economic impacts of COVID-19. Recipients may consider additional criteria to target assistance to businesses in need, including small businesses. Such criteria may include businesses facing financial insecurity, substantial declines in gross receipts (e.g., comparable to measures used to assess eligibility for the Paycheck Protection Program), 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. Recipients should consider local economic conditions and business data when establishing such criteria.⁸⁷

- *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

⁸⁷ See Federal Reserve Bank of Cleveland, *An Uphill Battle: COVID-19's Outsized Toll on Minority-Owned Firms* (Oct. 8, 2020), <https://www.clevelandfed.org/newsroom-and-events/publications/community-development-briefs/db-20201008-misera-report.aspx> (discussing the impact of COVID-19 on minority owned businesses).

in April 2021 than prior to the pandemic.⁸⁸ 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.

- *Aid to Impacted Industries.* Sections 602(c)(1)(A) and 603(c)(1)(A) recognize that certain industries, such as tourism, travel, and hospitality, were disproportionately and negatively impacted by the COVID-19 public health emergency. Aid provided to tourism, travel, and hospitality industries should respond to the negative economic impacts of the pandemic on those and similarly impacted industries. For example, 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

⁸⁸ U.S. Bureau of Labor Statistics, All Employees, State Government [CES9092000001] and All Employees, Local Government [CES9093000001], retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/CES9092000001> and <https://fred.stlouisfed.org/series/CES9093000001> (last visited May 8, 2021).

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 COVID-19 public health emergency, as well as aid for a planned expansion or upgrade of tourism, travel, and hospitality facilities delayed due to the pandemic.

When considering providing aid to industries other than tourism, travel, and hospitality, recipients should consider the extent of the economic impact as compared to tourism, travel, and hospitality, the industries enumerated in the statute. For example, on net, the leisure and hospitality industry has experienced an approximately 24 percent decline in revenue and approximately 17 percent decline in employment nationwide due to the COVID-19 public health emergency.⁸⁹ Recipients should also consider whether impacts were due to the COVID-19 pandemic, as opposed to longer-term economic or industrial trends unrelated to the pandemic.

To facilitate transparency and accountability, the Interim Final Rule requires that State, local, and Tribal governments publicly report assistance provided to private-sector businesses under this eligible use, including tourism, travel, hospitality, and other impacted industries, and its connection to negative

⁸⁹ From February 2020 to April 2021, employment in “Leisure and hospitality” has fallen by approximately 17 percent. *See* U.S. Bureau of Labor Statistics, All Employees, Leisure and Hospitality, retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/USLAH> (last visited May 8, 2021). From 2019Q4 to 2020Q4, gross output (e.g. revenue) in arts, entertainment, recreation, accommodation, and food services has fallen by approximately 24 percent. *See* Bureau of Economic Analysis, News Release: Gross Domestic Product (Third Estimate), Corporate Profits, and GDP by Industry, Fourth Quarter and Year 2020 (Mar. 25, 2021), Table 17, https://www.bea.gov/sites/default/files/2021-03/gdp4q20_3rd.pdf.

economic impacts of the pandemic. Recipients also should maintain records to support their assessment of how businesses or business districts receiving assistance were affected by the negative economic impacts of the pandemic and how the aid provided responds to these impacts.

As discussed above, economic disparities that existed prior to the COVID-19 public health emergency amplified the impact of the pandemic among low-income and minority groups. These families were more likely to face housing, food, and financial insecurity; are over-represented among low-wage workers; and many have seen their livelihoods deteriorate further during the pandemic and economic contraction. In recognition of the disproportionate negative economic impacts on certain communities and populations, the Interim Final Rule identifies services and programs that will be presumed to be responding to the negative economic impacts of the COVID-19 public health emergency when provided in these communities.

Specifically, Treasury will presume that certain types of services, outlined below, are eligible uses when provided in a QCT, to families and individuals living in QCTs, or when these services are provided by Tribal governments.⁹⁰ Recipients may also provide these services to other populations, households, or geographic areas disproportionately impacted by the pandemic. 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. The Interim Final Rule identifies a non-exclusive list of uses that address the disproportionate negative economic effects of the COVID-19 public health emergency, including:

⁹⁰ HUD, *supra* note 48.

- *Building Stronger Communities through Investments in Housing and Neighborhoods*. The economic impacts of COVID-19 have likely been most acute in lower-income neighborhoods, including concentrated areas of high unemployment, limited economic opportunity, and housing insecurity.⁹¹ Services in this category alleviate the immediate economic impacts of the COVID-19 pandemic on housing insecurity, while addressing conditions that contributed to poor public health and economic outcomes during the pandemic, namely concentrated areas with limited economic opportunity and inadequate or poor-quality housing.⁹² Eligible services include:
 - 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.⁹³

⁹¹ Stuart M. Butler & Jonathan Grabinsky, Tackling the legacy of persistent urban inequality and concentrated poverty, Brookings Institution (Nov. 16, 2020), <https://www.brookings.edu/blog/up-front/2020/11/16/tackling-the-legacy-of-persistent-urban-inequality-and-concentrated-poverty/>.

⁹² U.S. Department of Health and Human Services (HHS), Office of Disease Prevention and Health Promotion, Quality of Housing, <https://www.healthypeople.gov/2020/topics-objectives/topic/social-determinants-health/interventions-resources/quality-of-housing#11> (last visited Apr. 26, 2021).

⁹³ The Opportunity Atlas, <https://www.opportunityatlas.org/> (last visited Apr. 26, 2021); Raj Chetty & Nathaniel Hendren, The Impacts of Neighborhoods on Intergenerational Mobility I: Childhood Exposure Effects, *Quarterly J. of Econ.* 133(3):1107-162 (2018), *available at* <https://opportunityinsights.org/paper/neighborhoodsi/>.

- *Addressing Educational Disparities.* As outlined above, school closures and the transition to remote education raised particular challenges for lower-income students, potentially exacerbating educational disparities, while increases in economic hardship among families could have long-lasting impacts on children’s educational and economic prospects. Services under this prong would enhance educational supports to help mitigate impacts of the pandemic. Eligible services include:
 - 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; and
 - Evidence-based practices to address the social, emotional, and mental health needs of students;

- *Promoting Healthy Childhood Environments.* Children’s economic and family circumstances have a long-term impact on their future economic outcomes.⁹⁴ Increases in economic hardship, material insecurity, and parental stress and behavioral health challenges all raise the risk of long-term harms to today’s children due to the pandemic. Eligible services to address this challenge include:

⁹⁴ See supra notes 52 and 84.

- 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.

State, local, and Tribal governments are encouraged to use payments from the Fiscal Recovery Funds to respond to the direct and immediate needs of the pandemic and its negative economic impacts and, in particular, the needs of households and businesses that were disproportionately and negatively impacted by the public health emergency. As highlighted above, low-income communities and workers and people of color have faced more severe health and economic outcomes during the pandemic, with pre-existing social vulnerabilities like low-wage or insecure employment, concentrated neighborhoods with less economic opportunity, and pre-existing health disparities likely contributing to the magnified impact of the pandemic. The Fiscal Recovery Funds provide resources to not only respond to the immediate harms of the pandemic but also to mitigate its longer-term impact in compounding the systemic public health and economic challenges of disproportionately impacted populations. Treasury encourages recipients to consider funding uses that foster a strong, inclusive, and equitable recovery, especially uses with long-term benefits for health and economic outcomes.

Uses Outside the Scope of this Category. Certain uses would not be within the scope of this eligible use category, although may be eligible under other eligible use categories. A general infrastructure project, for example, typically would not be included unless the project responded to a specific pandemic public health need (e.g., investments in facilities for the delivery of vaccines) or a specific negative economic impact like those described above (e.g., affordable housing in a QCT). The ARPA explicitly includes infrastructure if it is “necessary” and in water, sewer, or broadband. *See* Section II.D of this Supplementary Information. State, local, and Tribal governments also may use the Fiscal Recovery Funds under sections 602(c)(1)(C) or 603(c)(1)(C) to provide “government services” broadly to the extent of their reduction in revenue. *See* Section II.C of this Supplementary Information.

This category of eligible uses also would not include contributions to rainy day funds, financial reserves, or similar funds. Resources made available under this eligible use category are intended to help meet pandemic response needs and provide relief for households and businesses facing near- and long-term negative economic impacts. Contributions to rainy day funds and similar financial reserves would not address these needs or respond to the COVID-19 public health emergency but would rather constitute savings for future spending needs. Similarly, this eligible use category would not include payment of interest or principal on outstanding debt instruments, including, for example, short-term revenue or tax anticipation notes, or other debt service costs. As discussed below, payments from the Fiscal Recovery Funds are intended to be used prospectively and the Interim Final Rule precludes use of these funds to cover the costs of debt incurred prior to March 3, 2021. Fees or issuance costs associated with the issuance of new debt would also not be covered using payments from the Fiscal Recovery Funds because such costs would not themselves have been incurred to address

the needs of pandemic response or its negative economic impacts. The purpose of the Fiscal Recovery Funds is to provide fiscal relief that will permit State, local, and Tribal governments to continue to respond to the COVID-19 public health emergency.

For the same reasons, this category of eligible uses would not include satisfaction of any obligation arising under or pursuant to a settlement agreement, judgment, consent decree, or judicially confirmed debt restructuring plan in a judicial, administrative, or regulatory proceeding, except to the extent the judgment or settlement requires the provision of services that would respond to the COVID-19 public health emergency. That is, satisfaction of a settlement or judgment would not itself respond to COVID-19 with respect to the public health emergency or its negative economic impacts, unless the settlement requires the provision of services or aid that did directly respond to these needs, as described above.

In addition, as described in Section V.III of this Supplementary Information, Treasury will establish reporting and record keeping requirements for uses within this category, including enhanced reporting requirements for certain types of uses.

Question 1: Are there other types of services or costs that Treasury should consider as eligible uses to respond to the public health impacts of COVID-19? Describe how these respond to the COVID-19 public health emergency.

Question 2: The Interim Final Rule permits coverage of payroll and benefits costs of public health and safety staff primarily dedicated to COVID-19 response, as well as rehiring of public sector staff up to pre-pandemic levels. For how long should these measures remain in place? What other measures or presumptions might Treasury consider to assess the extent to which public sector staff are engaged in COVID-19 response, and therefore reimbursable, in an easily-administrable manner?

Question 3: The Interim Final Rule permits rehiring of public sector staff up to the government's pre-pandemic staffing level, which is measured based on employment as of January 27, 2021. Does this approach adequately measure the pre-pandemic staffing level in a manner that is both accurate and easily administrable? Why or why not?

Question 4: The Interim Final Rule permits deposits to Unemployment Insurance Trust Funds, or using funds to pay back advances, up to the pre-pandemic balance. What, if any, conditions should be considered to ensure that funds repair economic impacts of the pandemic and strengthen unemployment insurance systems?

Question 5: Are there other types of services or costs that Treasury should consider as eligible uses to respond to the negative economic impacts of COVID-19? Describe how these respond to the COVID-19 public health emergency.

Question 6: What other measures, presumptions, or considerations could be used to assess "impacted industries" affected by the COVID-19 public health emergency?

Question 7: What are the advantages and disadvantages of using Qualified Census Tracts and services provided by Tribal governments to delineate where a broader range of eligible uses are presumed to be responsive to the public health and economic impacts of COVID-19? What other measures might Treasury consider? Are there other populations or geographic areas that were disproportionately impacted by the pandemic that should be explicitly included?

Question 8: Are there other services or costs that Treasury should consider as eligible uses to respond to the disproportionate impacts of COVID-19 on low-income populations and communities? Describe how these respond to the COVID-19 public health emergency or its negative economic impacts, including its exacerbation of pre-existing challenges in these areas.

Question 9: The Interim Final Rule includes eligible uses to support affordable housing and stronger neighborhoods in disproportionately-impacted communities. Discuss the advantages and disadvantages of explicitly including other uses to support affordable housing and stronger neighborhoods, including rehabilitation of blighted properties or demolition of abandoned or vacant properties. In what ways does, or does not, this potential use address public health or economic impacts of the pandemic? What considerations, if any, could support use of Fiscal Recovery Funds in ways that do not result in resident displacement or loss of affordable housing units?

B. 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.⁹⁵ These are workers who have been and continue to be relied on to maintain continuity of operations of essential critical infrastructure sectors, including those who are critical to protecting the health and wellbeing of their communities.

Since the start of the COVID-19 public health emergency in January 2020, essential workers have put their physical wellbeing at risk to meet the daily needs of their communities and to provide care for others. In the course of this work, many essential workers have contracted or died of COVID-19.⁹⁶ Several examples reflect the severity of the health impacts

⁹⁵ §§602(c)(1)(B), 603(c)(1)(B) of the Act.

⁹⁶ See, e.g., Centers for Disease Control and Prevention, COVID Data Tracker: Cases & Death among Healthcare Personnel, <https://covid.cdc.gov/covid-data-tracker/#health-care-personnel> (last visited May 4, 2021); Centers for Disease Control and Prevention, COVID Data Tracker: Confirmed COVID-19 Cases and Deaths among Staff and Rate per 1,000 Resident-Weeks in Nursing Homes, by Week – United States, <https://covid.cdc.gov/covid-data-tracker/#nursing-home-staff> (last visited May 4, 2021).

for essential workers. Meat processing plants became “hotspots” for transmission, with 700 new cases reported at a single plant on a single day in May 2020.⁹⁷ In New York City, 120 employees of the Metropolitan Transit Authority were estimated to have died due to COVID-19 by mid-May 2020, with nearly 4,000 testing positive for the virus.⁹⁸ Furthermore, many essential workers are people of color or low-wage workers.⁹⁹ These workers, in particular, have borne a disproportionate share of the health and economic impacts of the pandemic. Such workers include:

- Staff at nursing homes, hospitals, and home care settings;
- Workers at farms, food production facilities, grocery stores, and restaurants;
- Janitors and sanitation workers;
- Truck drivers, transit staff, and warehouse workers;
- Public health and safety staff;
- Childcare workers, educators, and other school staff; and
- Social service and human services staff.

During the public health emergency, employers’ policies on COVID-19-related hazard pay have varied widely, with many essential workers not yet compensated for the heightened

⁹⁷ See, e.g., The Lancet, The plight of essential workers during the COVID-19 pandemic, Vol. 395, Issue 10237:1587 (May 23, 2020), available at <https://www.thelancet.com/journals/lancet/article/PIIS0140-6736%2820%2931200-9/fulltext>.

⁹⁸ *Id.*

⁹⁹ Joanna Gaitens et al., Covid-19 and essential workers: A narrative review of health outcomes and moral injury, *Int’l J. of Env’tl. Research and Pub. Health* 18(4):1446 (Feb. 4, 2021), available at <https://pubmed.ncbi.nlm.nih.gov/33557075/>; Tiana N. Rogers et al., Racial Disparities in COVID-19 Mortality Among Essential Workers in the United States, *World Med. & Health policy* 12(3):311-27 (Aug. 5, 2020), available at <https://onlinelibrary.wiley.com/doi/full/10.1002/wmh3.358> (finding that vulnerability to coronavirus exposure was increased among non-Hispanic blacks, who disproportionately occupied the top nine essential occupations).

risks they have faced and continue to face.¹⁰⁰ Many of these workers earn lower wages on average and live in socioeconomically vulnerable communities as compared to the general population.¹⁰¹ A recent study found that 25 percent of essential workers were estimated to have low household income, with 13 percent in high-risk households.¹⁰² The low pay of many essential workers makes them less able to cope with the financial consequences of the pandemic or their work-related health risks, including working hours lost due to sickness or disruptions to childcare and other daily routines, or the likelihood of COVID-19 spread in their households or communities. Thus, the threats and costs involved with maintaining the ongoing operation of vital facilities and services have been, and continue to be, borne by those that are often the most vulnerable to the pandemic. The added health risk to essential workers is one prominent way in which the pandemic has amplified pre-existing socioeconomic inequities.

The Fiscal Recovery Funds will help respond to the needs of essential workers by allowing recipients to remunerate essential workers for the elevated health risks they have faced and continue to face during the public health emergency. To ensure that premium pay is targeted to workers that faced or face heightened risks due to the character of their work, the Interim Final Rule defines essential work as work involving regular in-person interactions or regular physical handling of items that were also handled by others. A worker would not be engaged in essential work and, accordingly may not receive premium pay, for telework performed from a residence.

¹⁰⁰ Economic Policy Institute, Only 30% of those working outside their home are receiving hazard pay (June 16, 2020), <https://www.epi.org/press/only-30-of-those-working-outside-their-home-are-receiving-hazard-pay-black-and-hispanic-workers-are-most-concerned-about-bringing-the-coronavirus-home/>.

¹⁰¹ McCormack, *supra* note 37.

¹⁰² *Id.*

Sections 602(g)(2) and 603(g)(2) define eligible worker to mean “those workers needed to maintain continuity of operations of essential critical infrastructure sectors and additional sectors as each Governor of a State or territory, or each Tribal government, may designate as critical to protect the health and well-being of the residents of their State, territory, or Tribal government.”¹⁰³ The rule incorporates this definition and provides a list of industries recognized as essential critical infrastructure sectors.¹⁰⁴ These sectors include healthcare, public health and safety, childcare, education, sanitation, transportation, and food production and services, among others as noted above. As provided under sections 602(g)(2) and 603(g)(2), the chief executive of each recipient has discretion to add additional sectors to this list, so long as additional sectors are deemed critical to protect the health and well-being of residents.

In providing premium pay to essential workers or grants to eligible employers, a recipient must consider whether the pay or grant would “respond to” to the worker or workers performing essential 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. Many of the workers performing critical essential services are low- or moderate-income workers, such as those described above. The ARPA recognizes this by defining premium pay to mean 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. To ensure the provision is implemented in a manner that compensates these workers, the Interim

¹⁰³ §§602(g)(2), 603(g)(2) of the Act.

¹⁰⁴ The list of critical infrastructure sectors provided in the Interim Final Rule is based on the list of essential workers under The Heroes Act, H.R. 6800, 116th Cong. (2020).

Final Rule provides that any premium pay or grants provided using the Fiscal Recovery Funds should prioritize compensation of those lower income eligible workers that perform essential work.

As such, providing premium pay to eligible workers responds to such workers by helping address the disparity between the critical services and risks taken by essential workers and the relatively low compensation they tend to receive in exchange. If premium pay would increase a worker's total pay above 150 percent of their residing state's average annual wage for all occupations, as defined by the Bureau of Labor Statistics' Occupational Employment and Wage Statistics, or their residing county's average annual wage, as defined by the Bureau of Labor Statistics' Occupational Employment and Wage Statistics, whichever is higher, on an annual basis, the State, local, or Tribal government must provide Treasury and make publicly available, whether for themselves or on behalf of a grantee, a written justification of how the premium pay or grant is responsive to workers performing essential worker during the public health emergency.¹⁰⁵

The threshold of 150 percent for requiring additional written justification is based on an analysis of the distribution of labor income for a sample of 20 occupations that generally correspond to the essential workers as defined in the Interim Final Rule.¹⁰⁶ For these

¹⁰⁵ County median annual wage is taken to be that of the metropolitan or nonmetropolitan area that includes the county. See U.S. Bureau of Labor Statistics, State Occupational Employment and Wage Estimates, <https://www.bls.gov/oes/current/oesrcst.htm> (last visited May 1, 2021); U.S. Bureau of Labor Statistics, May 2020 Metropolitan and Nonmetropolitan Area Estimates listed by county or town, https://www.bls.gov/oes/current/county_links.htm (last visited May 1, 2021).

¹⁰⁶ Treasury performed this analysis with data from the U.S. Census Bureau's 2019 Annual Social and Economic Supplement. In determining which occupations to include in this analysis, Treasury excluded management and supervisory positions, as such positions may not necessarily involve regular in-person interactions or physical handling of items to the same extent as non-managerial positions.

occupations, labor income for the vast majority of workers was under 150 percent of average annual labor income across all occupations. Treasury anticipates that the threshold of 150 percent of the annual average wage will be greater than the annual average wage of the vast majority of eligible workers performing essential work. These enhanced reporting requirements help to ensure grants are directed to essential workers in critical infrastructure sectors and responsive to the impacts of the pandemic observed among essential workers, namely the misalignment between health risks and compensation. Enhanced reporting also provides transparency to the public. Finally, using a localized measure reflects differences in wages and cost of living across the country, making this standard administrable and reflective of essential worker incomes across a diverse range of geographic areas.

Furthermore, 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. The definition of premium pay also clarifies that premium pay may be provided retrospectively for work performed at any time since the start of the COVID-19 public health emergency, where those workers have yet to be compensated adequately for work previously performed.¹⁰⁷ Treasury encourages recipients to prioritize providing retrospective premium pay where possible, recognizing that many essential workers have not yet received additional compensation for work conducted over the course of many months. Essential workers who have already earned premium pay for essential work performed during the COVID-19 public health

¹⁰⁷ However, such compensation must be "in addition to" remuneration or wages already received. That is, employers may not reduce such workers' current pay and use Fiscal Recovery Funds to compensate themselves for premium pay previously provided to the worker.

emergency 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.

To ensure any grants respond to the needs of essential workers and are made in a fair and transparent manner, the rule imposes some additional reporting requirements for grants to third-party employers, including the public disclosure of grants provided. *See* Section VIII of this Supplementary Information, discussing reporting requirements. In responding to the needs of essential workers, a grant to an employer may provide premium pay to eligible workers performing essential work, as these terms are defined in the Interim Final Rule and discussed above. A grant provided to an employer may also be for essential work performed by eligible workers pursuant to a contract. For example, if a municipality contracts with a third party to perform sanitation work, the third-party contractor could be eligible to receive a grant to provide premium pay for these eligible workers.

Question 10: Are there additional sectors beyond those listed in the Interim Final Rule that should be considered essential critical infrastructure sectors?

Question 11: What, if any, additional criteria should Treasury consider to ensure that premium pay responds to essential workers?

Question 12: What consideration, if any, should be given to the criteria on salary threshold, including measure and level, for requiring written justification?

C. 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 the COVID-19

public health emergency.¹⁰⁸ Pursuant to sections 602(c)(1)(C) and 603(c)(1)(C) of the Act, a recipient's reduction in revenue is measured relative to the revenue collected in the most recent full fiscal year prior to the emergency.

Many State, local, and Tribal governments are experiencing significant budget shortfalls, which can have a devastating impact on communities. State government tax revenue from major sources were down 4.3 percent in the six months ended September 2020, relative to the same period 2019.¹⁰⁹ 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 2021.¹¹⁰ Similarly, surveys of Tribal governments and Tribal enterprises found majorities of respondents reporting substantial cost increases and revenue decreases, with Tribal governments reporting reductions in healthcare, housing, social services, and economic development activities as a result of reduced revenues.¹¹¹ These budget shortfalls are particularly problematic in the current environment, as State, local, and Tribal governments work to mitigate and contain the COVID-19 pandemic and help citizens weather the economic downturn.

¹⁰⁸ ARPA, *supra* note 16.

¹⁰⁹ Major sources include personal income tax, corporate income tax, sales tax, and property tax. *See* Lucy Dadayan., States Reported Revenue Growth in July- – September Quarter, Reflecting Revenue Shifts from the Prior Quarter, State Tax and Econ. Rev. (Q. 3, 2020), *available at* https://www.urban.org/sites/default/files/publication/103938/state-tax-and-economic-review-2020-q3_0.pdf

¹¹⁰ National League of Cities, City Fiscal Conditions (2020), *available at* https://www.nlc.org/wp-content/uploads/2020/08/City_Fiscal_Conditions_2020_FINAL.pdf

¹¹¹ Surveys conducted by the Center for Indian Country Development at the Federal Reserve Bank of Minneapolis in March, April, and September 2020. *See* Moreno & Sobrepena, *supra* note 73.

Further, State, local, and Tribal government budgets affect the broader economic recovery. During the period following the 2007-2009 recession, State and local government budget pressures led to fiscal austerity that was a significant drag on the overall economic recovery.¹¹² Inflation-adjusted State and local government revenue did not return to the previous peak until 2013,¹¹³ while State, local, and Tribal government employment did not recover to its prior peak for over a decade, until August 2019 – just a few months before the COVID-19 public health emergency began.¹¹⁴

Sections 602(c)(1)(C) and 603(c)(1)(C) of the Act allow recipients facing budget shortfalls to 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. The Interim Final Rule implements these provisions by establishing a definition of “general revenue” for purposes of calculating a loss in revenue and by providing a methodology for calculating revenue lost due to the COVID-19 public health emergency.

¹¹² See, e.g., Fitzpatrick, Haughwout & Setren, Fiscal Drag from the State and Local Sector?, Liberty Street Economics Blog, Federal Reserve Bank of New York (June 27, 2012), <https://www.libertystreeteconomics.newyorkfed.org/2012/06/fiscal-drag-from-the-state-and-local-sector.html>; Jiri Jonas, Great Recession and Fiscal Squeeze at U.S. Subnational Government Level, IMF Working Paper 12/184, (July 2012), available at <https://www.imf.org/external/pubs/ft/wp/2012/wp12184.pdf>; Gordon, *supra* note 9.

¹¹³ State and local government general revenue from own sources, adjusted for inflation using the GDP price index. U.S. Census Bureau, Annual Survey of State Government Finances and U.S. Bureau of Economic Analysis, National Income and Product Accounts,

¹¹⁴ U.S. Bureau of Labor Statistics, All Employees, State Government [CES9092000001] and All Employees, Local Government [CES9093000001], retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/CES9092000001> and <https://fred.stlouisfed.org/series/CES9093000001> (last visited Apr. 27, 2021).

General Revenue. The Interim Final Rule adopts a definition of “general revenue” based largely on the components reported under “General Revenue from Own Sources” in the Census Bureau’s Annual Survey of State and Local Government Finances, and for purposes of this Interim Final Rule, helps to ensure that the components of general revenue would be calculated in a consistent manner.¹¹⁵ By relying on a methodology that is both familiar and comprehensive, this approach minimizes burden to recipients and provides consistency in the measurement of general revenue across a diverse set of recipients.

The Interim Final Rule defines the term “general revenue” to include revenues collected by a recipient and generated from its underlying economy and would capture a range of different types of tax revenues, as well as other types of revenue that are available to support government services.¹¹⁶ In calculating revenue, recipients should sum across all revenue streams covered as general revenue. This approach minimizes the administrative burden for recipients, provides for greater consistency across recipients, and presents a more accurate representation of the overall impact of the COVID-19 public health emergency on a recipient’s revenue, rather than relying

¹¹⁵ U.S. Census Bureau, Annual Survey of State and Local Government Finances, <https://www.census.gov/programs-surveys/gov-finances.html> (last visited Apr. 30, 2021).

¹¹⁶ The Interim Final Rule would define tax revenue in a manner consistent with the Census Bureau’s definition of tax revenue, with certain changes (i.e., inclusion of revenue from liquor stores and certain intergovernmental transfers). Current charges are defined as “charges imposed for providing current services or for the sale of products in connection with general government activities.” It includes revenues such as public education institution, public hospital, and toll revenues. Miscellaneous general revenue comprises of all other general revenue of governments from their own sources (i.e., other than liquor store, utility, and insurance trust revenue), including rents, royalties, lottery proceeds, and fines.

on financial reporting prepared by each recipient, which vary in methodology used and which generally aggregates revenue by purpose rather than by source.¹¹⁷

Consistent with the Census Bureau’s definition of “general revenue from own sources,” the definition of general revenue in the Interim Final Rule would exclude refunds and other correcting transactions, proceeds from issuance of debt or the sale of investments, and agency or private trust transactions. The definition of general revenue also would exclude revenue generated by utilities and insurance trusts. In this way, the definition of general revenue focuses on sources that are generated from economic activity and are available to fund government services, rather than a fund or administrative unit established to account for and control a particular activity.¹¹⁸ For example, public utilities typically require financial support from the State, local, or Tribal government, rather than providing revenue to such government, and any revenue that is generated by public utilities typically is used to support the public utility’s continued operation, rather than being used as a source of revenue to support government services generally.

The definition of general revenue would include all revenue from Tribal enterprises, as this revenue is generated from economic activity and is available to fund government services. Tribes are not able to generate revenue through taxes in the same manner as State and local governments and, as a result, Tribal enterprises are critical sources of revenue for Tribal

¹¹⁷ Fund-oriented reporting, such as what is used under the Governmental Accounting Standards Board (GASB), focuses on the types of uses and activities funded by the revenue, as opposed to the economic activity from which the revenue is sourced. *See* Governmental Accounting Standards Series, Statement No. 54 of the Governmental Accounting Standards Board: Fund Balance Reporting and Governmental Fund Type Definitions, No. 287-B (Feb. 2009).

¹¹⁸ *Supra* note 116.

governments that enable Tribal governments to provide a range of services, including elder care, health clinics, wastewater management, and forestry.

Finally, the term “general revenue” includes intergovernmental transfers between State and local governments, but excludes intergovernmental transfers from the Federal government, including Federal transfers made via a State to a local government pursuant to the CRF or as part of the Fiscal Recovery Funds. States and local governments often share or collect revenue on behalf of one another, which results in intergovernmental transfers. When attributing revenue to a unit of government, the Census Bureau’s methodology considers which unit of government imposes, collects, and retains the revenue and assigns the revenue to the unit of government that meets at least two of those three factors.¹¹⁹ For purposes of measuring loss in general revenue due to the COVID-19 public health emergency and to better allow continued provision of government services, the retention and ability to use the revenue is a more critical factor. Accordingly, and to better measure the funds available for the provision of government services, the definition of general revenue would include intergovernmental transfers from States or local governments other than funds transferred pursuant to ARPA, CRF, or another Federal program. This formulation recognizes the importance of State transfers for local government revenue.¹²⁰

Calculation of Loss. In general, recipients will compute the extent of the reduction in revenue by comparing actual revenue to a counterfactual trend representing what could have been expected to occur in the absence of the pandemic. This approach measures losses in

¹¹⁹ U.S. Census Bureau, Government Finance and Employment Classification Manual (Dec. 2000), <https://www2.census.gov/govs/class/classfull.pdf>

¹²⁰ For example, in 2018, state transfers to localities accounted for approximately 27 percent of local revenues. U.S. Census Bureau, Annual Survey of State and Local Government Finances, Table 1 (2018), <https://www.census.gov/data/datasets/2018/econ/local/public-use-datasets.html>.

revenue relative to the most recent fiscal year prior to the COVID-19 public health emergency by using the most recent pre-pandemic fiscal year as the starting point for estimates of revenue growth absent the pandemic. In other words, the counterfactual trend starts with the last full fiscal year prior to the COVID-19 public health emergency and then assumes growth at a constant rate in the subsequent years. Because recipients can estimate the revenue shortfall at multiple points in time throughout the covered period as revenue is collected, this approach accounts for variation across recipients in the timing of pandemic impacts.¹²¹ Although revenue may decline for reasons unrelated to the COVID-19 public health emergency, to minimize the administrative burden on recipients and taking into consideration the devastating effects of the COVID-19 public health emergency, any diminution in actual revenues relative to the counterfactual pre-pandemic trend would be presumed to have been due to the COVID-19 public health emergency.

For purposes of measuring revenue growth in the counterfactual trend, recipients may use a *growth adjustment* of either 4.1 percent per year or the recipient's average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency, whichever is higher. The option of 4.1 percent represents the average annual growth across all State and local government "General Revenue from Own Sources" in the most recent three years

¹²¹ For example, following the 2007-09 recession, local government property tax collections did not begin to decline until 2011, suggesting that property tax collection declines can lag downturns. See U.S. Bureau of Economic Analysis, Personal current taxes: State and local: Property taxes [S210401A027NBEA], retrieved from Federal Reserve Economic Data, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/graph/?g=r3YI> (last visited Apr. 22, 2021). Estimating the reduction in revenue at points throughout the covered period will allow for this type of lagged effect to be taken into account during the covered period.

of available data.¹²² This approach provides recipients with a standardized growth adjustment when calculating the counterfactual revenue trend and thus minimizes administrative burden, while not disadvantaging recipients with revenue growth that exceeded the national average prior to the COVID-19 public health emergency by permitting these recipients to use their own revenue growth rate over the preceding three years.

Recipients should calculate the extent of the reduction in revenue as of four points in time: December 31, 2020; December 31, 2021; December 31, 2022; and December 31, 2023. To calculate the extent of the reduction in revenue at each of these dates, recipients should follow a four-step process:

- Step 1: Identify revenues collected in the most recent full fiscal year prior to the public health emergency (i.e., last full fiscal year before January 27, 2020), called the *base year revenue*.
- Step 2: Estimate *counterfactual revenue*, which is equal to *base year revenue* * $[(1 + \textit{growth adjustment})^{(n/12)}]$, where *n* is the number of months elapsed since the end of the base year to the calculation date, and *growth adjustment* is the greater of 4.1 percent and the recipient's average annual revenue growth in the three full fiscal years prior to the COVID-19 public health emergency.
- Step 3: Identify *actual revenue*, which equals revenues collected over the past twelve months as of the calculation date.

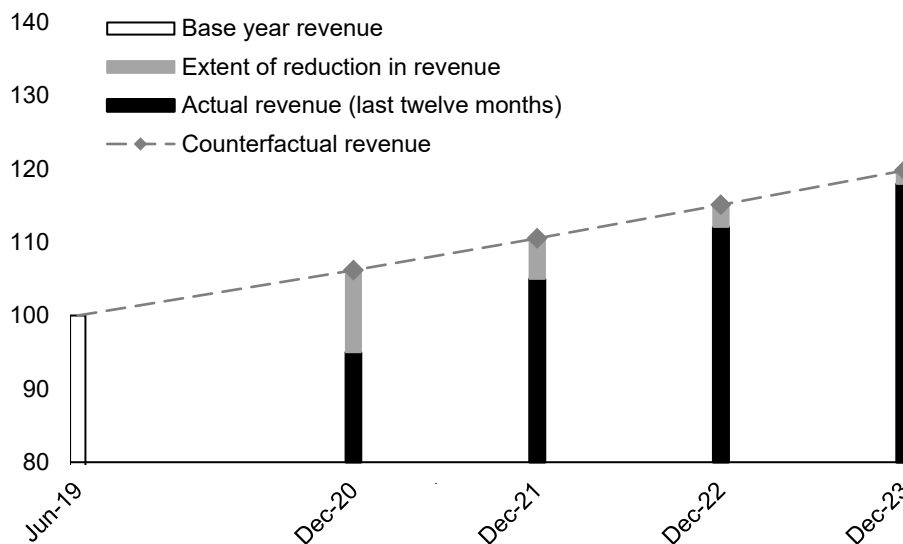
¹²² Together with revenue from liquor stores from 2015 to 2018. This estimate does not include any intergovernmental transfers. A recipient using the three-year average to calculate their growth adjustment must be based on the definition of general revenue, including treatment of intergovernmental transfers. 2015 – 2018 represents the most recent available data. See U.S. Census Bureau, State & Local Government Finance Historical Datasets and Tables (2018), <https://www.census.gov/programs-surveys/gov-finances/data/datasets.html>.

- Step 4: The extent of the reduction in revenue is equal to *counterfactual revenue* less *actual revenue*. If actual revenue exceeds counterfactual revenue, the extent of the reduction in revenue is set to zero for that calculation date.

For illustration, consider a hypothetical recipient with *base year revenue* equal to 100. In Step 2, the hypothetical recipient finds that 4.1 percent is greater than the recipient’s average annual revenue growth in the three full fiscal years prior to the public health emergency. Furthermore, this recipient’s base year ends June 30. In this illustration, *n* (months elapsed) and *counterfactual revenue* would be equal to:

As of:	12/31/2020	12/31/2021	12/31/2022	12/31/2023
<i>n</i> (months elapsed)	18	30	42	54
<i>Counterfactual revenue</i> :	106.2	110.6	115.1	119.8

The overall methodology for calculating the reduction in revenue is illustrated in the figure below:



Upon receiving Fiscal Recovery Fund payments, recipients may immediately calculate revenue loss for the period ending December 31, 2020.

Sections 602(c)(1)(C) and 603(c)(1)(C) of the Act provide recipients with broad latitude to use the Fiscal Recovery Funds for the provision of government services. Government services can include, but are not limited to, maintenance or pay-go funded building¹²³ of infrastructure, 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. However, expenses associated with obligations under instruments evidencing financial indebtedness for borrowed money would not be considered the provision of government services, as these financing expenses do not directly provide services or aid to citizens. Specifically, government services would not include interest or principal on any outstanding debt instrument, including, for example, short-term revenue or tax anticipation notes, or fees or issuance costs associated with the issuance of new debt. For the same reasons, government services would not include satisfaction of any obligation arising under or pursuant to a settlement agreement, judgment, consent decree, or judicially confirmed debt restructuring in a judicial, administrative, or regulatory proceeding, except if the judgment or settlement required the provision of government services. That is, satisfaction of a settlement or judgment itself is not a government service, unless the settlement required the provision of government services. In addition, replenishing financial reserves (e.g., rainy day or other reserve funds) would not be considered provision of a

¹²³ Pay-go infrastructure funding refers to the practice of funding capital projects with cash-on-hand from taxes, fees, grants, and other sources, rather than with borrowed sums.

government service, since such expenses do not directly relate to the provision of government services.

Question 13: Are there sources of revenue that either should or should not be included in the Interim Final Rule's measure of "general revenue" for recipients? If so, discuss why these sources either should or should not be included.

Question 14: In the Interim Final Rule, recipients are expected to calculate the reduction in revenue on an aggregate basis. Discuss the advantages and disadvantages of, and any potential concerns with, this approach, including circumstances in which it could be necessary or appropriate to calculate the reduction in revenue by source.

Question 15: Treasury is considering whether to take into account other factors, including actions taken by the recipient as well as the expiration of the COVID-19 public health emergency, in determining whether to presume that revenue losses are "due to" the COVID-19 public health emergency. Discuss the advantages and disadvantages of this presumption, including when, if ever, during the covered period it would be appropriate to reevaluate the presumption that all losses are attributable to the COVID-19 public health emergency.

Question 16: Do recipients anticipate lagged revenue effects of the public health emergency? If so, when would these lagged effects be expected to occur, and what can Treasury do to support these recipients through its implementation of the program?

Question 17: In the Interim Final Rule, paying interest or principal on government debt is not considered provision of a government service. Discuss the advantages and disadvantages of this approach, including circumstances in which paying interest or principal on government debt could be considered provision of a government service.

D. Investments in Infrastructure

To assist in meeting the critical need for investments and improvements to existing infrastructure in water, sewer, and broadband, the Fiscal Recovery Funds provide funds to State, local, and Tribal governments to make necessary investments in these sectors. The Interim Final Rule outlines eligible uses within each category, allowing for a broad range of necessary investments in projects that improve access to clean drinking water, improve wastewater and stormwater infrastructure systems, and provide access to high-quality broadband service. Necessary investments are designed to provide an adequate minimum level of service and are unlikely to be made using private sources of funds. 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, or establishes or improves broadband service to unserved or underserved populations to reach an adequate level to permit a household to work or attend school, and that are unlikely to be met with private sources of funds.¹²⁴

It is important that necessary investments in water, sewer, or broadband infrastructure be carried out in ways that produce high-quality infrastructure, avert disruptive and costly delays, and promote efficiency. Treasury encourages recipients to ensure that water, sewer, and broadband 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, not only to promote effective and efficient delivery of high-quality infrastructure projects but also to support the economic recovery through strong employment opportunities for workers. Using these practices in construction projects may help to ensure a reliable supply of

¹²⁴ Treasury notes that using funds to support or oppose collective bargaining would not be included as part of “necessary investments in water, sewer, or broadband infrastructure.”

skilled labor that would minimize disruptions, such as those associated with labor disputes or workplace injuries.

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.

1. Water and Sewer Infrastructure

The ARPA provides funds to State, local, and Tribal governments to make necessary investments in water and sewer infrastructure.¹²⁵ By permitting funds to be used for water and sewer infrastructure needs, 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. Understanding that State, local, and Tribal governments have a broad range of water and sewer infrastructure needs, the Interim Final Rule provides these governments with wide latitude to identify investments in water and sewer infrastructure that are of the highest priority for their own communities, which may include projects on privately-owned infrastructure. The Interim Final Rule does this by aligning eligible uses of the Fiscal Recovery Funds with the wide range of types or categories of 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).¹²⁶

¹²⁵ §§ 602(c)(1)(D), 603(c)(1)(D) of the Act.

¹²⁶ Environmental Protection Agency, Drinking Water State Revolving fund, <https://www.epa.gov/dwsrf> (last visited Apr. 30, 2021); Environmental Protection Agency, Clean Water State Revolving Fund, <https://www.epa.gov/cwsrf> (last visited Apr. 30, 2021).

Established by the 1987 amendments¹²⁷ to the Clean Water Act (CWA),¹²⁸ the CWSRF provides financial assistance for a wide range of water infrastructure projects to improve water quality and address water pollution in a way that enables each State to address and prioritize the needs of their populations. The types of projects eligible for CWSRF assistance include projects to construct, improve, and repair wastewater treatment plants, control non-point sources of pollution, improve resilience of infrastructure to severe weather events, create green infrastructure, and protect waterbodies from pollution.¹²⁹ Each of the 51 State programs established under the CWSRF have the flexibility to direct funding to their particular environmental needs, and each State may also have its own statutes, rules, and regulations that guide project eligibility.¹³⁰

¹²⁷ Water Quality Act of 1987, P.L. 100-4.

¹²⁸ Federal Water Pollution Control Act as amended, codified at 33 U.S.C. §§ 1251 *et. seq.*, common name (Clean Water Act). In 2009, the American Recovery and Reinvestment Act created the Green Project Reserve, which increased the focus on green infrastructure, water and energy efficient, and environmentally innovative projects. P.L. 111-5. The CWA was amended by the Water Resources Reform and Development Act of 2014 to further expand the CWSRF's eligibilities. P.L. 113-121. The CWSRF's eligibilities were further expanded in 2018 by the America's Water Infrastructure Act of 2018, P.L. 115-270.

¹²⁹ See Environmental Protection Agency, *The Drinking Water State Revolving Funds: Financing America's Drinking Water*, EPA-816-R-00-023 (Nov. 2000), <https://nepis.epa.gov/Exe/ZyPDF.cgi/200024WB.PDF?Dockey=200024WB.PDF>; See also Environmental Protection Agency, *Learn About the Clean Water State Revolving Fund*, <https://www.epa.gov/cwsrf/learn-about-clean-water-state-revolving-fund-cwsrf> (last visited Apr. 30, 2021).

¹³⁰ 33 U.S.C. § 1383(c). See also Environmental Protection Agency, *Overview of Clean Water State Revolving Fund Eligibilities* (May 2016), https://www.epa.gov/sites/production/files/2016-07/documents/overview_of_cwsrf_eligibilities_may_2016.pdf; Claudia Copeland, *Clean Water Act: A Summary of the Law*, Congressional Research Service (Oct. 18, 2016), <https://fas.org/sgp/crs/misc/RL30030.pdf>; Jonathan L Ramseur, *Wastewater Infrastructure: Overview, Funding, and Legislative Developments*, Congressional Research Service (May 22, 2018), <https://fas.org/sgp/crs/misc/R44963.pdf>.

The DWSRF was modeled on the CWSRF and created as part of the 1996 amendments to the Safe Drinking Water Act (SDWA),¹³¹ with the principal objective of helping public water systems obtain financing for improvements necessary to protect public health and comply with drinking water regulations.¹³² Like the CWSRF, the DWSRF provides States with the flexibility to meet the needs of their populations.¹³³ The primary use of DWSRF funds is to assist communities in making water infrastructure capital improvements, including the installation and replacement of failing treatment and distribution systems.¹³⁴ In administering these programs, States must give priority to projects that ensure compliance with applicable health and environmental safety requirements; address the most serious risks to human health; and assist systems most in need on a per household basis according to State affordability criteria.¹³⁵

By aligning use of Fiscal Recovery Funds with the categories or types of eligible projects under the existing EPA state revolving fund programs, the Interim Final Rule provides recipients with the flexibility to respond to the needs of their communities while ensuring that investments in water and sewer infrastructure made using Fiscal Recovery Funds are necessary. As discussed above, the CWSRF and DWSRF were designed to provide funding for projects that protect public health and safety by ensuring compliance with wastewater and drinking water health

¹³¹ 42 U.S.C. 300j-12.

¹³² Environmental Protection Agency, Drinking Water State Revolving Fund Eligibility Handbook, (June 2017), https://www.epa.gov/sites/production/files/2017-06/documents/dwsrf_eligibility_handbook_june_13_2017_updated_508_version.pdf; Environmental Protection Agency, Drinking Water Infrastructure Needs Survey and Assessment: Sixth Report to Congress (March 2018), https://www.epa.gov/sites/production/files/2018-10/documents/corrected_sixth_drinking_water_infrastructure_needs_survey_and_assessment.pdf“.

¹³³ *Id.*

¹³⁴ *Id.*

¹³⁵ 42 U.S.C. 300j-12(b)(3)(A).

standards.¹³⁶ The need to provide funding through the state revolving funds suggests that these projects are less likely to be addressed with private sources of funding; for example, by remediating failing or inadequate infrastructure, much of which is publicly owned, and by addressing non-point sources of pollution. This approach of aligning with the EPA state revolving fund programs also supports expedited project identification and investment so that needed relief for the people and communities most affected by the pandemic can be deployed expeditiously and have a positive impact on their health and wellbeing as soon as possible. Further, the Interim Final Rule is intended to preserve flexibility for award recipients to direct funding to their own particular needs and priorities and would not preclude recipients from applying their own additional project eligibility criteria.

In addition, responding to the immediate needs of the COVID-19 public health emergency may have diverted both personnel and financial resources from other State, local, and Tribal priorities, including projects to ensure compliance with applicable water health and quality standards and provide safe drinking and usable water.¹³⁷ Through sections 602(c)(1)(D) and 603(c)(1)(D), the ARPA provides resources to address these needs. Moreover, using Fiscal Recovery Funds in accordance with the priorities of the CWA and SWDA to “assist systems most in need on a per household basis according to state affordability criteria” would also have

¹³⁶ Environmental Protection Agency, Learn About the Clean Water State Revolving Fund, <https://www.epa.gov/cwsrf/learn-about-clean-water-state-revolving-fund-cwsrf> (last visited Apr. 30, 2021); 42 U.S.C. 300j-12.

¹³⁷ House Committee on the Budget, State and Local Governments are in Dire Need of Federal Relief (Aug. 19, 2020), <https://budget.house.gov/publications/report/state-and-local-governments-are-dire-need-federal-relief>.

the benefit of providing vulnerable populations with safe drinking water that is critical to their health and, thus, their ability to work and learn.¹³⁸

Recipients may use Fiscal Recovery Funds to invest in a broad range of projects that improve drinking water infrastructure, such as building or upgrading facilities and transmission, distribution, and storage systems, including replacement of lead service lines. Given the lifelong impacts of lead exposure for children, and the widespread nature of lead service lines, Treasury encourages recipients to consider projects to replace lead service lines.

Fiscal Recovery Funds may also be used to support the consolidation or establishment of drinking water systems. With respect to wastewater infrastructure, recipients may use Fiscal Recovery Funds to construct publicly owned treatment infrastructure, manage and treat stormwater or subsurface drainage water, facilitate water reuse, and secure publicly owned treatment works, among other uses. Finally, consistent with the CWSRF and DWSRF, Fiscal Recovery Funds may be used for cybersecurity needs to protect water or sewer infrastructure, such as developing effective cybersecurity practices and measures at drinking water systems and publicly owned treatment works.

Many of the types of projects eligible under either the CWSRF or DWSRF also support efforts to address climate change. For example, by taking steps to manage potential sources of pollution and preventing these sources from reaching sources of drinking water, projects eligible under the DWSRF and the ARPA may reduce energy required to treat drinking water. Similarly,

¹³⁸ Environmental Protection Agency, Drinking Water State Revolving Fund (Nov. 2019), https://www.epa.gov/sites/production/files/2019-11/documents/fact_sheet_-_dwsrf_overview_final_0.pdf; Environmental Protection Agency, National Benefits Analysis for Drinking Water Regulations, <https://www.epa.gov/sdwa/national-benefits-analysis-drinking-water-regulations> (last visited Apr. 30, 2020).

projects eligible under the CWSRF include measures to conserve and reuse water or reduce the energy consumption of public water treatment facilities. Treasury encourages recipients to consider green infrastructure investments and projects to improve resilience to the effects of climate change. For example, more frequent and extreme precipitation events combined with construction and development trends have led to increased instances of stormwater runoff, water pollution, and flooding. Green infrastructure projects that support stormwater system resiliency could include rain gardens that provide water storage and filtration benefits, and green streets, where vegetation, soil, and engineered systems are combined to direct and filter rainwater from impervious surfaces. In cases of a natural disaster, recipients may also use Fiscal Recovery Funds to provide relief, such as interconnecting water systems or rehabilitating existing wells during an extended drought.

Question 18: What are the advantages and disadvantages of aligning eligible uses with the eligible project type requirements of the DWSRF and CWSRF? What other water or sewer project categories, if any, should Treasury consider in addition to DWSRF and CWSRF eligible projects? Should Treasury consider a broader general category of water and sewer projects?

Question 19: What additional water and sewer infrastructure categories, if any, should Treasury consider to address and respond to the needs of unserved, underserved, or rural communities? How do these projects differ from DWSRF and CWSRF eligible projects?

Question 20: What new categories of water and sewer infrastructure, if any, should Treasury consider to support State, local, and Tribal governments in mitigating the negative impacts of climate change? Discuss emerging technologies and processes that support resiliency of water and sewer infrastructure. Discuss any challenges faced by States and local governments when pursuing or implementing climate resilient infrastructure projects.

Question 21: Infrastructure projects related to dams and reservoirs are generally not eligible under the CWSRF and DWSRF categories. Should Treasury consider expanding eligible infrastructure under the Interim Final Rule to include dam and reservoir projects? Discuss public health, environmental, climate, or equity benefits and costs in expanding the eligibility to include these types of projects.

2. Broadband Infrastructure.

The COVID-19 public health emergency has underscored the importance of universally available, high-speed, reliable, and affordable broadband coverage as millions of Americans rely on the internet to participate in, among critical activities, remote school, healthcare, and work. Recognizing the need for such connectivity, the ARPA provides funds to State, territorial, local, and Tribal governments to make necessary investments in broadband infrastructure.

The National Telecommunications and Information Administration (NTIA) highlighted the growing necessity of broadband in daily lives through its analysis of NTIA Internet Use Survey data, noting that Americans turn to broadband Internet access service for every facet of daily life including work, study, and healthcare.¹³⁹ With increased use of technology for daily activities and the movement by many businesses and schools to operating remotely during the pandemic, broadband has become even more critical for people across the country to carry out their daily lives.

¹³⁹ See, e.g., <https://www.ntia.gov/blog/2020/more-half-american-households-used-internet-health-related-activities-2019-ntia-data-show>; <https://www.ntia.gov/blog/2020/nearly-third-american-employees-worked-remotely-2019-ntia-data-show>; and generally, <https://www.ntia.gov/data/digital-nation-data-explorer>.

By at least one measure, however, tens of millions of Americans live in areas where there is no broadband infrastructure that provides download speeds greater than 25 Mbps and upload speeds of 3 Mbps.¹⁴⁰ By contrast, as noted below, many households use upload and download speeds of 100 Mbps to meet their daily needs. Even in areas where broadband infrastructure exists, broadband access may be out of reach for millions of Americans because it is unaffordable, as the United States has some of the highest broadband prices in the Organisation for Economic Co-operation and Development (OECD).¹⁴¹ There are disparities in availability as well; historically, Americans living in territories and Tribal lands as well as rural areas have disproportionately lacked sufficient broadband infrastructure.¹⁴² Moreover, rapidly growing demand has, and will likely continue to, quickly outpace infrastructure capacity, a phenomenon acknowledged by various states around the country that have set scalability requirements to account for this anticipated growth in demand.¹⁴³

¹⁴⁰ As an example, data from the Federal Communications Commission shows that as of June 2020, 9.07 percent of the U.S. population had no available cable or fiber broadband providers providing greater than 25 Mbps download speeds and 3 Mbps upload speeds. Availability was significantly less for rural versus urban populations, with 35.57 percent of the rural population lacking such access, compared with 2.57 percent of the urban population. Availability was also significantly less for tribal versus non-tribal populations, with 35.93 percent of the tribal population lacking such access, compared with 8.74 of the non-tribal population. Federal Communications Commission, Fixed Broadband Deployment, <https://broadbandmap.fcc.gov/#/> (last visited May 9, 2021).

¹⁴¹ How Do U.S. Internet Costs Compare To The Rest Of The World?, BroadbandSearch Blog Post, *available at* <https://www.broadbandsearch.net/blog/internet-costs-compared-worldwide>.

¹⁴² *See, e.g.*, Federal Communications Commission, Fourteenth Broadband Deployment Report, *available at* <https://docs.fcc.gov/public/attachments/FCC-21-18A1.pdf>.

¹⁴³ *See, e.g.*, Illinois Department of Commerce & Economic Opportunity, Broadband Grants, h (last visited May 9, 2021), <https://www2.illinois.gov/dceo/ConnectIllinois/Pages/BroadbandGrants.aspx>; Kansas Office of Broadband Development, Broadband Acceleration Grant, <https://www.kansascommerce.gov/wp-content/uploads/2020/11/Broadband-Acceleration-Grant.pdf> (last visited May 9, 2021); New York State Association of Counties, Universal Broadband: Deploying High Speed Internet Access in NYS (Jul. 2017), [https://www.nysac.org/files/BroadbandUpdateReport2017\(1\).pdf](https://www.nysac.org/files/BroadbandUpdateReport2017(1).pdf).

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

Under the Interim Final Rule, eligible projects are expected to be designed to deliver, upon project completion, service that reliably meets or exceeds symmetrical upload and download speeds of 100 Mbps. There may be instances in which it would not be practicable for a project to deliver such service speeds because of the geography, topography, or excessive costs associated with such a project. In these instances, the affected project would be expected to be designed to deliver, upon project completion, service that reliably meets or exceeds 100 Mbps download and between at least 20 Mbps and 100 Mbps upload speeds and be scalable to a minimum of 100 Mbps symmetrical for download and upload speeds.¹⁴⁴ In setting these standards, Treasury identified speeds necessary to ensure that broadband infrastructure is sufficient to enable users to generally meet household needs, including the ability to support the simultaneous use of work, education, and health applications, and also sufficiently robust to meet increasing household demands for bandwidth. Treasury also recognizes that different communities and their members may have a broad range of internet needs and that those needs may change over time.

¹⁴⁴ This scalability threshold is consistent with scalability requirements used in other jurisdictions. *Id.*

In considering the appropriate speed requirements for eligible projects, Treasury considered estimates of typical households demands during the pandemic. Using the Federal Communication Commission's (FCC) Broadband Speed Guide, for example, a household with two telecommuters and two to three remote learners today are estimated to need 100 Mbps download to work simultaneously.¹⁴⁵ In households with more members, the demands may be greater, and in households with fewer members, the demands may be less.

In considering the appropriate speed requirements for eligible projects, Treasury also considered data usage patterns and how bandwidth needs have changed over time for U.S. households and businesses as people's use of technology in their daily lives has evolved. In the few years preceding the pandemic, market research data showed that average upload speeds in the United States surpassed over 10 Mbps in 2017¹⁴⁶ and continued to increase significantly, with the average upload speed as of November, 2019 increasing to 48.41 Mbps,¹⁴⁷ attributable, in part to a shift to using broadband and the internet by individuals and businesses to create and share content using video sharing, video conferencing, and other applications.¹⁴⁸

The increasing use of data accelerated markedly during the pandemic as households across the country became increasingly reliant on tools and applications that require greater

¹⁴⁵ Federal Communications Commission, Broadband Speed Guide, <https://www.fcc.gov/consumers/guides/broadband-speed-guide> (last visited Apr. 30, 2021).

¹⁴⁶ Letter from Lisa R. Youngers, President and CEO of Fiber Broadband Association to FCC, WC Docket No. 19-126 (filed Jan. 3, 2020), including an Appendix with research from RVA LLC, *Data Review Of The Importance of Upload Speeds* (Jan. 2020), and Ookla speed test data, available at <https://ecfsapi.fcc.gov/file/101030085118517/FCC%20RDOF%20Jan%203%20Ex%20Parte.pdf>.

Additional information on historic growth in data usage is provided in Schools, Health & Libraries Broadband Coalition, *Common Sense Solutions for Closing the Digital Divide*, Apr. 29, 2021.

¹⁴⁷ *Id.* See also United States's Mobile and Broadband Internet Speeds - Speedtest Global Index, available at <https://www.speedtest.net/global-index/united-states#fixed>.

¹⁴⁸ *Id.*

internet capacity, both to download data but also to upload data. Sending information became as important as receiving it. A video consultation with a healthcare provider or participation by a child in a live classroom with a teacher and fellow students requires video to be sent and received simultaneously.¹⁴⁹ As an example, some video conferencing technology platforms indicate that download and upload speeds should be roughly equal to support two-way, interactive video meetings.¹⁵⁰ For both work and school, client materials or completed school assignments, which may be in the form of PDF files, videos, or graphic files, also need to be shared with others. This is often done by uploading materials to a collaboration site, and the upload speed available to a user can have a significant impact on the time it takes for the content to be shared with others.¹⁵¹ These activities require significant capacity from home internet connections to both download and upload data, especially when there are multiple individuals in one household engaging in these activities simultaneously.

This need for increased broadband capacity during the pandemic was reflected in increased usage patterns seen over the last year. As OpenVault noted in recent advisories, the pandemic significantly increased the amount of data users consume. Among data users observed by OpenVault, per-subscriber average data usage for the fourth quarter of 2020 was 482.6 gigabytes per month, representing a 40 percent increase over the 344 gigabytes consumed in the fourth quarter of 2019 and a 26 percent increase over the third quarter 2020 average of

¹⁴⁹ One high definition Zoom meeting or class requires approximately 3.8 Mbps/3.0 Mbps (up/down).

¹⁵⁰ See, e.g., Zoom, System Requirements for Windows, macOS, and Linux, https://support.zoom.us/hc/en-us/articles/201362023-System-requirements-for-Windows-macOS-and-Linux#h_d278c327-e03d-4896-b19a-96a8f3c0c69c (last visited May 8, 2021).

¹⁵¹ By one estimate, to upload a one gigabit video file to YouTube would take 15 minutes at an upload speed of 10 Mbps compared with 1 minute, 30 seconds at an upload speed of 100 Mbps, and 30 seconds at an upload speed of 300 Mbps. Reviews.org: What is Symmetrical Internet? (March 2020).

383.8 gigabytes.¹⁵² OpenVault also noted significant increases in upstream usage among the data users it observed, with upstream data usage growing 63 percent – from 19 gigabytes to 31 gigabytes – between December, 2019 and December, 2020.¹⁵³ According to an OECD Broadband statistic from June 2020, the largest percentage of U.S. broadband subscribers have services providing speeds between 100 Mbps and 1 Gbps.¹⁵⁴

Jurisdictions and Federal programs are increasingly responding to the growing demands of their communities for both heightened download and upload speeds. For example, Illinois now requires 100 Mbps symmetrical service as the construction standard for its state broadband grant programs. This standard is also consistent with speed levels, particularly download speed levels, prioritized by other Federal programs supporting broadband projects. Bids submitted as part of the FCC in its Rural Digital Opportunity Fund (RDOF), established to support the construction of broadband networks in rural communities across the country, are given priority if they offer faster service, with the service offerings of 100 Mbps download and

¹⁵² OVBI: Covid-19 Drove 15 percent Increase in Broadband Traffic in 2020, OpenVault, Quarterly Advisory, (Feb. 10, 2021), *available at* <https://openvault.com/ovbi-covid-19-drove-51-increase-in-broadband-traffic-in-2020>; *See* OpenVault’s data set incorporates information on usage by subscribers across multiple continents, including North America and Europe. Additional data and detail on increases in the amount of data users consume and the broadband speeds they are using is provided in *OpenVault Broadband Insights Report Q4*, Quarterly Advisory (Feb. 10, 2021), *available at* <https://openvault.com/complimentary-report-4q20/>.

¹⁵³ OVBI Special Report: 202 Upstream Growth Nearly 4X of Pre-Pandemic Years, OpenVault, Quarterly Advisory, (April 1, 2021), *available at* <https://openvault.com/ovbi-special-report-2020-upstream-growth-rate-nearly-4x-of-pre-pandemic-years/>; Additional data is provided in *OpenVault Broadband Insights Pandemic Impact on Upstream Broadband Usage and Network Capacity*, *available at* <https://openvault.com/upstream-whitepaper/>.

¹⁵⁴ Organisation for Economic Co-operation and Development, Fixed broadband subscriptions per 100 inhabitants, per speed tiers (June 2020), <https://www.oecd.org/sti/broadband/5.1-FixedBB-SpeedTiers-2020-06.xls> www.oecd.org/sti/broadband/broadband-statistics.

20 Mbps upload being included in the “above baseline” performance tier set by the FCC.¹⁵⁵ The Broadband Infrastructure Program (BBIP)¹⁵⁶ of the Department of Commerce, which provides Federal funding to deploy broadband infrastructure to eligible service areas of the country also prioritizes projects designed to provide broadband service with a download speed of not less than 100 Mbps and an upload speed of not less than 20 Mbps.¹⁵⁷

The 100 Mbps upload and download speeds will support the increased and growing needs of households and businesses. Recognizing that, in some instances, 100 Mbps upload speed may be impracticable due to geographical, topographical, or financial constraints, the Interim Final Rule permits upload speeds of between at least 20 Mbps and 100 Mbps in such instances. To provide for investments that will accommodate technologies requiring symmetry in download and upload speeds, as noted above, eligible projects that are not designed to deliver, upon project completion, service that reliably meets or exceeds symmetrical speeds of 100 Mbps because it would be impracticable to do so should be designed so that they can be scalable to such speeds. Recipients are also encouraged to prioritize investments in fiber optic infrastructure where feasible, as such advanced technology enables the next generation of application solutions for all communities.

Under the Interim Final Rule, eligible projects are expected to focus on locations that are unserved or underserved. The Interim Final Rule treats users as being unserved or underserved if they lack access to a wireline connection capable of reliably delivering at least minimum speeds

¹⁵⁵ *Rural Digital Opportunity Fund*, Report and Order, 35 FCC Rcd 686, 690, para. 9 (2020), available at <https://www.fcc.gov/document/fcc-launches-20-billion-rural-digital-opportunity-fund-0>.

¹⁵⁶ The BIPP was authorized by the Consolidated Appropriations Act, 2021, Section 905, Public Law 116-260, 134 Stat. 1182 (Dec. 27, 2020).

¹⁵⁷ Section 905(d)(4) of the Consolidated Appropriations Act, 2021.

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. This threshold is consistent with the FCC’s benchmark for an “advanced telecommunications capability.”¹⁵⁸ This threshold is also consistent with thresholds used in other Federal programs to identify eligible areas to be served by programs to improve broadband services. For example, in the FCC’s RDOF program, eligible areas include those without current (or already funded) access to terrestrial broadband service providing 25 Mbps download and 3 Mbps upload speeds.¹⁵⁹ The Department of Commerce’s BBIP also considers households to be “unserved” generally if they lack access to broadband service with a download speed of not less than 25 Mbps download and 3 Mbps upload, among other conditions. In selecting an area to be served by a project, 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 and resources.

Recipients are also encouraged to consider ways to integrate affordability options into their program design. To meet the immediate needs of unserved and underserved households and businesses, recipients are encouraged to focus on projects that deliver a physical broadband connection by prioritizing projects that achieve last mile-connections. Treasury also encourages recipients to prioritize support for broadband networks owned, operated by, or affiliated with

¹⁵⁸ *Deployment Report*, *supra* note 142.

¹⁵⁹ *Rural Digital Opportunity Fund*, *supra* note 156.

local governments, non-profits, and co-operatives—providers with less pressure to turn profits and with a commitment to serving entire communities.

Under sections 602(c)(1)(A) and 603(c)(1)(A), assistance to households facing negative economic impacts due to COVID-19 is also an eligible use, including internet access or digital literacy assistance. As discussed above, in considering whether a potential use is eligible under this category, a recipient must consider whether, and the extent to which, the household has experienced a negative economic impact from the pandemic.

Question 22: What are the advantages and disadvantages of setting minimum symmetrical download and upload speeds of 100 Mbps? What other minimum standards would be appropriate and why?

Question 23: Would setting such a minimum be impractical for particular types of projects? If so, where and on what basis should those projects be identified? How could such a standard be set while also taking into account the practicality of using this standard in particular types of projects? In addition to topography, geography, and financial factors, what other constraints, if any, are relevant to considering whether an investment is impracticable?

Question 24: What are the advantages and disadvantages of setting a minimum level of service at 100 Mbps download and 20 Mbps upload in projects where it is impracticable to set minimum symmetrical download and upload speeds of 100 Mbps? What are the advantages and disadvantages of setting a scalability requirement in these cases? What other minimum standards would be appropriate and why?

Question 25: What are the advantages and disadvantages of focusing these investments on those without access to a wireline connection that reliably delivers 25 Mbps download by 3 Mbps upload? Would another threshold be appropriate and why?

Question 26: What are the advantages and disadvantages of setting any particular threshold for identifying unserved or underserved areas, minimum speed standards or scalability minimum? Are there other standards that should be set (e.g., latency)? If so, why and how? How can such threshold, standards, or minimum be set in a way that balances the public's interest in making sure that reliable broadband services meeting the daily needs of all Americans are available throughout the country with the providing recipients flexibility to meet the varied needs of their communities?

III. Restrictions on Use

As discussed above, recipients have considerable flexibility to use Fiscal Recovery Funds to address the diverse needs of their communities. To ensure that payments from the Fiscal Recovery Funds are used for these congressionally permitted purposes, the ARPA includes two provisions that further define the boundaries of the statute's eligible uses. Section 602(c)(2)(A) of the Act provides that States and territories may not "use the funds ... to either directly or indirectly offset a reduction in ... net tax revenue ... resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax ... or delays the imposition of any tax or tax increase." In addition, sections 602(c)(2)(B) and 603(c)(2) prohibit any recipient, including cities, nonentitlement units of government, and counties, from using Fiscal Recovery Funds for deposit into any pension fund. These restrictions support the use of funds for the congressionally permitted purposes described in Section II of this Supplementary Information by providing a backstop against the use of funds for purposes outside of the eligible use categories.

These provisions give force to Congress's clear intent that Fiscal Recovery Funds be spent within the four eligible uses identified in the statute—(1) to respond to the public health

emergency and its negative economic impacts, (2) to provide premium pay to essential workers, (3) to provide government services to the extent of eligible governments' revenue losses, and (4) to make necessary water, sewer, and broadband infrastructure investments—and not otherwise. These four eligible uses reflect Congress's judgment that the Fiscal Recovery Funds should be expended in particular ways that support recovery from the COVID-19 public health emergency. The further restrictions reflect Congress's judgment that tax cuts and pension deposits do not fall within these eligible uses. The Interim Final Rule describes how Treasury will identify when such uses have occurred and how it will recoup funds put toward these impermissible uses and, as discussed in Section VIII of this Supplementary Information, establishes a reporting framework for monitoring the use of Fiscal Recovery Funds for eligible uses.

A. Deposit into Pension Funds

The statute provides that recipients may not use Fiscal Recovery Funds for “deposit into any pension fund.” For the reasons discussed below, Treasury interprets “deposit” in this context to refer to an extraordinary payment into a pension fund for the purpose of reducing an accrued, unfunded liability. More specifically, the Interim Final Rule does not permit this assistance to be used to make a payment into a pension fund if both:

1. the payment reduces a liability incurred prior to the start of the COVID-19 public health emergency, and
2. the payment occurs outside the recipient's regular timing for making such payments.

Under this interpretation, a “deposit” is distinct from a “payroll contribution,” which occurs when employers make payments into pension funds on regular intervals, with contribution amounts based on a pre-determined percentage of employees' wages and salaries.

As discussed above, eligible uses for premium pay and responding to the negative economic impacts of the COVID-19 public health emergency include hiring and compensating public sector employees. Interpreting the scope of “deposit” to exclude contributions that are part of payroll contributions is more consistent with these eligible uses and would reduce administrative burden for recipients. Accordingly, if an employee’s wages and salaries are an eligible use of Fiscal Recovery Funds, recipients may treat the employee’s covered benefits as an eligible use of Fiscal Recovery Funds. For purposes of the Fiscal Recovery Funds, covered benefits include costs of all types of leave (vacation, family-related, sick, military, bereavement, sabbatical, jury duty), employee insurance (health, life, dental, vision), retirement (pensions, 401(k)), unemployment benefit plans (Federal and State), workers’ compensation insurance, and Federal Insurance Contributions Act taxes (which includes Social Security and Medicare taxes).

Treasury anticipates that this approach to employees’ covered benefits will be comprehensive and, for employees whose wage and salary costs are eligible expenses, will allow all covered benefits listed in the previous paragraph to be eligible under the Fiscal Recovery Funds. Treasury expects that this will minimize the administrative burden on recipients by treating all the specified covered benefit types as eligible expenses, for employees whose wage and salary costs are eligible expenses.

Question 27: Beyond a “deposit” and a “payroll contribution,” are there other types of payments into a pension fund that Treasury should consider?

B. Offset a Reduction in Net Tax Revenue

For States and territories (recipient governments¹⁶⁰), section 602(c)(2)(A)—the offset provision—prohibits the use of Fiscal Recovery Funds to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation¹⁶¹ during the covered period. If a State or territory uses Fiscal Recovery Funds to offset a reduction in net tax revenue, the ARPA provides that the State or territory must repay to the Treasury an amount equal to the lesser of (i) the amount of the applicable reduction attributable to the impermissible offset and (ii) the amount received by the State or territory under the ARPA. *See* Section IV of this Supplementary Information. As discussed below Section IV of this Supplementary Information, a State or territory that chooses to use Fiscal Recovery Funds to offset a reduction in net tax revenue does not forfeit its entire allocation of Fiscal Recovery Funds (unless it misused the full allocation to offset a reduction in net tax revenue) or any non-ARPA funding received.

The Interim Final Rule implements these conditions by establishing a framework for States and territories to determine the cost of changes in law, regulation, or interpretation that reduce tax revenue and to identify and value the sources of funds that will offset—i.e., cover the cost of—any reduction in net tax revenue resulting from such changes. A recipient government would only be considered to have used Fiscal Recovery Funds to offset a reduction in net tax revenue resulting from changes in law, regulation, or interpretation if, and to the extent that, the

¹⁶⁰ In this sub-section, “recipient governments” refers only to States and territories. In other sections, “recipient governments” refers more broadly to eligible governments receiving funding from the Fiscal Recovery Funds.

¹⁶¹ For brevity, referred to as “changes in law, regulation, or interpretation” for the remainder of this preamble.

recipient government could not identify sufficient funds from sources other than the Fiscal Recovery Funds to offset the reduction in net tax revenue. If sufficient funds from other sources cannot be identified to cover the full cost of the reduction in net tax revenue resulting from changes in law, regulation, or interpretation, the remaining amount not covered by these sources will be considered to have been offset by Fiscal Recovery Funds, in contravention of the offset provision. The Interim Final Rule recognizes three sources of funds that may offset a reduction in net tax revenue other than Fiscal Recovery Funds—organic growth, increases in revenue (e.g., an increase in a tax rate), and certain cuts in spending.

In order to reduce burden, the Interim Final Rule’s approach also incorporates the types of information and modeling already used by States and territories in their own fiscal and budgeting processes. By incorporating existing budgeting processes and capabilities, States and territories will be able to assess and evaluate the relationship of tax and budget decisions to uses of the Fiscal Recovery Funds based on information they likely have or can obtain. This approach ensures that recipient governments have the information they need to understand the implications of their decisions regarding the use of the Fiscal Recovery Funds—and, in particular, whether they are using the funds to directly or indirectly offset a reduction in net tax revenue, making them potentially subject to recoupment.

Reporting on both the eligible uses and on a State’s or territory’s covered tax changes that would reduce tax revenue will enable identification of, and recoupment for, use of Fiscal Recovery Funds to directly offset reductions in tax revenue resulting from tax relief. Moreover, this approach recognizes that, because money is fungible, even if Fiscal Recovery Funds are not explicitly or directly used to cover the costs of changes that reduce net tax revenue, those funds may be used in a manner inconsistent with the statute by indirectly being used to substitute for

the State's or territory's funds that would otherwise have been needed to cover the costs of the reduction. By focusing on the cost of changes that reduce net tax revenue—and how a recipient government is offsetting those reductions in constructing its budget over the covered period—the framework prevents efforts to use Fiscal Recovery Funds to indirectly offset reductions in net tax revenue for which the recipient government has not identified other offsetting sources of funding.

As discussed in greater detail below in this preamble, the framework set forth in the Interim Final Rule establishes a step-by-step process for determining whether, and the extent to which, Fiscal Recovery Funds have been used to offset a reduction in net tax revenue. Based on information reported annually by the recipient government:

- First, each year, each recipient government will identify and value the changes in law, regulation, or interpretation that would result in a reduction in net tax revenue, as it would in the ordinary course of its budgeting process. The sum of these values in the year for which the government is reporting is the amount it needs to “pay for” with sources other than Fiscal Recovery Funds (total value of revenue reducing changes).
- Second, the Interim Final Rule recognizes that it may be difficult to predict how a change would affect net tax revenue in future years and, accordingly, provides that if the total value of the changes in the year for which the recipient government is reporting is below a de minimis level, as discussed below, the recipient government need not identify any sources of funding to pay for revenue reducing changes and will not be subject to recoupment.
- Third, a recipient government will consider the amount of actual tax revenue recorded in the year for which they are reporting. If the recipient government's actual tax revenue is

greater than the amount of tax revenue received by the recipient for the fiscal year ending 2019, adjusted annually for inflation, the recipient government will not be considered to have violated the offset provision because there will not have been a reduction in net tax revenue.

- Fourth, if the recipient government’s actual tax revenue is less than the amount of tax revenue received by the recipient government for the fiscal year ending 2019, adjusted annually for inflation, in the reporting year the recipient government will identify any sources of funds that have been used to permissibly offset the total value of covered tax changes other than Fiscal Recovery Funds. These are:
 - State or territory tax changes that would increase any source of general fund revenue, such as a change that would increase a tax rate; and
 - Spending cuts in areas not being replaced by Fiscal Recovery Funds.

The recipient government will calculate the value of revenue reduction remaining after applying these sources of offsetting funding to the total value of revenue reducing changes—that, is, how much of the tax change has not been paid for. The recipient government will then compare that value to the difference between the baseline and actual tax revenue. A recipient government will not be required to repay to the Treasury an amount that is greater than the recipient government’s actual tax revenue shortfall relative to the baseline (i.e., fiscal year 2019 tax revenue adjusted for inflation). This “revenue reduction cap,” together with Step 3, ensures that recipient governments can use organic revenue growth to offset the cost of revenue reductions.

- Finally, if there are any amounts that could be subject to recoupment, Treasury will provide notice to the recipient government of such amounts. This process is discussed in greater detail in Section IV of this Supplementary Information.

Together, these steps allow Treasury to identify the amount of reduction in net tax revenue that both is attributable to covered changes and has been directly or indirectly offset with Fiscal Recovery Funds. This process ensures Fiscal Recovery Funds are used in a manner consistent with the statute's defined eligible uses and the offset provision's limitation on these eligible uses, while avoiding undue interference with State and territory decisions regarding tax and spending policies.

The Interim Final Rule also implements a process for recouping Fiscal Recovery Funds that were used to offset reductions in net tax revenue, including the calculation of any amounts that may be subject to recoupment, a process for a recipient government to respond to a notice of recoupment, and clarification regarding amounts excluded from recoupment. *See* Section IV of this Supplementary Information.

The Interim Final Rule includes several definitions that are applicable to the implementation of the offset provision.

Covered change. The offset provision is triggered by a reduction in net tax revenue resulting from "a change in law, regulation, or administrative interpretation." A covered change includes any final legislative or regulatory action, a new or changed administrative interpretation, and the phase-in or taking effect of any statute or rule where the phase-in or taking effect was not prescribed prior to the start of the covered period. Changed administrative interpretations would not include corrections to replace prior inaccurate interpretations; such corrections would instead be treated as changes implementing legislation enacted or regulations issued prior to the covered

period; the operative change in those circumstances is the underlying legislation or regulation that occurred prior to the covered period. Moreover, only the changes within the control of the State or territory are considered covered changes. Covered changes do not include a change in rate that is triggered automatically and based on statutory or regulatory criteria in effect prior to the covered period. For example, a state law that sets its earned income tax credit (EITC) at a fixed percentage of the Federal EITC will see its EITC payments automatically increase—and thus its tax revenue reduced—because of the Federal government’s expansion of the EITC in the ARPA.¹⁶² This would not be considered a covered change. In addition, the offset provision applies only to actions for which the change in policy occurs during the covered period; it excludes regulations or other actions that implement a change or law substantively enacted prior to March 3, 2021. Finally, Treasury has determined and previously announced that income tax changes—even those made during the covered period—that simply conform with recent changes in Federal law (including those to conform to recent changes in Federal taxation of unemployment insurance benefits and taxation of loan forgiveness under the Paycheck Protection Program) are permissible under the offset provision.

Baseline. For purposes of measuring a reduction in net tax revenue, the Interim Final Rule measures actual changes in tax revenue relative to a revenue baseline (baseline). The baseline will be calculated as fiscal year 2019 (FY 2019) tax revenue indexed for inflation in

¹⁶² See, e.g., Tax Policy Center, How do state earned income tax credits work?, <https://www.taxpolicycenter.org/briefing-book/how-do-state-earned-income-tax-credits-work/> (last visited May 9, 2021).

each year of the covered period, with inflation calculated using the Bureau of Economic Analysis's Implicit Price Deflator.¹⁶³

FY 2019 was chosen as the starting year for the baseline because it is the last full fiscal year prior to the COVID-19 public health emergency.¹⁶⁴ This baseline year is consistent with the approach directed by the ARPA in sections 602(c)(1)(C) and 603(c)(1)(C), which identify the “most recent full fiscal year of the [State, territory, or Tribal government] prior to the emergency” as the comparator for measuring revenue loss. U.S. gross domestic product is projected to rebound to pre-pandemic levels in 2021,¹⁶⁵ suggesting that an FY 2019 pre-pandemic baseline is a reasonable comparator for future revenue levels. The FY 2019 baseline revenue will be adjusted annually for inflation to allow for direct comparison of actual tax revenue in each year (reported in nominal terms) to baseline revenue in common units of measurement; without inflation adjustment, each dollar of reported actual tax revenue would be worth less than each dollar of baseline revenue expressed in 2019 terms.

Reporting year. The Interim Final Rule defines “reporting year” as a single year within the covered period, aligned to the current fiscal year of the recipient government during the covered period, for which a recipient government reports the value of covered changes and any sources of offsetting revenue increases (“in-year” value), regardless of when those changes were enacted. For the fiscal years ending in 2021 or 2025 (partial years), the term “reporting year”

¹⁶³ U.S. Department of Commerce, Bureau of Economic Analysis, GDP Price Deflator, <https://www.bea.gov/data/prices-inflation/gdp-price-deflator> (last visited May 9, 2021).

¹⁶⁴ Using Fiscal Year 2019 is consistent with section 602 as Congress provided for using that baseline for determining the impact of revenue loss affecting the provision of government services. *See* section 602(c)(1)(C).

¹⁶⁵ Congressional Budget Office, *An Overview of the Economic Outlook: 2021 to 2031* (February 1, 2021), *available at* <https://www.cbo.gov/publication/56965>.

refers to the portion of the year falling within the covered period. For example, the reporting year for a fiscal year beginning July 2020 and ending June 2021 would be from March 3, 2021 to July 2021.

Tax revenue. The Interim Final Rule’s definition of “tax revenue” is based on the Census Bureau’s definition of taxes, used for its Annual Survey of State Government Finances.¹⁶⁶ It provides a consistent, well-established definition with which States and territories will be familiar and is consistent with the approach taken in Section II.C of this Supplementary Information describing the implementation of sections 602(c)(1)(C) and 603(c)(1)(C) of the Act, regarding revenue loss. Consistent with the approach described in Section II.C of this Supplementary Information, tax revenue does not include revenue taxed and collected by a different unit of government (e.g., revenue from taxes levied by a local government and transferred to a recipient government).

Framework. The Interim Final Rule provides a step-by-step framework, to be used in each reporting year, to calculate whether the offset provision applies to a State’s or territory’s use of Fiscal Recovery Funds:

(1) *Covered changes that reduce tax revenue.* For each reporting year, a recipient government will identify and value covered changes that the recipient government predicts will have the effect of reducing tax revenue in a given reporting year, similar to the way it would in the ordinary course of its budgeting process. The value of these covered changes may be reported based on estimated values produced by a budget model, incorporating reasonable assumptions, that aligns with the recipient government’s existing approach for measuring the

¹⁶⁶ U.S. Census Bureau, Annual Survey of State and Local Government Finances Glossary, <https://www.census.gov/programs-surveys/state/about/glossary.html> (last visited Apr. 30, 2021).

effects of fiscal policies, and that measures relative to a current law baseline. The covered changes may also be reported based on actual values using a statistical methodology to isolate the change in year-over-year revenue attributable to the covered change(s), relative to the current law baseline prior to the change(s). Further, estimation approaches should not use dynamic methodologies that incorporate the projected effects of macroeconomic growth because macroeconomic growth is accounted for separately in the framework. Relative to these dynamic scoring methodologies, scoring methodologies that do not incorporate projected effects of macroeconomic growth rely on fewer assumptions and thus provide greater consistency among States and territories. Dynamic scoring that incorporates macroeconomic growth may also increase the likelihood of underestimation of the cost of a reduction in tax revenue.

In general and where possible, reporting should be produced by the agency of the recipient government responsible for estimating the costs and effects of fiscal policy changes. This approach offers recipient governments the flexibility to determine their reporting methodology based on their existing budget scoring practices and capabilities. In addition, the approach of using the projected value of changes in law that enact fiscal policies to estimate the net effect of such policies is consistent with the way many States and territories already consider tax changes.¹⁶⁷

(2) *In excess of the de minimis.* The recipient government will next calculate the total value of all covered changes in the reporting year resulting in revenue reductions, identified in Step 1. If the total value of the revenue reductions resulting from these changes is below the de

¹⁶⁷ See, e.g., Megan Randall & Kim Rueben, Tax Policy Center, Sustainable Budgeting in the States: Evidence on State Budget Institutions and Practices (Nov. 2017), available at https://www.taxpolicycenter.org/sites/default/files/publication/149186/sustainable-budgeting-in-the-states_1.pdf.

de minimis level, the recipient government will be deemed not to have any revenue-reducing changes for the purpose of determining the recognized net reduction. If the total is above the de minimis level, the recipient government must identify sources of in-year revenue to cover the full costs of changes that reduce tax revenue.

The de minimis level is calculated as 1 percent of the reporting year's baseline. Treasury recognizes that, pursuant to their taxing authority, States and territories may make many small changes to alter the composition of their tax revenues or implement other policies with marginal effects on tax revenues. They may also make changes based on projected revenue effects that turn out to differ from actual effects, unintentionally resulting in minor revenue changes that are not fairly described as "resulting from" tax law changes. The de minimis level recognizes the inherent challenges and uncertainties that recipient governments face, and thus allows relatively small reductions in tax revenue without consequence. Treasury determined the 1 percent level by assessing the historical effects of state-level tax policy changes in state EITCs implemented to effect policy goals other than reducing net tax revenues.¹⁶⁸ The 1 percent de minimis level reflects the historical reductions in revenue due to minor changes in state fiscal policies.

(3) *Safe harbor*. The recipient government will then compare the reporting year's actual tax revenue to the baseline. If actual tax revenue is greater than the baseline, Treasury will deem the recipient government not to have any recognized net reduction for the reporting year, and therefore to be in a safe harbor and outside the ambit of the offset provision. This approach is consistent with the ARPA, which contemplates recoupment of Fiscal Recovery Funds only in the event that such funds are used to offset a reduction in net tax revenue. If net tax revenue has not

¹⁶⁸ Data provided by the Urban-Brookings Tax Policy Center for state-level EITC changes for 2004-2017.

been reduced, this provision does not apply. In the event that actual tax revenue is above the baseline, the organic revenue growth that has occurred, plus any other revenue-raising changes, by definition must have been enough to offset the in-year costs of the covered changes.

(4) *Consideration of other sources of funding.* Next, the recipient government will identify and calculate the total value of changes that could pay for revenue reduction due to covered changes and sum these items. This amount can be used to pay for up to the total value of revenue-reducing changes in the reporting year. These changes consist of two categories:

(a) *Tax and other increases in revenue.* The recipient government must identify and consider covered changes in policy that the recipient government predicts will have the effect of increasing general revenue in a given reporting year. As when identifying and valuing covered changes that reduce tax revenue, the value of revenue-raising changes may be reported based on estimated values produced by a budget model, incorporating reasonable assumptions, aligned with the recipient government's existing approach for measuring the effects of fiscal policies, and measured relative to a current law baseline, or based on actual values using a statistical methodology to isolate the change in year-over-year revenue attributable to the covered change(s). Further, and as discussed above, estimation approaches should not use dynamic scoring methodologies that incorporate the effects of macroeconomic growth because growth is accounted for separately under the Interim Final Rule. In general and where possible, reporting should be produced by the agency of the recipient government responsible for estimating the costs and effects of fiscal policy changes. This approach offers recipient governments the flexibility to determine their reporting methodology based on their existing budget scoring practices and capabilities.

(b) *Covered spending cuts.* A recipient government also may cut spending in certain areas to pay for covered changes that reduce tax revenue, up to the amount of the recipient government's net reduction in total spending as described below. These changes must be reductions in government outlays not in an area where the recipient government has spent Fiscal Recovery Funds. To better align with existing reporting and accounting, the Interim Final Rule considers the department, agency, or authority from which spending has been cut and whether the recipient government has spent Fiscal Recovery Funds on that same department, agency, or authority. This approach was selected to allow recipient governments to report how Fiscal Recovery Funds have been spent using reporting units already incorporated into their budgeting process. If they have not spent Fiscal Recovery Funds in a department, agency, or authority, the full amount of the reduction in spending counts as a covered spending cut, up to the recipient government's net reduction in total spending. If they have, the Fiscal Recovery Funds generally would be deemed to have replaced the amount of spending cut and only reductions in spending above the amount of Fiscal Recovery Funds spent on the department, agency, or authority would count.

To calculate the amount of spending cuts that are available to offset a reduction in tax revenue, the recipient government must first consider whether there has been a reduction in total net spending, excluding Fiscal Recovery Funds (net reduction in total spending). This approach ensures that reported spending cuts actually create fiscal space, rather than simply offsetting other spending increases. A net reduction in total spending is measured as the difference between total spending in each reporting year, excluding Fiscal Recovery Funds spent, relative to total spending for the recipient's fiscal year ending in 2019, adjusted for inflation. Measuring reductions in spending relative to 2019 reflects the fact that the fiscal space created by a

spending cut persists so long as spending remains below its original level, even if it does not decline further, relative to the same amount of revenue. Measuring spending cuts from year to year would, by contrast, not recognize any available funds to offset revenue reductions unless spending continued to decline, failing to reflect the actual availability of funds created by a persistent change and limiting the discretion of States and territories. In general and where possible, reporting should be produced by the agency of the recipient government responsible for estimating the costs and effects of fiscal policy changes. Treasury chose this approach because while many recipient governments may score budget legislation using projections, spending cuts are readily observable using actual values.

This approach—allowing only spending reductions in areas where the recipient government has not spent Fiscal Recovery Funds to be used as an offset for a reduction in net tax revenue—aims to prevent recipient governments from using Fiscal Recovery Funds to supplant State or territory funding in the eligible use areas, and then use those State or territory funds to offset tax cuts. Such an approach helps ensure that Fiscal Recovery Funds are not used to “indirectly” offset revenue reductions due to covered changes.

In order to help ensure recipient governments use Fiscal Recovery Funds in a manner consistent with the prescribed eligible uses and do not use Fiscal Recovery Funds to indirectly offset a reduction in net tax revenue resulting from a covered change, Treasury will monitor changes in spending throughout the covered period. If, over the course of the covered period, a spending cut is subsequently replaced with Fiscal Recovery Funds and used to indirectly offset a reduction in net tax revenue resulting from a covered change, Treasury may consider such change to be an evasion of the restrictions of the offset provision and seek recoupment of such amounts.

(5) *Identification of amounts subject to recoupment.* If a recipient government (i) reports covered changes that reduce tax revenue (Step 1); (ii) to a degree greater than the de minimis (Step 2); (iii) has experienced a reduction in net tax revenue (Step 3); and (iv) lacks sufficient revenue from other, permissible sources to pay for the entirety of the reduction (Step 4), then the recipient government will be considered to have used Fiscal Recovery Funds to offset a reduction in net tax revenue, up to the amount that revenue has actually declined. That is, the maximum value of reduction in revenue due to covered changes which a recipient government must cover is capped at the difference between the baseline and actual tax revenue.¹⁶⁹ In the event that the baseline is above actual tax revenue and the difference between them is less than the sum of revenue reducing changes that are not paid for with other, permissible sources, organic revenue growth has implicitly offset a portion of the reduction. For example, if a recipient government reduces tax revenue by \$1 billion, makes no other changes, and experiences revenue growth driven by organic economic growth worth \$500 million, it need only pay for the remaining \$500 million with sources other than Fiscal Recovery Funds. The revenue reduction cap implements this approach for permitting organic revenue growth to cover the cost of tax cuts.

Finally, as discussed further in Section IV of this Supplementary Information, 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

¹⁶⁹ This cap is applied in section 35.8(c) of the Interim Final Rule, calculating the amount of funds used in violation of the tax offset provision.

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.

To facilitate the implementation of the framework above, and in addition to reporting required on eligible uses, in each year of the reporting period, each State and territory will report to Treasury the following items:

- Actual net tax revenue for the reporting year;
- Each revenue-reducing change made to date during the covered period and the in-year value of each change;
- Each revenue-raising change made to date during the covered period and the in-year value of each change;
- Each covered spending cut made to date during the covered period, the in-year value of each cut, and documentation demonstrating that each spending cut is covered as prescribed under the Interim Final Rule;

Treasury will provide additional guidance and instructions the reporting requirements at a later date.

Question 28: Does the Interim Final Rule's definition of tax revenue accord with existing State and territorial practice and, if not, are there other definitions or elements Treasury should consider? Discuss why or why not.

Question 29: The Interim Final Rule permits certain spending cuts to cover the costs of reductions in tax revenue, including cuts in a department, agency, or authority in which the recipient government is not using Fiscal Recovery Funds. How should Treasury and recipient governments consider the scope of a department, agency, or authority for the use of funds to

ensure spending cuts are not being substituted with Fiscal Recovery Funds while also avoiding an overbroad definition of that captures spending that is, in fact, distinct?

Question 30: Discuss the budget scoring methodologies currently used by States and territories. How should the Interim Final Rule take into consideration differences in approaches? Please discuss the use of practices including but not limited to macrodynamic scoring, microdynamic scoring, and length of budget windows.

Question 31: If a recipient government has a balanced budget requirement, how will that requirement impact its use of Fiscal Recovery Funds and ability to implement this framework?

Question 32: To implement the framework described above, the Interim Final Rule establishes certain reporting requirements. To what extent do recipient governments already produce this information and on what timeline? Discuss ways that Treasury and recipient governments may better rely on information already produced, while ensuring a consistent application of the framework.

Question 33: Discuss States' and territories' ability to produce the figures and numbers required for reporting under the Interim Final Rule. What additional reporting tools, such as a standardized template, would facilitate States' and territories' ability to complete the reporting required under the Interim Final Rule?

C. Other Restrictions on Use

Payments from the Fiscal Recovery Funds are also subject to pre-existing limitations provided in other Federal statutes and regulations and may not be used as non-Federal match for other Federal programs whose statute or regulations bar the use of Federal funds to meet

matching requirements. For example, payments from the Fiscal Recovery Funds may not be used to satisfy the State share of Medicaid.¹⁷⁰

As provided for in the award terms, payments from the Fiscal Recovery Funds as a general matter will be subject to the provisions of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) (the Uniform Guidance), including the cost principles and restrictions on general provisions for selected items of cost.

D. Timeline for Use of Fiscal Recovery Funds

Section 602(c)(1) and section 603(c)(1) require that payments from the Fiscal Recovery Funds be used only to cover costs incurred by the State, territory, Tribal government, or local government by December 31, 2024. Similarly, the CARES Act provided that payments from the CRF be used to cover costs incurred by December 31, 2021.¹⁷¹ The definition of “incurred” does not have a clear meaning. 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, passed at a different stage of the COVID-19 public health emergency, 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

¹⁷⁰ See 42 CFR 433.51 and 45 CFR 75.306.

¹⁷¹ Section 1001 of Division N of the Consolidated Appropriations Act, 2021 amended section 601(d)(3) of the Act by extending the end of the covered period for CRF expenditures from December 30, 2020 to December 31, 2021.

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” that is based on the definition used for purposes of the Uniform Guidance, which will allow for uniform administration of this requirement and is a definition with which most recipients will be familiar.

Payments from the Fiscal Recovery Funds are grants provided to recipients to mitigate the fiscal effects of the COVID-19 public health emergency and to respond to the public health emergency, consistent with the eligible uses enumerated in sections 602(c)(1) and 603(c)(1).¹⁷² As such, these funds are intended to provide economic stimulus in areas still recovering from the economic effects of the pandemic. In implementing and interpreting these provisions, including what it means to “respond to” the COVID-19 public health emergency, Treasury takes into consideration pre-pandemic facts and circumstances (e.g., average revenue growth prior to the pandemic) as well as impact of the pandemic that predate the enactment of the ARPA (e.g., replenishing Unemployment Trust balances drawn during the pandemic). While assessing the effects of the COVID-19 public health emergency necessarily takes into consideration the facts and circumstances that predate the ARPA, use of Fiscal Recovery Funds is forward looking.

As discussed above, recipients are permitted to use payments from the Fiscal Recovery Funds to respond to the public health emergency, to respond to workers performing essential work by providing premium pay or providing grants to eligible employers, and to make necessary investments in water, sewer, or broadband infrastructure, which all relate to prospective uses. In addition, sections 602(c)(1)(C) and 603(c)(1)(C) permit recipients to use

¹⁷² §§ 602(a), 603(a), 602(c)(1) and 603(c)(1) of the Act.

Fiscal Recovery Funds for the provision of government services. This clause provides that the amount of funds that may be used for this purpose is measured by reference to the reduction in revenue due to the public health emergency relative to revenues collected in the most recent full fiscal year, but this reference does not relate to the period during which recipients may use the funds, which instead refers to prospective uses, consistent with the other eligible uses.

Although as discussed above the eligible uses of payments from the Fiscal Recovery Funds are all prospective in nature, Treasury considers the beginning of the covered period for purposes of determining compliance with section 602(c)(2)(A) to be the relevant reference point for this purpose. The Interim Final Rule thus permits funds to be used to cover costs incurred beginning on March 3, 2021. This aligns the period for use of Fiscal Recovery Funds with the period during which these funds may not be used to offset reductions in net tax revenue. Permitting Fiscal Recovery Funds to be used to cover costs incurred beginning on this date will also mean that recipients that began incurring costs in the anticipation of enactment of the ARPA and in advance of the issuance of this rule and receipt of payment from the Fiscal Recovery Funds would be able to cover them using these payments.¹⁷³

As set forth in the award terms, the period of performance will run until December 31, 2026, which will provide recipients a reasonable amount of time to complete projects funded with payments from the Fiscal Recovery Funds.

¹⁷³ Given the nature of this program, recipients will not be permitted to use funds to cover pre-award costs, *i.e.*, those incurred prior to March 3, 2021.

IV. 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.¹⁷⁴ The Interim Final Rule implements these provisions by establishing a process for recoupment.

Identification and Notice of Violations. Failure to comply with the restrictions on use will be identified based on reporting provided by the recipient. As discussed further in Sections III.B and VIII of this Supplementary Information, 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.

Request for Reconsideration. Under the Interim Final Rule, 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, including, for example, additional information regarding the recipient's use of Fiscal Recovery Funds or its tax revenues. 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.

The Interim Final Rule also establishes requirements for the timing of a request for reconsideration. Specifically, 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

¹⁷⁴ §§ 602(e) and 603(e) of the Act.

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.

The process and timeline established by the Interim Final Rule are intended to provide the recipient with an adequate opportunity to fully present any issues or arguments in response to the notice of recoupment.¹⁷⁵ This process will allow the Secretary to respond to the issues and considerations raised in the request for reconsideration taking into account the information and arguments presented by the recipient along with any other relevant information.

Repayment. Finally, the Interim Final Rule provides that 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.

Question 34: Discuss the timeline for requesting reconsideration under the Interim Final Rule. What, if any, challenges does this timeline present?

¹⁷⁵ The Interim Final Rule also provides that Treasury may extend any deadlines.

V. Payments in Tranches to Local Governments and Certain States

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.

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. Based on data available at the time of public release of this Interim Final Rule, this threshold would result in a majority of States being paid in two tranches.

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.¹⁷⁶ Splitting payments to States into two tranches will help

¹⁷⁶ With respect to Federal financial assistance more generally, States are subject to the requirements of the Cash Management Improvement Act (CMIA), under which Federal funds are drawn upon only on an as needed basis and States are required to remit interest on unused balances to Treasury. Given the statutory requirement for Treasury to make payments to States within a certain period, these requirements of the CMIA and Treasury's implementing regulations at 31 CFR part 205 will not apply to payments from the Fiscal Recovery Funds. Providing funding in two tranches to the majority of States reflects, to the maximum extent permitted by section 602 of the Act, the general principles of Federal cash management and stewardship of federal funding, yet will be much less restrictive than the usual requirements to which States are subject.

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.¹⁷⁷ For these reasons, Treasury believes it will be appropriate for a majority of recipients to adapt their plans as the recovery evolves. For example, a faster-than-expected economic recovery in 2021 could lead a recipient to dedicate more Fiscal Recovery 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.

At the same time, the statute contemplates the possibility that elevated unemployment in certain States could justify a single payment. Elevated unemployment is indicative of a greater need to assist unemployed workers and stimulate a faster economic recovery. For this reason, the Interim Final Rule provides that States and territories with an increase in their unemployment rate over a specified threshold may receive a single payment, with the expectation that a single tranche will better enable these States and territories to take additional immediate action to aid the unemployed and strengthen their economies.

Following the initial pandemic-related spike in unemployment in 2020, States' unemployment rates have been trending back towards pre-pandemic levels. However, some States' labor markets are healing more slowly than others. Moreover, States varied widely in

¹⁷⁷ The potential course of the virus, and its impact on the economy, has contributed to a heightened degree of uncertainty relative to prior periods. *See, e.g.,* Dave Altig et al., Economic uncertainty before and during the COVID-19 pandemic, *J. of Public Econ.* (Nov. 2020), *available at* <https://www.sciencedirect.com/science/article/abs/pii/S0047272720301389>

their pre-pandemic levels of unemployment, and some States remain substantially further from their pre-pandemic starting point. Consequently, Treasury is delineating States with significant remaining elevation in the unemployment rate, based on the net difference to pre-pandemic levels.

Treasury has established that significant remaining elevation in the unemployment rate is a net change in the unemployment rate of 2.0 percentage points or more relative to pre-pandemic levels. In the four previous recessions going back to the early 1980s, the national unemployment rate rose by 3.6, 2.3, 2.0, and 5.0 percentage points, as measured from the start of the recession to the eventual peak during or immediately following the recession.¹⁷⁸ Each of these increases can therefore represent a recession's impact on unemployment. To identify States with significant remaining elevation in unemployment, Treasury took the lowest of these four increases, 2.0 percentage points, to indicate states where, despite improvement in the unemployment rate, current labor market conditions are consistent still with a historical benchmark for a recession.

No U.S. territory will be subject to withholding of its payment from the Fiscal Recovery Funds. For Puerto Rico, the Secretary has determined that the current level of the unemployment rate (8.8 percent, as of March 2021¹⁷⁹) is sufficiently high such that Treasury should not withhold any portion of its payment from the Fiscal Recovery Funds regardless of its change in

¹⁷⁸ Includes the period during and immediately following recessions, as defined by the National Bureau of Economic Research. National Bureau of Economic Research, US Business Cycle Expansions and Contractions, <https://www.nber.org/research/data/us-business-cycle-expansions-and-contractions> (last visited Apr. 27, 2021). Based on data from U.S. Bureau of Labor Statistics, Unemployment Rate [UNRATE], retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/UNRATE> (last visited Apr. 27, 2021).

¹⁷⁹ U.S. Bureau of Labor Statistics, Economic News Release – Table 1. Civilian labor force and unemployment by state and selected area, seasonally adjusted, <https://www.bls.gov/news.release/laus.t01.htm> (last visited Apr. 30, 2021).

unemployment rate relative to its pre-pandemic level. For U.S. territories that are not included in the Bureau of Labor Statistics' monthly unemployment rate data, the Secretary will not exercise the authority to withhold amounts from the Fiscal Recovery Funds.

VI. Transfer

The statute authorizes State, territorial, and Tribal governments; counties; metropolitan cities; and nonentitlement units of local government (counties, metropolitan cities, and nonentitlement units of local government are collectively referred to as “local governments”) to transfer amounts paid from the Fiscal Recovery Funds to a number of specified entities. By permitting these transfers, Congress recognized the importance of providing flexibility to governments seeking to achieve the greatest impact with their funds, including by working with other levels or units of government or private entities to assist recipient governments in carrying out their programs. This includes special-purpose districts that perform specific functions in the community, such as fire, water, sewer, or mosquito abatement districts.

Specifically, under section 602(c)(3), a State, territory, or Tribal government may transfer funds to a “private nonprofit organization . . . a Tribal organization . . . a public benefit corporation involved in the transportation of passengers or cargo, or a special-purpose unit of State or local government.”¹⁸⁰ Similarly, section 603(c)(3) authorizes a local government to transfer funds to the same entities (other than Tribal organizations).

The Interim Final Rule clarifies that the lists of transferees in Sections 602(c)(3) and 603(c)(3) are not exclusive. The Interim Final Rule permits State, territorial, and Tribal governments to transfer Fiscal Recovery Funds to other constituent units of government or

¹⁸⁰ § 602(c)(3) of the Act.

private entities beyond those specified in the statute. Similarly, local governments are authorized to transfer Fiscal Recovery Funds to other constituent units of government (e.g., a county is able to transfer Fiscal Recovery Funds to a city, town, or school district within it) or to private entities. This approach is intended to help provide funding to local governments with needs that may exceed the allocation provided under the statutory formula.

State, local, territorial, and Tribal governments that receive a Federal award directly from a Federal awarding agency, such as Treasury, are “recipients.” A transferee receiving a transfer from a recipient under sections 602(c)(3) and 603(c)(3) will be a subrecipient. Subrecipients are entities that receive a subaward from a recipient to carry out a program or project on behalf of the recipient with the recipient’s Federal award funding. The recipient remains responsible for monitoring and overseeing the subrecipient’s use of Fiscal Recovery Funds and other activities related to the award to ensure that the subrecipient complies with the statutory and regulatory requirements and the terms and conditions of the award. Recipients also remain responsible for reporting to Treasury on their subrecipients’ use of payments from the Fiscal Recovery Funds for the duration of the award.

Transfers under sections 602(c)(3) and 603(c)(3) must qualify as an eligible use of Fiscal Recovery Funds by the transferor. Once Fiscal Recovery Funds are received, the transferee must abide by the restrictions on use applicable to the transferor under the ARPA and other applicable law and program guidance. For example, if a county transferred Fiscal Recovery Funds to a town within its borders to respond to the COVID-19 public health emergency, the town would be bound by the eligible use requirements applicable to the county in carrying out the county’s goal. This also means that county A may not transfer Fiscal Recovery Funds to county B for use in

county B because such a transfer would not, from the perspective of the transferor (county A), be an eligible use in county A.

Section 603(c)(4) separately provides for transfers by a local government to its State or territory. A transfer under section 603(c)(4) will not make the State a subrecipient of the local government, and such Fiscal Recovery Funds may be used by the State for any purpose permitted under section 602(c). A transfer under section 603(c)(4) will result in a cancellation or termination of the award on the part of the transferor local government and a modification of the award to the transferee State or territory. The transferor must provide notice of the transfer to Treasury in a format specified by Treasury. If the local government does not provide such notice, it will remain legally obligated to Treasury under the award and remain responsible for ensuring that the awarded Fiscal Recovery Funds are being used in accordance with the statute and program guidance and for reporting on such uses to Treasury. A State that receives a transfer from a local government under section 603(c)(4) will be bound by all of the use restrictions set forth in section 602(c) with respect to the use of those Fiscal Recovery Funds, including the prohibitions on use of such Fiscal Recovery Funds to offset certain reductions in taxes or to make deposits into pension funds.

Question 35: What are the advantages and disadvantages of treating the list of transferees in sections 602(c)(3) and 603(c)(3) as nonexclusive, allowing States and localities to transfer funds to entities outside of the list?

Question 36: Are there alternative ways of defining “special-purpose unit of State or local government” and “public benefit corporation” that would better further the aims of the Funds?

VII. Nonentitlement Units of Government

The Fiscal Recovery Funds provides for \$19.53 billion in payments to be made to States and territories which will distribute the funds to nonentitlement units of local government (NEUs); local governments which generally have populations below 50,000. These local governments have not yet received direct fiscal relief from the Federal government during the COVID-19 public health emergency, making Fiscal Recovery Funds payments an important source of support for their public health and economic responses. Section 603 requires Treasury to allocate and pay Fiscal Recovery Funds to the States and territories and requires the States and territories to distribute Fiscal Recovery Funds to NEUs based on population within 30 days of receipt unless an extension is granted by the Secretary. The Interim Final Rule clarifies certain aspects regarding the distribution of Fiscal Recovery by States and territories to NEUs, as well as requirements around timely payments from the Fiscal Recovery Funds.

The ARPA requires that States and territories allocate funding to NEUs in an amount that bears the same proportion as the population of the NEU bears to the total population of all NEUs in the State or territory, subject to a cap (described below). Because the statute requires States and territories to make distributions based on population, States and territories may not place additional conditions or requirements on distributions to NEUs, beyond those required by the ARPA and Treasury's implementing regulations and guidance. For example, a State may not impose stricter limitations than permitted by statute or Treasury regulations or guidance on an NEU's use of Fiscal Recovery Funds based on the NEU's proposed spending plan or other policies. States and territories are also not permitted to offset any debt owed by the NEU against the NEU's distribution. Further, States and territories may not provide funding on a reimbursement basis—e.g., requiring NEUs to pay for project costs up front before being

reimbursed with Fiscal Recovery Funds payments—because this funding model would not comport with the statutory requirement that States and territories make distributions to NEUs within the statutory timeframe.

Similarly, States and territories distributing Fiscal Recovery Funds payments to NEUs are responsible for complying with the Fiscal Recovery Funds statutory requirement that distributions to NEUs not exceed 75 percent of the NEU's most recent budget. The most recent budget is defined as the NEU's most recent annual total operating budget, including its general fund and other funds, as of January 27, 2020. Amounts in excess of such cap and therefore not distributed to the NEU must be returned to Treasury by the State or territory. States and territories may rely for this determination on a certified top-line budget total from the NEU.

Under the Interim Final Rule, the total allocation and distribution to an NEU, including the sum of both the first and second tranches of funding, cannot exceed the 75 percent cap. States and territories must permit NEUs without formal budgets as of January 27, 2020 to self-certify their most recent annual expenditures as of January 27, 2020 for the purpose of calculating the cap. This approach will provide an administrable means to implement the cap for small local governments that do not adopt a formal budget.

Section 603(b)(3) of the Social Security Act provides for Treasury to make payments to counties but provides that, in the case of an amount to be paid to a county that is not a unit of general local government, the amount shall instead be paid to the State in which such county is located, and such State shall distribute such amount to each unit of general local government within such county in an amount that bears the same proportion to the amount to be paid to such county as the population of such units of general local government bears to the total population of such county. As with NEUs, States may not place additional conditions or requirements on

distributions to such units of general local government, beyond those required by the ARPA and Treasury's implementing regulations and guidance.

In the case of consolidated governments, section 603(b)(4) allows consolidated governments (e.g., a city-county consolidated government) to receive payments under each allocation based on the respective formulas. In the case of a consolidated government, Treasury interprets the budget cap to apply to the consolidated government's NEU allocation under section 603(b)(2) but not to the consolidated government's county allocation under section 603(b)(3).

If necessary, States and territories may use the Fiscal Recovery Funds under section 602(c)(1)(A) to fund expenses related to administering payments to NEUs and units of general local government, as disbursing these funds itself is a response to the public health emergency and its negative economic impacts. If a State or territory requires more time to disburse Fiscal Recovery Funds to NEUs than the allotted 30 days, Treasury will grant extensions of not more than 30 days for States and territories that submit a certification in writing in accordance with section 603(b)(2)(C)(ii)(I). Additional extensions may be granted at the discretion of the Secretary.

Question 37: What are alternative ways for States and territories to enforce the 75 percent cap while reducing the administrative burden on them?

Question 38: What criteria should Treasury consider in assessing requests for extensions for further time to distribute NEU payments?

VIII. Reporting

States (defined to include the District of Columbia), territories, metropolitan cities, counties, and Tribal governments will be required to submit one interim report and thereafter

quarterly Project and Expenditure reports through the end of the award period on December 31, 2026. The interim report will include a recipient's expenditures by category at the summary level from the date of award to July 31, 2021 and, for States and territories, information related to distributions to nonentitlement units. Recipients must submit their interim report to Treasury by August 31, 2021. Nonentitlement units of local government are not required to submit an interim report.

The quarterly Project and Expenditure reports will include financial data, information on contracts and subawards over \$50,000, types of projects funded, and other information regarding a recipient's utilization of the award funds. The reports will include the same general data (e.g., on obligations, expenditures, contracts, grants, and sub-awards) as those submitted by recipients of the CRF, with some modifications. Modifications will include updates to the expenditure categories and the addition of data elements related to specific eligible uses, including some of the reporting elements described in sections above. The initial quarterly Project and Expenditure report will cover two calendar quarters from the date of award to September 30, 2021, and must be submitted to Treasury by October 31, 2021. The subsequent quarterly reports will cover one calendar quarter and must be submitted to Treasury within 30 days after the end of each calendar quarter.

Nonentitlement units of local government will be required to submit annual Project and Expenditure reports until the end of the award period on December 31, 2026. The initial annual Project and Expenditure report for nonentitlement units of local government will cover activity from the date of award to September 30, 2021 and must be submitted to Treasury by October 31, 2021. The subsequent annual reports must be submitted to Treasury by October 31 each year.

States, territories, metropolitan cities, and counties with a population that exceeds 250,000 residents will also be required to submit an annual Recovery Plan Performance report to Treasury. The Recovery Plan Performance report will provide the public and Treasury information on the projects that recipients are undertaking with program funding and how they are planning to ensure project outcomes are achieved in an effective, efficient, and equitable manner. Each jurisdiction will have some flexibility in terms of the form and content of the Recovery Plan Performance report, as long as it includes the minimum information required by Treasury. The Recovery Plan Performance report will include key performance indicators identified by the recipient and some mandatory indicators identified by Treasury, as well as programmatic data in specific eligible use categories and the specific reporting requirements described in the sections above. The initial Recovery Plan Performance report will cover the period from the date of award to July 31, 2021 and must be submitted to Treasury by August 31, 2021. Thereafter, Recovery Plan Performance reports will cover a 12-month period, and recipients will be required to submit the report to Treasury within 30 days after the end of the 12-month period. The second Recovery Plan Performance report will cover the period from July 1, 2021 to June 30, 2022, and must be submitted to Treasury by July 31, 2022. Each annual Recovery Plan Performance report must be posted on the public-facing website of the recipient. Local governments with fewer than 250,000 residents, Tribal governments, and nonentitlement units of local government are not required to develop a Recovery Plan Performance report.

Treasury will provide additional guidance and instructions on the reporting requirements outlined above for the Fiscal Recovery Funds at a later date.

IX. Comments and Effective Date

This Interim Final Rule is being issued without advance notice and public comment to allow for immediate implementation of this program. As discussed below, the requirements of advance notice and public comment do not apply “to the extent that there is involved . . . a matter relating to agency . . . grants.”¹⁸¹ The Interim Final Rule implements statutory conditions on the eligible uses of the Fiscal Recovery Funds grants, and addresses the payment of those funds, the reporting on uses of funds, and potential consequences of ineligible uses. In addition and as discussed below, the Administrative Procedure Act also provides an exception to ordinary notice-and-comment procedures “when the agency for good cause finds (and incorporates the finding and a brief statement of reasons therefor in the rules issued) that notice and public procedure thereon are impracticable, unnecessary, or contrary to the public interest.”¹⁸² This good cause justification also supports waiver of the 60-day delayed effective date for major rules under the Congressional Review Act at 5 U.S.C. 808(2). Although this Interim Final Rule is effective immediately, comments are solicited from interested members of the public and from recipient governments on all aspects of the Interim Final Rule.

These comments must be submitted on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

¹⁸¹ 5 U.S.C. 553(a)(2).

¹⁸² 5 U.S.C. 553(b)(3)(B); *see also* 5 U.S.C. 553(d)(3) (creating an exception to the requirement of a 30-day delay before the effective date of a rule “for good cause found and published with the rule”).

X. Regulatory Analyses

Executive Orders 12866 and 13563

This Interim Final Rule is economically significant for the purposes of Executive Orders 12866 and 13563. Treasury, however, is proceeding under the emergency provision at Executive Order 12866 section 6(a)(3)(D) based on the need to act expeditiously to mitigate the current economic conditions arising from the COVID-19 public health emergency. The rule has been reviewed by the Office of Management and Budget (OMB) in accordance with Executive Order 12866. This rule is necessary to implement the ARPA in order to provide economic relief to State, local, and Tribal governments adversely impacted by the COVID-19 public health emergency.

Under Executive Order 12866, OMB must determine whether this regulatory action is “significant” and, therefore, subject to the requirements of the Executive Order and subject to review by OMB. Section 3(f) of Executive Order 12866 defines a significant regulatory action as an action likely to result in a rule that may:

- (1) Have an annual effect on the economy of \$100 million or more, or adversely affect a sector of the economy; productivity; competition; jobs; the environment; public health or safety; or State, local, or Tribal governments or communities in a material way (also referred to as “economically significant” regulations);
- (2) Create a serious inconsistency or otherwise interfere with an action taken or planned by another agency;
- (3) Materially alter the budgetary impacts of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or

- (4) Raise novel legal or policy issues arising out of legal mandates, the President’s priorities, or the principles stated in the Executive Order.

This regulatory action is an economically significant regulatory action subject to review by OMB under section 3(f) of Executive Order 12866. Treasury has also reviewed these regulations under Executive Order 13563, which supplements and explicitly reaffirms the principles, structures, and definitions governing regulatory review established in Executive Order 12866. To the extent permitted by law, section 1(b) of Executive Order 13563 requires that an agency:

- (1) Propose or adopt regulations only upon a reasoned determination that their benefits justify their costs (recognizing that some benefits and costs are difficult to quantify);
- (2) Tailor its regulations to impose the least burden on society, consistent with obtaining regulatory objectives taking into account, among other things, and to the extent practicable, the costs of cumulative regulations;
- (3) Select, in choosing among alternative regulatory approaches, those approaches that maximize net benefits (including potential economic, environmental, public health and safety, and other advantages; distributive impacts; and equity);
- (4) To the extent feasible, specify performance objectives, rather than the behavior or manner of compliance a regulated entity must adopt; and
- (5) Identify and assess available alternatives to direct regulation, including providing economic incentives—such as user fees or marketable permits—to encourage the desired behavior, or providing information that enables the public to make choices.

Executive Order 13563 also requires an agency “to use the best available techniques to quantify anticipated present and future benefits and costs as accurately as possible.” OMB’s Office of Information and Regulatory Affairs (OIRA) has emphasized that these techniques may

include “identifying changing future compliance costs that might result from technological innovation or anticipated behavioral changes.”

Treasury has assessed the potential costs and benefits, both quantitative and qualitative, of this regulatory action, and is issuing this Interim Final Rule only on a reasoned determination that the benefits exceed the costs. In choosing among alternative regulatory approaches, Treasury selected those approaches that would maximize net benefits. Based on the analysis that follows and the reasons stated elsewhere in this document, Treasury believes that this Interim Final Rule is consistent with the principles set forth in Executive Order 13563.

Treasury also has determined that this regulatory action does not unduly interfere with States, territories, Tribal governments, and localities in the exercise of their governmental functions.

This Regulatory Impact Analysis discusses the need for regulatory action, the potential benefits, and the potential costs.

Need for Regulatory Action. This Interim Final Rule implements the \$350 billion Fiscal Recovery Funds of the ARPA, which Congress passed to help States, territories, Tribal governments, and localities respond to the ongoing COVID-19 public health emergency and its economic impacts. As the agency charged with execution of these programs, Treasury has concluded that this Interim Final Rule is needed to ensure that recipients of Fiscal Recovery Funds fully understand the requirements and parameters of the program as set forth in the statute and deploy funds in a manner that best reflects Congress’ mandate for targeted fiscal relief. This Interim Final Rule is primarily a transfer rule: it transfers \$350 billion in aid from the Federal government to states, territories, Tribal governments, and localities, generating a significant macroeconomic effect on the U.S. economy. In making this transfer, Treasury has sought to implement the program in ways that maximize its potential benefits while minimizing

its costs. It has done so by aiming to target relief in key areas according to the congressional mandate; offering clarity to States, territories, Tribal governments, and localities while maintaining their flexibility to respond to local needs; and limiting administrative burdens.

Analysis of Benefits. Relative to a pre-statutory baseline, the Fiscal Recovery Funds provide a combined \$350 billion to State, local, and Tribal governments for fiscal relief and support for costs incurred responding to the COVID-19 pandemic. Treasury believes that this transfer will generate substantial additional economic activity, although given the flexibility accorded to recipients in the use of funds, it is not possible to precisely estimate the extent to which this will occur and the timing with which it will occur. Economic research has demonstrated that state fiscal relief is an efficient and effective way to mitigate declines in jobs and output during an economic downturn.¹⁸³ Absent such fiscal relief, fiscal austerity among State, local, and Tribal governments could exert a prolonged drag on the overall economic recovery, as occurred following the 2007-09 recession.¹⁸⁴

This Interim Final Rule provides benefits across several areas by implementing the four eligible funding uses, as defined in statute: strengthening the response to the COVID-19 public health emergency and its economic impacts; easing fiscal pressure on State, local, and Tribal governments that might otherwise lead to harmful cutbacks in employment or government

¹⁸³ Gabriel Chodorow-Reich et al., Does State Fiscal Relief during Recessions Increase Employment? Evidence from the American Recovery and Reinvestment Act, *American Econ. J.: Econ. Policy*, 4:3 118-45 (Aug. 2012), available at <https://www.aeaweb.org/articles?id=10.1257/pol.4.3.118>

¹⁸⁴ See, e.g., Fitzpatrick, Haughwout & Setren, Fiscal Drag from the State and Local Sector?, Liberty Street Economics Blog, Federal Reserve Bank of New York (June 27, 2012), <https://www.libertystreeteconomics.newyorkfed.org/2012/06/fiscal-drag-from-the-state-and-local-sector.html>; Jiri Jonas, Great Recession and Fiscal Squeeze at U.S. Subnational Government Level, IMF Working Paper 12/184, (July 2012), available at <https://www.imf.org/external/pubs/ft/wp/2012/wp12184.pdf>; Gordon, *supra* note 9.

services; providing premium pay to essential workers; and making necessary investments in certain types of infrastructure. In implementing the ARPA, Treasury also sought to support disadvantaged communities that have been disproportionately impacted by the pandemic. The Fiscal Recovery Funds as implemented by the Interim Final Rule can be expected to channel resources toward these uses in order to achieve substantial near-term economic and public health benefits, as well as longer-term benefits arising from the allowable investments in water, sewer, and broadband infrastructure and aid to families.

These benefits are achieved in the Interim Final Rule through a broadly flexible approach that sets clear guidelines on eligible uses of Fiscal Recovery Funds and provides State, local, and Tribal government officials discretion within those eligible uses to direct Fiscal Recovery Funds to areas of greatest need within their jurisdiction. While preserving recipients' overall flexibility, the Interim Final Rule includes several provisions that implement statutory requirements and will help support use of Fiscal Recovery Funds to achieve the intended benefits. The remainder of this section clarifies how Treasury's approach to key provisions in the Interim Final Rule will contribute to greater realization of benefits from the program.

- Revenue Loss: Recipients will compute the extent of reduction in revenue by comparing actual revenue to a counterfactual trend representing what could have plausibly been expected to occur in the absence of the pandemic. The counterfactual trend begins with the last full fiscal year prior to the public health emergency (as required by statute) and projects forward with an annualized growth adjustment. Treasury's decision to incorporate a growth adjustment into the calculation of revenue loss ensures that the formula more fully captures revenue shortfalls relative to recipients' pre-pandemic expectations. Moreover, recipients will have the opportunity to re-calculate revenue loss

at several points throughout the program, recognizing that some recipients may experience revenue effects with a lag. This option to re-calculate revenue loss on an ongoing basis should result in more support for recipients to avoid harmful cutbacks in future years. In calculating revenue loss, recipients will look at general revenue in the aggregate, rather than on a source-by-source basis. Given that recipients may have experienced offsetting changes in revenues across sources, Treasury's approach provides a more accurate representation of the effect of the pandemic on overall revenues.

- Premium Pay: Per the statute, recipients have broad latitude to designate critical infrastructure sectors and make grants to third-party employers for the purpose of providing premium pay or otherwise respond to essential workers. While the Interim Final Rule generally preserves the flexibility in the statute, it does add a requirement that recipients give written justification in the case that premium pay would increase a worker's annual pay above a certain threshold. To set this threshold, Treasury analyzed data from the Bureau of Labor Statistics to determine a level that would not require further justification for premium pay to the vast majority of essential workers, while requiring higher scrutiny for provision of premium pay to higher-earners who, even without premium pay, would likely have greater personal financial resources to cope with the effects of the pandemic. Treasury believes the threshold in the Interim Final Rule strikes the appropriate balance between preserving flexibility and helping encourage use of these resources to help those in greatest need. The Interim Final Rule also requires that eligible workers have regular in-person interactions or regular physical handling of items that were also handled by others. This requirement will also help encourage use of

financial resources for those who have endured the heightened risk of performing essential work.

- Withholding of Payments to Recipients: Treasury believes that for the vast majority of recipient entities, it will be appropriate to receive funds in two separate payments. As discussed above, withholding of payments ensures that recipients can adapt spending plans to evolving economic conditions and that at least some of the economic benefits will be realized in 2022 or later. However, consistent with authorities granted to Treasury in the statute, Treasury recognizes that a subset of States with significant remaining elevation in the unemployment rate could face heightened additional near-term needs to aid unemployed workers and stimulate the recovery. Therefore, for a subset of State governments, Treasury will not withhold any funds from the first payment.

Treasury believes that this approach strikes the appropriate balance between the general reasons to provide funds in two payments and the heightened additional near-term needs in specific States. As discussed above, Treasury set a threshold based on historical analysis of unemployment rates in recessions.

- Hiring Public Sector Employees: The Interim Final Rule states explicitly that recipients may use funds to restore their workforces up to pre-pandemic levels. Treasury believes that this statement is beneficial because it eliminates any uncertainty that could cause delays or otherwise negatively impact restoring public sector workforces (which, at time of publication, remain significantly below pre-pandemic levels).

Finally, the Interim Final Rule aims to promote and streamline the provision of assistance to individuals and communities in greatest need, particularly communities that have been historically disadvantaged and have experienced disproportionate impacts of the COVID-19

crisis. Targeting relief is in line with Executive Order 13985 On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government, which laid out an Administration-wide priority to support “equity for all, including people of color and others who have been historically underserved, marginalized, and adversely affected by persistent poverty and inequality.”¹⁸⁵ To this end, the Interim Final Rule enumerates a list of services that may be provided using Fiscal Recovery Funds in low-income areas to address the disproportionate impacts of the pandemic in these communities; establishes the characteristics of essential workers eligible for premium pay and encouragement to serve workers based on financial need; provides that recipients may use Fiscal Recovery Funds to restore (to pre-pandemic levels) state and local workforces, where women and people of color are disproportionately represented;¹⁸⁶ and targets investments in broadband infrastructure to unserved and underserved areas. Collectively, these provisions will promote use of resources to facilitate the provision of assistance to individuals and communities with the greatest need.

Analysis of Costs. This regulatory action will generate administrative costs relative to a pre-statutory baseline. This includes, chiefly, costs required to administer Fiscal Recovery Funds, oversee subrecipients and beneficiaries, and file periodic reports with Treasury. It also requires States to allocate Fiscal Recovery Funds to nonentitlement units, which are smaller units of local government that are statutorily required to receive their funds through States.

¹⁸⁵ Executive Order on Advancing Racial Equity and Support for Underserved Communities through the Federal Government (Jan. 20, 2021), <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-advancing-racial-equity-and-support-for-underserved-communities-through-the-federal-government/> (last visited May 9, 2021).

¹⁸⁶ David Cooper, Mary Gable & Algernon Austin, Economic Policy Institute Briefing Paper, The Public-Sector Jobs Crisis: Women and African Americans hit hardest by job losses in state and local governments, <https://www.epi.org/publication/bp339-public-sector-jobs-crisis> (last visited May 9, 2021).

Treasury expects that the administrative burden associated with this program will be moderate for a grant program of its size. Treasury expects that most recipients receive direct or indirect funding from Federal government programs and that many have familiarity with how to administer and report on Federal funds or grant funding provided by other entities. In particular, States, territories, and large localities will have received funds from the CRF and Treasury expects them to rely heavily on established processes developed last year or through prior grant funding, mitigating burden on these governments.

Treasury expects to provide technical assistance to defray the costs of administration of Fiscal Recovery Funds to further mitigate burden. In making implementation choices, Treasury has hosted numerous consultations with a diverse range of direct recipients—States, small cities, counties, and Tribal governments —along with various communities across the United States, including those that are underserved. Treasury lacks data to estimate the precise extent to which this Interim Final Rule generates administrative burden for State, local, and Tribal governments, but seeks comment to better estimate and account for these costs, as well as on ways to lessen administrative burdens.

Executive Order 13132

Executive Order 13132 (entitled Federalism) prohibits an agency from publishing any rule that has federalism implications if the rule either imposes substantial, direct compliance costs on State, local, and Tribal governments, and is not required by statute, or preempts state law, unless the agency meets the consultation and funding requirements of section 6 of the Executive Order. This Interim Final Rule does not have federalism implications within the meaning of the Executive Order and does not impose substantial, direct compliance costs on State, local, and Tribal governments or preempt state law within the meaning of the Executive Order. The

compliance costs are imposed on State, local, and Tribal governments by sections 602 and 603 of the Social Security Act, as enacted by the ARPA. Notwithstanding the above, Treasury has engaged in efforts to consult and work cooperatively with affected State, local, and Tribal government officials and associations in the process of developing the Interim Final Rule. Pursuant to the requirements set forth in section 8(a) of Executive Order 13132, Treasury certifies that it has complied with the requirements of Executive Order 13132.

Administrative Procedure Act

The Administrative Procedure Act (APA), 5 U.S.C. 551 et seq., generally requires public notice and an opportunity for comment before a rule becomes effective. However, the APA provides that the requirements of 5 U.S.C. 553 do not apply “to the extent that there is involved . . . a matter relating to agency . . . grants.” The Interim Final Rule implements statutory conditions on the eligible uses of the Fiscal Recovery Funds grants, and addresses the payment of those funds, the reporting on uses of funds, and potential consequences of ineligible uses. The rule is thus “both clearly and directly related to a federal grant program.” *National Wildlife Federation v. Snow*, 561 F.2d 227, 232 (D.C. Cir. 1976). The rule sets forth the “process necessary to maintain state . . . eligibility for federal funds,” *id.*, as well as the “method[s] by which states can . . . qualify for federal aid,” and other “integral part[s] of the grant program,” *Center for Auto Safety v. Tiemann*, 414 F. Supp. 215, 222 (D.D.C. 1976). As a result, the requirements of 5 U.S.C. 553 do not apply.

The APA also provides an exception to ordinary notice-and-comment procedures “when the agency for good cause finds (and incorporates the finding and a brief statement of reasons therefor in the rules issued) that notice and public procedure thereon are impracticable, unnecessary, or contrary to the public interest.” 5 U.S.C. 553(b)(3)(B); *see also* 5 U.S.C.

553(d)(3) (creating an exception to the requirement of a 30-day delay before the effective date of a rule “for good cause found and published with the rule”). Assuming 5 U.S.C. 553 applied, Treasury would still have good cause under sections 553(b)(3)(B) and 553(d)(3) for not undertaking section 553’s requirements. The ARPA is a law responding to a historic economic and public health emergency; it is “extraordinary” legislation about which “both Congress and the President articulated a profound sense of ‘urgency.’” *Petry v. Block*, 737 F.2d 1193, 1200 (D.C. Cir. 1984). Indeed, several provisions implemented by this Interim Final Rule (sections 602(c)(1)(A) and 603(c)(1)(A)) explicitly provide funds to “respond to the public health emergency,” and the urgency is further exemplified by Congress’s command (in sections 602(b)(6)(B) and 603(b)(7)(A)) that, “[t]o the extent practicable,” funds must be provided to Tribes and cities “not later than 60 days after the date of enactment.” See *Philadelphia Citizens in Action v. Schweiker*, 669 F.2d 877, 884 (3d Cir. 1982) (finding good cause under circumstances, including statutory time limits, where APA procedures would have been “virtually impossible”). Finally, there is an urgent need for States to undertake the planning necessary for sound fiscal policymaking, which requires an understanding of how funds provided under the ARPA will augment and interact with existing budgetary resources and tax policies. Treasury understands that many states require immediate rules on which they can rely, especially in light of the fact that the ARPA “covered period” began on March 3, 2021. The statutory urgency and practical necessity are good cause to forego the ordinary requirements of notice-and-comment rulemaking.

Congressional Review Act

The Administrator of OIRA has determined that this is a major rule for purposes of Subtitle E of the Small Business Regulatory Enforcement and Fairness Act of 1996 (also known as the

Congressional Review Act or CRA) (5 U.S.C. 804(2) et seq.). Under the CRA, a major rule takes effect 60 days after the rule is published in the Federal Register. 5 U.S.C. 801(a)(3). Notwithstanding this requirement, the CRA allows agencies to dispense with the requirements of section 801 when the agency for good cause finds that such procedure would be impracticable, unnecessary, or contrary to the public interest and the rule shall take effect at such time as the agency promulgating the rule determines. 5 U.S.C. 808(2). Pursuant to section 808(2), for the reasons discussed above, Treasury for good cause finds that a 60-day delay to provide public notice is impracticable and contrary to the public interest.

Paperwork Reduction Act

The information collections associated with State, territory, local, and Tribal government applications materials necessary to receive Fiscal Recovery Funds (e.g., payment information collection and acceptance of award terms) have been reviewed and approved by OMB pursuant to the Paperwork Reduction Act (44 U.S.C. Chapter 35) (PRA) emergency processing procedures and assigned control number 1505-0271. The information collections related to ongoing reporting requirements, as discussed in this Interim Final Rule, will be submitted to OMB for emergency processing in the near future. Under the PRA, an agency may not conduct or sponsor and a respondent is not required to respond to, an information collection unless it displays a valid OMB control number.

Estimates of hourly burden under this program are set forth in the table below. Burden estimates below are preliminary.

Reporting	# Respondents (Estimated)	# Responses Per Respondent	Total Responses	Hours per response	Total Burden in Hours	Cost to Respondent (\$48.80 per hour*)
Recipient Payment Form	5,050	1	5,050	.25 (15 minutes)	1,262.5	\$61,610
Acceptance of Award Terms	5,050	1	5,050	.25 (15 minutes)	1,262.5	\$61,610
Title VI Assurances	5,050	1	5,050	.50 (30 minutes)	2,525	\$123,220
Quarterly Project and Expenditure Report	5,050	4 per year after first year	20,200	25	505,000	\$24,644,000
Annual Project and Expenditure Report from NEUs	TBD	1 per year	20,000-40,000 (Estimate only)	15	300,000 – 600,000	\$14,640,000 - \$29,280,000
Annual Recovery Plan Performance report	418	1 per year	418	100	41,800	\$2,039,840
Total	5,050 – TBD	N/A	55,768 - 75,768	141	851,850 - 1,151,850	\$41,570,280 - \$56,210,280

* Bureau of Labor Statistics, U.S. Department of Labor, Occupational Outlook Handbook, Accountants and Auditors, on the Internet at <https://www.bls.gov/ooh/business-and-financial/accountants-and-auditors.htm> (visited March 28, 2020). Base wage of \$33.89/hour increased by 44 percent to account for fully loaded employer cost of employee compensation (benefits, etc.) for a fully loaded wage rate of \$48.80.

Periodic reporting is required by section 602(c) of Section VI of the Social Security Act and under the Interim Final Rule.

As discussed in Section VIII of this Supplementary Information, recipients of Fiscal Recovery Funds will be required to submit one interim report and thereafter quarterly Project and Expenditure reports until the end of the award period. Recipients must submit interim reports to Treasury by August 31, 2021. The quarterly Project and Expenditure reports will include financial data, information on contracts and subawards over \$50,000, types of projects funded, and other information regarding a recipient's utilization of the award funds.

Nonentitlement unit recipients will be required to submit annual Project and Expenditure reports until the end of the award period. The initial annual Project and Expenditure report for Nonentitlement unit recipients must be submitted to Treasury by October 31, 2021. The subsequent annual reports must be submitted to Treasury by October 31 each year. States, territories, metropolitan cities, and counties with a population that exceeds 250,000 residents will also be required to submit an annual Recovery Plan Performance report to Treasury. The Recovery Plan Performance report will include descriptions of the projects funded and information on the performance indicators and objectives of the award. Each annual Recovery Plan Performance report must be posted on the public-facing website of the recipient. Treasury will provide additional guidance and instructions on all the reporting requirements outlined above for the Fiscal Recovery Funds program at a later date.

These and related periodic reporting requirements are under consideration and will be submitted to OMB for approval under the PRA emergency provisions in the near future.

Treasury invites comments on all aspects of the reporting and recordkeeping requirements including: (a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information has practical utility; (b) the accuracy of the estimate of the burden of the collection of information; (c) ways to enhance the

quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information; and (e) estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information. Comments should be sent by the comment deadline to the www.regulations.gov docket with a copy to the Office of Information and Regulatory Affairs, U.S. Office of Management and Budget, 725 17th Street NW, Washington, DC 20503; or email to oira_submission@omb.eop.gov.

Regulatory Flexibility Analysis

The Regulatory Flexibility Act (RFA) generally requires that when an agency issues a proposed rule, or a final rule pursuant to section 553(b) of the Administrative Procedure Act or another law, the agency must prepare a regulatory flexibility analysis that meets the requirements of the RFA and publish such analysis in the Federal Register. 5 U.S.C. 603, 604.

Rules that are exempt from notice and comment under the APA are also exempt from the RFA requirements, including the requirement to conduct a regulatory flexibility analysis, when among other things the agency for good cause finds that notice and public procedure are impracticable, unnecessary, or contrary to the public interest. Since this rule is exempt from the notice and comment requirements of the APA, Treasury is not required to conduct a regulatory flexibility analysis.

RULE TEXT

List of Subjects in 31 CFR Part 35

Executive compensation, State and Local Governments, Tribal Governments, Public health emergency.

Title 31—Money and Finance: Treasury

Part 35 - PANDEMIC RELIEF PROGRAMS

1. The authority citation for Part 35 is revised to read as follows:

Authority: 42 U.S.C. 802(f); 42 U.S.C. 803(f); 31 U.S.C. 321; Consolidated Appropriations Act, 2021 (Pub. L. 116-260), Division N, Title V, Subtitle B; Community Development Banking and Financial Institutions Act of 1994 (enacted as part of the Riegle Community and Regulatory Improvement Act of 1994 (Pub. L. 103-325)), as amended (12 U.S.C. 4701 et seq.), Section 104A; Pub. L. 117-2.

2. Revise the part heading as shown above.

3. Add Subpart A to read as follows:

Subpart A— CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

Sec.

35.1 Purpose.

35.2 Applicability.

35.3 Definitions.

35.4 Reservation of Authority, Reporting.

35.5 Use of Funds.

35.6 Eligible Uses.

35.7 Pensions.

35.8 Tax.

35.9. Compliance with Applicable Laws.

35.10. Recoupment.

35.11 Payments to States.

35.12. Distributions to Nonentitlement Units of Local Government and Units of General Local Government.

Authority: 42 U.S.C. 802(f); 42 U.S.C. 803(f)

§ 35.1 Purpose.

This part implements section 9901 of the American Rescue Plan Act (Subtitle M of Title IX of Public Law 117-2), which amends Title VI of the Social Security Act (42 U.S.C. 801 et seq.) by adding sections 602 and 603 to establish the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund.

§ 35.2 Applicability.

This part applies to States, territories, Tribal governments, metropolitan cities, nonentitlement units of local government, counties, and units of general local government that accept a payment or transfer of funds made under section 602 or 603 of the Social Security Act.

§ 35.3 Definitions.

Baseline means tax revenue of the recipient for its fiscal year ending in 2019, adjusted for inflation in each reporting year using the Bureau of Economic Analysis's Implicit Price Deflator for the gross domestic product of the United States.

County means a county, parish, or other equivalent county division (as defined by the Census Bureau).

Covered benefits include, but are not limited to, the costs of all types of leave (vacation, family-related, sick, military, bereavement, sabbatical, jury duty), employee insurance (health, life, dental, vision), retirement (pensions, 401(k)), unemployment benefit plans (Federal and State), workers' compensation insurance, and Federal Insurance Contributions Act taxes (which includes Social Security and Medicare taxes).

Covered change means a change in law, regulation, or administrative interpretation. A change in law includes any final legislative or regulatory action, a new or changed administrative

interpretation, and the phase-in or taking effect of any statute or rule if the phase-in or taking effect was not prescribed prior to the start of the covered period.

Covered period means, with respect to a State, Territory, or Tribal government, the period that:

(1) Begins on March 3, 2021; and

(2) Ends on the last day of the fiscal year of such State, Territory, or Tribal government in which all funds received by the State, Territory, or Tribal government from a payment made under section 602 or 603 of the Social Security Act have been expended or returned to, or recovered by, the Secretary.

COVID-19 means the Coronavirus Disease 2019.

COVID-19 public health emergency means the period beginning on January 27, 2020 and until the termination of the national emergency concerning the COVID-19 outbreak declared pursuant to the National Emergencies Act (50 U.S.C. 1601 et. seq.).

Deposit means an extraordinary payment of an accrued, unfunded liability. The term deposit does not refer to routine contributions made by an employer to pension funds as part of the employer's obligations related to payroll, such as either a pension contribution consisting of a normal cost component related to current employees or a component addressing the amortization of unfunded liabilities calculated by reference to the employer's payroll costs.

Eligible employer means an employer of an eligible worker who performs essential work.

Eligible workers means workers needed to maintain continuity of operations of essential critical infrastructure sectors, including health care; emergency response; sanitation, disinfection, and cleaning work; maintenance work; grocery stores, restaurants, food production, and food delivery; pharmacy; biomedical research; behavioral health work; medical testing and

diagnostics; home- and community-based health care or assistance with activities of daily living; family or child care; social services work; public health work; vital services to Tribes; any work performed by an employee of a State, local, or Tribal government; educational work, school nutrition work, and other work required to operate a school facility; laundry work; elections work; solid waste or hazardous materials management, response, and cleanup work; work requiring physical interaction with patients; dental care work; transportation and warehousing; work at hotel and commercial lodging facilities that are used for COVID-19 mitigation and containment; work in a mortuary; work in critical clinical research, development, and testing necessary for COVID-19 response.

(1) With respect to a recipient that is a metropolitan city, nonentitlement unit of local government, or county, workers in any additional sectors as each chief executive officer of such recipient may designate as critical to protect the health and well-being of the residents of their metropolitan city, nonentitlement unit of local government, or county; or

(2) With respect to a State, Territory, or Tribal government, workers in any additional sectors as each Governor of a State or Territory, or each Tribal government, may designate as critical to protect the health and well-being of the residents of their State, Territory, or Tribal government.

Essential work means work that:

- (1) Is not performed while teleworking from a residence; and
- (2) Involves:
 - (i) Regular in-person interactions with patients, the public, or coworkers of the individual that is performing the work; or

(ii) Regular physical handling of items that were handled by, or are to be handled by patients, the public, or coworkers of the individual that is performing the work.

Funds means, with respect to a recipient, amounts provided to the recipient pursuant to a payment made under section 602(b) or 603(b) of the Social Security Act or transferred to the recipient pursuant to section 603(c)(4) of the Social Security Act.

General revenue means money that is received from tax revenue, current charges, and miscellaneous general revenue, excluding refunds and other correcting transactions, proceeds from issuance of debt or the sale of investments, agency or private trust transactions, and intergovernmental transfers from the Federal government, including transfers made pursuant to section 9901 of the American Rescue Plan Act. General revenue does not include revenues from utilities. Revenue from Tribal business enterprises must be included in general revenue.

Intergovernmental transfers means money received from other governments, including grants and shared taxes.

Metropolitan city has the meaning given that term in section 102(a)(4) of the Housing and Community Development Act of 1974 (42 U.S.C. 5302(a)(4)) and includes cities that relinquish or defer their status as a metropolitan city for purposes of receiving allocations under section 106 of such Act (42 U.S.C. 5306) for fiscal year 2021.

Net reduction in total spending is measured as the State or Territory's total spending for a given reporting year excluding its spending of funds, subtracted from its total spending for its fiscal year ending in 2019, adjusted for inflation using the Bureau of Economic Analysis's Implicit Price Deflator for the gross domestic product of the United States.

Nonentitlement unit of local government means a “city,” as that term is defined in section 102(a)(5) of the Housing and Community Development Act of 1974 (42 U.S.C. 5302(a)(5)), that is not a metropolitan city.

Nonprofit means a nonprofit organization that is exempt from Federal income taxation and that is described in section 501(c)(3) of the Internal Revenue Code.

Obligation means an order placed for property and services and entering into contracts, subawards, and similar transactions that require payment.

Pension fund means a defined benefit plan and does not include a defined contribution plan.

Premium pay means an amount of up to \$13 per hour that is paid to an eligible worker, in addition to wages or remuneration the eligible worker otherwise receives, for all work performed by the eligible worker during the COVID-19 public health emergency. Such amount may not exceed \$25,000 with respect to any single eligible worker. Premium pay will be considered to be in addition to wages or remuneration the eligible worker otherwise receives if, as measured on an hourly rate, the premium pay is:

(1) With regard to work that the eligible worker previously performed, pay and remuneration equal to the sum of all wages and remuneration previously received plus up to \$13 per hour with no reduction, substitution, offset, or other diminishment of the eligible worker’s previous, current, or prospective wages or remuneration; or

(2) With regard to work that the eligible worker continues to perform, pay of up to \$13 that is in addition to the eligible worker’s regular rate of wages or remuneration, with no reduction, substitution, offset, or other diminishment of the workers’ current and prospective wages or remuneration.

Qualified census tract has the same meaning given in 26 U.S.C. 42(d)(5)(B)(ii)(I).

Recipient means a State, Territory, Tribal government, metropolitan city, nonentitlement unit of local government, county, or unit of general local government that receives a payment made under section 602(b) or 603(b) of the Social Security Act or transfer pursuant to section 603(c)(4) of the Social Security Act.

Reporting year means a single year or partial year within the covered period, aligned to the current fiscal year of the State or Territory during the covered period.

Secretary means the Secretary of the Treasury.

State means each of the 50 States and the District of Columbia

Small business means a business concern or other organization that:

(1) Has no more than 500 employees, or if applicable, the size standard in number of employees established by the Administrator of the Small Business Administration for the industry in which the business concern or organization operates, and

(2) Is a small business concern as defined in section 3 of the Small Business Act (15 U.S.C. 632).

Tax Revenue means revenue received from a compulsory contribution that is exacted by a government for public purposes excluding refunds and corrections and, for purposes of § 35.8, intergovernmental transfers. Tax revenue does not include payments for a special privilege granted or service rendered, employee or employer assessments and contributions to finance retirement and social insurance trust systems, or special assessments to pay for capital improvements.

Territory means the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, or American Samoa.

Tribal enterprise means a business concern:

(1) That is wholly owned by one or more Tribal governments, or by a corporation that is wholly owned by one or more Tribal governments; or

(2) That is owned in part by one or more Tribal governments, or by a corporation that is wholly owned by one or more Tribal governments, if all other owners are either United States citizens or small business concerns, as these terms are used and consistent with the definitions in 15 U.S.C. 657a(b)(2)(D).

Tribal government means the recognized governing body of any Indian or Alaska Native tribe, band, nation, pueblo, village, community, component band, or component reservation, individually identified (including parenthetically) in the list published on January 29, 2021, pursuant to section 104 of the Federally Recognized Indian Tribe List Act of 1994 (25 U.S.C. 5131).

Unemployment rate means the U-3 unemployment rate provided by the Bureau of Labor Statistics as part of the Local Area Unemployment Statistics program, measured as total unemployment as a percentage of the civilian labor force.

Unemployment trust fund means an unemployment trust fund established under section 904 of the Social Security Act (42 U.S.C. 1104).

Unit of general local government has the meaning given to that term in section 102(a)(1) of the Housing and Community Development Act of 1974 (42 U.S.C. 5302(a)(1)).

Unserved and underserved households or businesses means one or more households or businesses that are not currently served by a wireline connection that reliably delivers at least 25 Mbps download speed and 3 Mbps of upload speed.

§ 35.4 Reservation of Authority, Reporting.

(a) *Reservation of authority.* Nothing in this part shall limit the authority of the Secretary to take action to enforce conditions or violations of law, including actions necessary to prevent evasions of this subpart.

(b) *Extensions or accelerations of timing.* The Secretary may extend or accelerate any deadline or compliance date of this part, including reporting requirements that implement this subpart, if the Secretary determines that such extension or acceleration is appropriate. In determining whether an extension or acceleration is appropriate, the Secretary will consider the period of time that would be extended or accelerated and how the modified timeline would facilitate compliance with this subpart.

(c) *Reporting and requests for other information.* During the covered period, recipients shall provide to the Secretary periodic reports providing detailed accounting of the uses of funds, all modifications to a State or Territory's tax revenue sources, and such other information as the Secretary may require for the administration of this section. In addition to regular reporting requirements, the Secretary may request other additional information as may be necessary or appropriate, including as may be necessary to prevent evasions of the requirements of this subpart. False statements or claims made to the Secretary may result in criminal, civil, or administrative sanctions, including fines, imprisonment, civil damages and penalties, debarment from participating in Federal awards or contracts, and/or any other remedy available by law.

§ 35.5 Use of funds.

(a) *In General.* A recipient may only use funds to cover costs incurred during the period beginning March 3, 2021, and ending December 31, 2024, for one or more of the purposes enumerated in sections 602(c)(1) and 603(c)(1) of the Social Security Act, as applicable,

including those enumerated in section § 35.6 of this subpart, subject to the restrictions set forth in sections 602(c)(2) and 603(c)(2) of the Social Security Act, as applicable.

(b) *Costs incurred.* A cost shall be considered to have been incurred for purposes of paragraph (a) of this section if the recipient has incurred an obligation with respect to such cost by December 31, 2024.

(c) *Return of funds.* A recipient must return any funds not obligated by December 31, 2024, and any funds not expended to cover such obligations by December 31, 2026.

§ 35.6 Eligible uses.

(a) *In General.* Subject to §§ 35.7 and 35.8 of this subpart, a recipient may use funds for one or more of the purposes described in paragraphs (b)-(e) of this section

(b) *Responding to the public health emergency or its negative economic impacts.* A recipient may use funds to respond to the public health emergency or its negative economic impacts, including for one or more of the following purposes:

(1) *COVID-19 response and prevention.* Expenditures for the mitigation and prevention of COVID-19, including:

(i) Expenses related to COVID-19 vaccination programs and sites, including staffing, acquisition of equipment or supplies, facilities costs, and information technology or other administrative expenses;

(ii) COVID-19-related expenses of public hospitals, clinics, and similar facilities;

(iii) COVID-19 related expenses in congregate living facilities, including skilled nursing facilities, long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities;

(iv) Expenses of establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs and other capital investments in public facilities to meet COVID-19-related operational needs;

(v) Expenses of establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs and other capital investments in public facilities to meet COVID-19-related operational needs;

(vi) Costs of providing COVID-19 testing and monitoring, contact tracing, and monitoring of case trends and genomic sequencing for variants;

(vii) Emergency medical response expenses, including emergency medical transportation, related to COVID-19;

(viii) Expenses for establishing and operating public telemedicine capabilities for COVID-19-related treatment;

(ix) Expenses for communication related to COVID-19 vaccination programs and communication or enforcement by recipients of public health orders related to COVID-19;

(x) Expenses for acquisition and distribution of medical and protective supplies, including sanitizing products and personal protective equipment;

(xi) Expenses for disinfection of public areas and other facilities in response to the COVID-19 public health emergency;

(xii) Expenses for technical assistance to local authorities or other entities on mitigation of COVID-19-related threats to public health and safety;

(xiii) Expenses for quarantining or isolation of individuals;

(xiv) Expenses of providing paid sick and paid family and medical leave to public employees to enable compliance with COVID-19 public health precautions;

(xv) Expenses for treatment of the long-term symptoms or effects of COVID-19, including post-intensive care syndrome;

(xvi) Expenses for the improvement of ventilation systems in congregate settings, public health facilities, or other public facilities;

(xvii) Expenses related to establishing or enhancing public health data systems; and

(xviii) Mental health treatment, substance misuse treatment, and other behavioral health services.

(2) *Public Health and Safety Staff.* Payroll and covered benefit expenses for public safety, public health, health care, human services, and similar employees to the extent that the employee's time is spent mitigating or responding to the COVID-19 public health emergency.

(3) *Hiring State and Local Government Staff.* Payroll, covered benefit, and other costs associated with the recipient increasing the number of its employees up to the number of employees that it employed on January 27, 2020.

(4) *Assistance to Unemployed Workers.* Assistance, including job training, for individuals who want and are available for work, including those who have looked for work sometime in the past 12 months or who are employed part time but who want and are available for full-time work;

(5) *Contributions to State Unemployment Insurance Trust Funds.* Contributions to an Unemployment Trust Fund up to the level required to restore the Unemployment Trust Fund to its balance on January 27, 2020 or to pay back advances received under Title XII of the Social Security Act (42 U.S.C. 1321) for the payment of benefits between January 27, 2020 and [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER];

(6) *Small Businesses*. Assistance to small businesses, including loans, grants, in-kind assistance, technical assistance or other services, that responds to the negative economic impacts of the COVID-19 public health emergency;

(7) *Nonprofits*. Assistance to nonprofit organizations, including loans, grants, in-kind assistance, technical assistance or other services, that responds to the negative economic impacts of the COVID-19 public health emergency;

(8) *Assistance to Households*. Assistance programs, including cash assistance programs, that respond to the COVID-19 public health emergency;

(9) *Aid to Impacted Industries*. Aid to tourism, travel, hospitality, and other impacted industries that responds to the negative economic impacts of the COVID-19 public health emergency;

(10) *Expenses to Improve Efficacy of Public Health or Economic Relief Programs*. Administrative costs associated with the recipient's COVID-19 public health emergency assistance programs, including services responding to the COVID-19 public health emergency or its negative economic impacts, that are not federally funded.

(11) *Survivor's Benefits*. Benefits for the surviving family members of individuals who have died from COVID-19, including cash assistance to widows, widowers, or dependents of individuals who died of COVID-19;

(12) *Disproportionately Impacted Populations and Communities*. A program, service, or other assistance that is provided in a Qualified Census Tract, that is provided to households and populations living in a Qualified Census Tract, that is provided by a Tribal government, or that is provided to other households, businesses, or populations disproportionately impacted by the COVID-19 public health emergency, such as:

(i) Programs or services that facilitate access to health and social services, including:

(A) Assistance accessing or applying for public benefits or services;

(B) Remediation of lead paint or other lead hazards; and

(C) Community violence intervention programs;

(ii) Programs or services that address housing insecurity, lack of affordable housing, or homelessness, including:

(A) Supportive housing or other programs or services to improve access to stable, affordable housing among individuals who are homeless;

(B) Development of affordable housing to increase supply of affordable and high-quality living units; and

(C) Housing vouchers and assistance relocating to neighborhoods with higher levels of economic opportunity and to reduce concentrated areas of low economic opportunity;

(iii) Programs or services that address or mitigate the impacts of the COVID-19 public health emergency on education, including:

(A) New or expanded early learning services;

(B) Assistance to high-poverty school districts to advance equitable funding across districts and geographies; and

(C) Educational and evidence-based services to address the academic, social, emotional, and mental health needs of students;

(iv) Programs or services that address or mitigate the impacts of the COVID-19 public health emergency on childhood health or welfare, including:

(A) New or expanded childcare;

(B) Programs to provide home visits by health professionals, parent educators, and social service professionals to individuals with young children to provide education and assistance for economic support, health needs, or child development; and

(C) Services for child welfare-involved families and foster youth to provide support and education on child development, positive parenting, coping skills, or recovery for mental health and substance use.

(c) *Providing Premium Pay to Eligible Workers.* A recipient may use funds to provide premium pay to eligible workers of the recipient who perform essential work or to provide grants to eligible employers, provided that any premium pay or grants provided under this paragraph (c) must respond to eligible workers performing essential work during the COVID-19 public health emergency. A recipient uses premium pay or grants provided under this paragraph (c) to respond to eligible workers performing essential work during the COVID-19 public health emergency if it prioritizes low- and moderate-income persons. The recipient must provide, whether for themselves or on behalf of a grantee, a written justification to the Secretary of how the premium pay or grant provided under this paragraph (c) responds to eligible workers performing essential work if the premium pay or grant would increase an eligible worker's total wages and remuneration above 150 percent of such eligible worker's residing State's average annual wage for all occupations or their residing county's average annual wage, whichever is higher.

(d) *Providing Government Services.* For the provision of government services to the extent of a reduction in the recipient's general revenue, calculated according to paragraphs (d)(1) and (d)(2).

(1) *Frequency.* A recipient must calculate the reduction in its general revenue using information as-of December 31, 2020, December 31, 2021, December 31, 2022, and December 31, 2023 (each, a calculation date) and following each calculation date.

(2) *Calculation.* A reduction in a recipient's general revenue equals:

$$\text{Max} \{ [\text{Base Year Revenue} * (1 + \text{Growth Adjustment})^{\frac{n_t}{12}}] - \text{Actual General Revenue}_t; 0 \}$$

Where:

(i) Base Year Revenue is the recipient's general revenue for the most recent full fiscal year prior to the COVID-19 public health emergency;

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

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

(iv) Actual General Revenue is a recipient's actual general revenue collected during 12-month period ending on each calculation date;

(v) Subscript t denotes the specific calculation date.

(e) *To Make Necessary Investments in Infrastructure.* A recipient may use funds to make investments in:

(1) *Clean Water State Revolving Fund and Drinking Water State Revolving Fund investments.* Projects or activities of the type that would be eligible under section 603(c) of the Federal Water Pollution Control Act (33 U.S.C. 1383(c)) or section 1452 of the Safe Drinking Water Act (42 U.S.C. 300j-12); or,

(2) *Broadband.* Broadband infrastructure that is designed to provide service to unserved or underserved households and businesses and that is designed to, upon completion:

(A) Reliably meet or exceed symmetrical 100 Mbps download speed and upload speeds;

or

(B) In cases where it is not practicable, because of the excessive cost of the project or geography or topography of the area to be served by the project, to provide service meeting the standards set forth in paragraph (e)(2)(A) of this section:

(i) Reliably meet or exceed 100 Mbps download speed and between at least 20 Mbps and 100 Mbps upload speed; and

(ii) Be scalable to a minimum of 100 Mbps download speed and 100 Mbps upload speed.

§ 35.7 Pensions.

A recipient may not use funds for deposit into any pension fund.

§ 35.8 Tax.

(a) *Restriction.* A State or Territory shall not use funds to either directly or indirectly offset a reduction in the net tax revenue of the State or Territory resulting from a covered change during the covered period.

(b) *Violation.* Treasury will consider a State or Territory to have used funds to offset a reduction in net tax revenue if, during a reporting year:

(1) *Covered Change.* The State or Territory has made a covered change that, either based on a reasonable statistical methodology to isolate the impact of the covered change in actual revenue or based on projections that use reasonable assumptions and do not incorporate the effects of macroeconomic growth to reduce or increase the projected impact of the covered

change, the State or Territory assesses has had or predicts to have the effect of reducing tax revenue relative to current law;

(2) *Exceeds the De Minimis Threshold.* The aggregate amount of the measured or predicted reductions in tax revenue caused by covered changes identified under paragraph (b)(1) of this section, in the aggregate, exceeds 1 percent of the State's or Territory's baseline;

(3) *Reduction in Net Tax Revenue.* The State or Territory reports a reduction in net tax revenue, measured as the difference between actual tax revenue and the State's or Territory's baseline, each measured as of the end of the reporting year; and

(4) *Consideration of Other Changes.* The aggregate amount of measured or predicted reductions in tax revenue caused by covered changes is greater than the sum of the following, in each case, as calculated for the reporting year:

(i) The aggregate amount of the expected increases in tax revenue caused by one or more covered changes that, either based on a reasonable statistical methodology to isolate the impact of the covered change in actual revenue or based on projections that use reasonable assumptions and do not incorporate the effects of macroeconomic growth to reduce or increase the projected impact of the covered change, the State or Territory assesses has had or predicts to have the effect of increasing tax revenue; and

(ii) Reductions in spending, up to the amount of the State's or Territory's net reduction in total spending, that are in:

(A) Departments, agencies, or authorities in which the State or Territory is not using funds; and

(B) Departments, agencies, or authorities in which the State or Territory is using funds, in an amount equal to the value of the spending cuts in those departments, agencies, or authorities, minus funds used.

(c) *Amount and Revenue Reduction Cap.* If a State or Territory is considered to be in violation pursuant to paragraph (b) of this section, the amount used in violation of paragraph (a) of this section is equal to the lesser of:

(1) The reduction in net tax revenue of the State or Territory for the reporting year, measured as the difference between the State's or Territory's baseline and its actual tax revenue, each measured as of the end of the reporting year; and,

(2) The aggregate amount of the reductions in tax revenues caused by covered changes identified in paragraph (b)(1) of this section, minus the sum of the amounts in identified in paragraphs (b)(4)(i)-(ii).

§ 35.9. Compliance with Applicable Laws.

A recipient must comply with all other applicable Federal statutes, regulations, and executive orders, and a recipient shall provide for compliance with the American Rescue Plan Act, this Subpart, and any interpretive guidance by other parties in any agreements it enters into with other parties relating to these funds.

§ 35.10. Recoupment.

(a) *Identification of Violations – (1) In general.* Any amount used in violation of §§ 35.6 or 35.7 of this subpart may be identified at any time prior to December 31, 2026.

(2) *Annual Reporting of Amounts of Violations.* On an annual basis, a recipient that is a State or Territory must calculate and report any amounts used in violation of § 35.8 of this subpart.

(b) *Calculation of Amounts Subject to Recoupment – (1) In general.* Except as provided in paragraph (b)(2), Treasury will calculate any amounts subject to recoupment resulting from a violation of §§ 35.6 or 35.7 of this subpart as the amounts used in violation of such restrictions.

(2) *Violations of Section 35.8.* Treasury will calculate any amounts subject to recoupment resulting from a violation of § 35.8 of this subpart, equal to the lesser of:

- (i) The amount set forth in § 35.8(c) of this subpart; and,
- (ii) The amount of funds received by such recipient.

(c) *Notice.* If Treasury calculates an amount subject to recoupment under paragraph (b) of this section, Treasury will provide the recipient a written notice of the amount subject to recoupment along with an explanation of such amounts.

(d) *Request for Reconsideration.* Unless Treasury extends the time period, within 60 calendar days of receipt of a notice of recoupment provided under paragraph (c) of this section, a recipient may submit a written request to Treasury requesting reconsideration of any amounts subject to recoupment under paragraph (b) of this section. To request reconsideration of any amounts subject to recoupment, a recipient must submit to Treasury a written request that includes:

- (i) An explanation of why the recipient believes all or some of the amount should not be subject to recoupment; and
- (ii) A discussion of supporting reasons, along with any additional information.

(e) *Final Amount Subject to Recoupment.* Unless Treasury extends the time period, within 60 calendar days of receipt of the recipient's request for reconsideration provided pursuant to paragraph (d) of this section, 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.

(f) *Repayment of Funds.* Unless Treasury extends the time period, a recipient shall repay to the Secretary any amounts subject to recoupment in accordance with instructions provided by Treasury:

(i) Within 120 calendar days of receipt of the notice of recoupment provided under paragraph (c) of this section, in the case of a recipient that does not submit a request for reconsideration in accordance with the requirements of paragraph (d) of this section, or

(ii) Within 120 calendar days of receipt of the Secretary's decision under paragraph (e) of this section, in the case of a recipient that submits a request for reconsideration in accordance with the requirements of paragraph (d) of this section.

§ 35.11 Payments to States.

(a) *In General.* With respect to any State or Territory that has an unemployment rate as of the date that it submits an initial certification for payment of funds pursuant to section 602(d)(1) of the Social Security Act that is less than two percentage points above its unemployment rate in February 2020, the Secretary will withhold 50 percent of the amount of funds allocated under section 602(b) of the Social Security Act to such State or territory until the date that is twelve months from the date such initial certification is provided to the Secretary.

(b) *Payment of Withheld Amount.* In order to receive the amount withheld under paragraph (a) of this section, the State or Territory must submit to the Secretary at least 30 days prior to the date referenced in paragraph (a) the following information:

(i) A certification, in the form provided by the Secretary, that such State or Territory requires the payment to carry out the activities specified in section 602(c) of the Social Security Act and will use the payment in compliance with section 602(c) of the Social Security Act; and,

(ii) Any reports required to be filed by that date pursuant to this part that have not yet been filed.

§ 35.12. Distributions to Nonentitlement Units of Local Government and Units of General Local Government.

(a) *Nonentitlement Units of Local Government.* Each State or Territory that receives a payment from Treasury pursuant to section 603(b)(2)(B) of the Social Security Act shall distribute the amount of the payment to nonentitlement units of government in such State or Territory in accordance with the requirements set forth in section 603(b)(2)(C) of the Social Security Act and without offsetting any debt owed by such nonentitlement units of local governments against such payments.

(b) *Budget Cap.* A State or Territory may not make a payment to a nonentitlement unit of local government pursuant to section 603(b)(2)(C) of the Social Security Act and paragraph (a) of this section in excess of the amount equal to 75 percent of the most recent budget for the nonentitlement unit of local government as of January 27, 2020. A State or Territory shall permit a nonentitlement unit of local government without a formal budget as of January 27, 2020, to provide a certification from an authorized officer of the nonentitlement unit of local government of its most recent annual expenditures as of January 27, 2020, and a State or Territory may rely on such certification for purposes of complying with this subsection.

(c) *Units of General Local Government.* Each State or Territory that receives a payment from Treasury pursuant to section 603(b)(3)(B)(ii) of the Social Security Act, in the case of an



City of Phoenix

ATTACHMENT C City of Phoenix American Rescue Plan (ARPA) Fund Strategic Plan Potential Program Summaries Allocation 1: \$198,000,000

- A. Community Investment - \$118,000,000
- B. City Operations - \$70,000,000
- C. Contingency for Future Needs - \$10,000,000

Community Investment \$118,000,000

Phoenix Arts, Business, and Employee Assistance Programs \$36,000,000

Tuition Assistance and Wraparound Support - \$10,000,000

Create a customized training program to provide tuition assistance and wraparound services to Phoenix residents to promote training and job placement in high-growth, in-demand industries and occupations while addressing barriers to accessing training and employment. This program currently exists with Maricopa Corporate College (MCOR) additional funds would allow the City to expand its current partnership with MCOR and would allow time to conduct a procurement leveraging WIOA funds for customized training for in-demand occupations.

Workforce Training Facility and Training Program - \$9,000,000

Program would seek to leverage funding from IDA, PCDIC, Maricopa County and the Arizona Community Foundation to purchase and rehabilitate the old Kmart Building. Arizona State University, Maricopa Community Colleges and WestMec would take over all ongoing operations and maintenance. Facility would be used to create workforce training programs.

Micro and Small Business Assistance Programs - \$8,000,000

Based on lessons learned from the CRF program, CED recommends combining the micro and small business programs into one program. This would allow for a more efficient and less bureaucratic process. Awards would be either \$3K, \$5k or \$10k and would be based on the number of employees. Funding will also be used to provide assistance to business that have been impacted by COVID-19 and light rail development. For these businesses award amounts would be 50% higher due to the double impact of COVID and light rail construction.

Nonprofit Arts and Culture Stabilization Grants - \$2,750,000

The Nonprofit Arts and Culture Stabilization Grants would provide two-years of funding to help Phoenix's nonprofit arts and culture organizations manage their operations, personnel, and programming as they welcome back audiences, guests, and patrons to their services. This two-year program awards recovery grants to eligible Phoenix-based arts and cultural nonprofit organizations of all sizes who demonstrate intent, commitment, and strategies to sustain well beyond the COVID-19 pandemic. Organizations must have been in operation prior to March 1, 2020.

Small Business Workforce Program - \$2,000,000

Program would provide assistance to small businesses (less than 100 employees) in Phoenix. Staff would market workforce connections to small businesses through special visits, marketing, social media, chambers and others. Funds would be used to assist business owners with training and hiring a new workforce and retraining their existing workforce.

Creative Industries Recovery Fund - \$1,250,000

The Creative Industries Recovery Fund would provide one-time recovery grants to Phoenix-based venues, galleries, and other for-profit creative industries that have a primary focus on the presentation or production of arts and culture. Due to capacity restraints with new reopening guidelines, these entities have been equally shuttered during the health crisis. Grant funds could be used for operational, personnel, and capital purchases to help these businesses flourish post-pandemic and welcome back audiences, patrons, and visitors. Businesses must have been in operation prior to March 1, 2020.

Artists to Work - \$1,000,000

The Artists to Work program would enable the city to contract artists to develop temporary projects, installations, and performances. These commissions would reactivate a wide range of public spaces, including parks, trails, community centers, and neighborhood areas not usually defined or programmed as cultural spaces. The events could range from outdoor community performances of music, opera, theater, poetry, etc., to temporary outdoor installations/exhibitions of sculptures, paintings, and other forms throughout the city.

Arts Career Advancement Grants - \$1,000,000

The Arts Career Advancement Grant program aims to enable the creation and delivery of creative works of artists of all disciplines or arts workers whose careers have been impacted by the COVID-19 pandemic. Grants would help these micro-businesses and entrepreneurs have funding to grow their artistic skills or business. Funding could go towards enrolling in professional development workshops or engage consultants and coaches to build administrative and business skills, develop promotional materials such as electronic media kits with high-resolution images, or participate in an exhibit, festival, vendor showcase, or artist residency.

Arts and Culture Internship Program - \$750,000

The Arts and Culture Internship Program is a two-year program that would allow nonprofit arts and culture organizations and for-profit creative industries the opportunity to hire full-time interns for twenty weeks. The internships provide undergraduate students with meaningful on-the-job training and experience working in the cultural sector. The program ultimately strengthens Phoenix's workforce by providing access to high-quality opportunities for college students of all backgrounds to gain experience, understanding, and transferable skills relevant to careers in and out of the arts, the creative economy, and engagement in public life.

Personnel/Technical Assistance/Professional Development Programs - \$250,000

This funding would allow the Office of Arts and Culture to reallocate a current vacant position or hire a new position to coordinate and spread the word about the work. It also includes funds for continued technical assistance and professional development in financial sustainability, business practices, and reopening strategies.

Mitigation and Care for Vulnerable Populations \$30,500,000

*Denotes programs related to the City's Homelessness Strategy

Funds are intended to be used to provide resources needed to properly address the needs of persons experiencing or facing homelessness during the public health emergency, persons suffering from mental and/or behavioral health conditions, veterans and seniors. A few examples of how funds may be used are listed below:

***Homelessness and Mental Health- \$10,500,000**

This funding provides City Council with the resources needed to address a variety of opportunities including but not limited to mental and behavioral health, rehabilitation centers, and homelessness. These funds could also be leveraged with funds from other units of local government and the non-profit community to provide regional solutions to these issues.

HVAC Upgrades - \$6,000,000

Funds would be used to purchase and install filtration systems to provide enhanced air cleaning in community centers. Eight of the Parks and Recreation department's community centers also serve as co-located sites for senior centers.

Edison Impact Hub - \$5,000,000

Funding to retrofit the historic children's hospital from a vacant, dilapidated building to a community services center that will provide medical offices and other services to the community.

*US Vets and Veteran Relief - \$4,500,000

Funds would provide relief for Veterans experiencing or at risk of homelessness during the pandemic. Many of our vets are more vulnerable to COVID-19 due to living conditions, age, and chronic health complications. Funding could also provide additional operational support needed by the US Vets Organization to transition into the property purchased earlier this year with COVID Relief Funds.

*Summer Heat Respite - \$3,000,000

Create a heat respite/cooling center to provide a place of respite during the summer for individuals experiencing homelessness. The center would be operated May through September for 7 days a week, during the warmest times of the day (9am-7pm) and provide guests with a place to socially distance due to COVID-19 and include meals, outreach and other supports. Funding would be used for a temporary shelter, insurance, utilities, tables and chairs, security, janitorial services, bio-waste removal services, IT services, meals, water, and staffing.

*Replace Existing Case Management System (CMS) - \$1,500,000

The City continues to receive emergency assistance funding related to COVID-19. A new CMS will allow for creation of a user interface portal and public-facing dashboard thus creating transparency in how the funding is being used as well as provide applicants with an opportunity to see their case/application status online.

Households and Residential Assistance \$24,000,000

*Denotes programs related to the City's Homelessness Strategy

*Utility & Rent/Mortgage Assistance - \$15,000,000

A portion of these funds will be used to provide residents with City water, sewer and trash, electric, internet/broadband, natural gas utility and rent/mortgage assistance. Funds are intended to be used on residents who don't qualify for the City's more restrictive \$51M Emergency Rent Assistance Program (ERA). A portion of funds will also be used to provide landlord incentives as part of the Emergency Housing Vouchers program.

*Household Financial Assistance Fund - \$8,000,000

Funds would be used to provide financial assistance to help low-to-moderate income families with children. The intent of this funding would be to ensure that parents have access to quality childcare and nutrition. Resources could also be used to provide mini-grants to Phoenix childcare facilities in low-to-moderate census tracts for technology upgrades that could include classroom screens, web-cam access, digital sign in/out software, childcare management software, and/or general WiFi upgrades. Funds could also be used to provide childcare options for hospitality workers at the airport.

Bus Card Subsidy Program - \$1,000,000

Funds would be used to provide subsidies and fare assistance to residents that rely on public transportation.

Youth Sports, Recreation, Education and After-School \$15,500,000

Citywide Broadband Project and Partnership with Phoenix College - \$5,000,000

Funds would be used to continue building out the community broadband network project that was initially approved by City Council using the Coronavirus Relief Fund. The project is a partnership between the City, Phoenix College and others.

Wi-Fi Connectivity for Community Centers and Public Housing Properties - \$2,500,000

Funding to provide access to internet connectivity in community centers and public housing properties in an attempt to bridge the digital divide that impact communities during pandemic.

StartupPHX @ Burton Barr - \$1,400,000

Funds will be used to provide a broader range of services to the community by expanding the Hive @ Central. The expansion would include the addition of two meeting rooms, a graphics station, and technical assistance for small business owners. For programming, funds would be used to contract with a vendor to provide the Business Roadmap and MAPA Para Us Negocio series for teens and adults. The contracted vendor would be responsible for curriculum development and facilitating all sessions in English and Spanish.

College Depot Assistance for Students - \$1,000,000

Funds will be used to purchase laptops and hotspots to loan out to students who have struggled with staying connected to school during the pandemic. The program would loan selected students a laptop and hotspot for the summer to help level the playing field in education. High school students with a district issued device need to turn in their laptops at the end of the school year and will not regain access to them until the school year resumes in August. This program will allow students to continue skill building, summer job hunting, and virtual programs throughout the summer.

Library Bookmobile for Underserved Areas - \$700,000

The library department has several pieces of land for future library branches located in fast growing areas. Since a bond program is a few years away, we propose purchasing a large bookmobile that could be used to provide service from library property at 67th Avenue and Lower Buckeye.

PHXWorks at Burton Barr and Ocotillo - \$600,000

Funds will be used to purchase laptops and hotspots to leverage resources and provide extra services for the community. The library will partner with CED to establish a Job Services Center in Burton Barr Central Library and at Ocotillo Library. Workforce laptops and hotspots will be available for customers to check out for a 3-week check out period.

Parks After-School Programs - \$500,000

Funds could be used to add free, year-round recreational programs during the after-school hours of 3 to 6 p.m. at eight community centers. The eight sites for in-person programs are Eastlake Community Center, Maryvale Community Center, South Mountain Community Center, Sunnyslope Community Center, University Recreation Center, Longview Recreation Center, Washington Activity Center and Desert West Community Center. Funds would be used to pay part-time staff and contracted instructors to deliver various types of programs such as dance, art, music, fitness and cooking.

Youth Sports League Grants - \$500,000

Funds could be used to offer financial assistance or stipends to at-risk, underserved and low-income youth to participate in youth sports and recreational leagues.

Early Literacy Tutoring Support - \$300,000

The library would use funds to partner with ASU's America Reads tutoring program to provide 1:1 reading tutoring to emerging readers in 1st through 4th grade who lost ground due to the pandemic. Tutoring would be provided by ASU students and the library will provide Wi-Fi provisioned tablet computers to facilitate virtual tutoring as needed.

Library Technology, Capital and Staff Support - \$3,000,000

Funds would be used to cover the costs of various technological and capital enhancements identified by library staff including but not limited to online catalog enhancements, tablets and hotspots for lending and onsite use, outdoor signage upgrades and automated materials handler replacement at Mesquite Library.

Phoenix Resilient Food System \$9,000,000

Economic Development and Innovation - \$3,400,000

This portion of the Phoenix Food Initiative includes the following programs:

- Feed Phoenix Program – This program is a continuation of the CRF funded Feed Phoenix Program. Under this program, the Local First Arizona Foundation delivered over 80,000 meals.
- Worker Cooperative Sustainable Food System Business Incubator – This program will focus on developing worker cooperatives for sustainable food business enterprises through a collaboration with the private sector.
- Agri-Food Technology Grants – This program will provide funding and incentives to encourage food system entrepreneurs and innovative food businesses to expand or locate in Phoenix.

Equity and Inclusion - \$2,400,000

This portion of the Phoenix Food Initiative includes the following programs:

- LISC Phoenix Funds to Feed Phoenix – This program is a continuation of the CRF funded program that provides funding for community and grassroots organizations.
- Urban Agriculture Fellowship – Provide funding for a one-year fellowship for high school and college age students with local food producers with 60% for Black, Indigenous, and persons of color participants.
- Council District Food Action Plans or Initiatives – The program would focus on districts with food deserts, high food insecurity and hunger rates to identify whether a council specific food plan would be feasible and desired or whether more specific projects or initiatives would be preferred.

Local Food Consumption/Production - \$1,500,000

This portion of the Phoenix Food Initiative includes the following programs:

- Farmland Preservation – In partnership with nonprofits and land trusts, assist in the purchase and preservation of up to 100 acres of land for agriculture in Phoenix.
- Backyard Food Production Pilot – Provide grant funding to 100 residents located in food deserts for backyard gardens and community gardens using aquaponics, raised beds, and other water conservative growing methods.

Food Banks and Pantries Support - \$1,300,000

This funding would be used to provide resources for local food banks and food pantries to provide food and other resources for struggling families. Staff will ensure broad engagement with small, medium and large foodbanks and pantries ensuring outreach and emphasis with smaller community-based food banks and food pantries.

Resilient Food System - \$200,000

This portion of the Phoenix Food Initiative includes the following program:

- Resilient and Sustainable Agriculture Projects – Provide grant funding to farms for advancing technologies and methods that address growing food in our changing climate.

Outreach and Support Staff - \$200,000

This funding would be used provide advertising and outreach efforts to ensure funding allocated under this program is fully maximized. Funding would be used to sponsor community events, stakeholder meetings, and to produce digital and print advertisements. Funding would also be used to hire two full-time positions for the next two fiscal years. These positions will manage and monitor all of the activities in the Phoenix Sustainable Food Initiative.

Better Health Outcomes and Community Testing - \$3,000,000

Funds will be used to provide resources needed to ensure resident COVID-19 testing and vaccination efforts remain available through the duration of the public health emergency. Funds could also be used to purchase PPE and other public health related materials for the community as needed.

City Operations \$70,000,000

Infrastructure, Technology and Capital Needs - \$40,000,000

Funds are intended to be used to provide resources needed to address capital needs. Examples include purchasing spare ambulance units so that Fire has enough units in service while units are being decontaminated after a service call. During the Great Recession the City was forced to close its central stores warehouse and as a result during the height of the pandemic staff used the empty convention center to warehouse materials. As that space is no longer available, funds may be used to lease, buy or construct a warehouse to store PPE and critical inventory. Funds may also be used to address other technology and capital projects within the federal guidelines which include the rehabilitation of the 27th Avenue Recycling Facility, converting to electric vehicles, and implementation of an Asset Management and a Time and Labor System.

Revenue Replacement - \$25,000,000

Funds will be used to replace lost revenue at the Convention Center and the Rental Car Facility. Since last year, the Convention Center and the Rental Car Facility have lost over \$70,000,000 due to the impact COVID has had on their book of business. It is likely that these areas will be among the slowest to recover and revenue will continue to be weak. Both operations have an annual debt service payment and the rental car facility was recently downgraded due to the uncertainty of the tourism industry and the impact that will have on its future. The General Fund serves as the financial backstop for the Convention Center so replacing lost revenue with ARPA funds significantly reduces risk to the General Fund. Additionally, ARPA allows the City to offset costs for trust fund expenses that are directly tied to COVID-19 expenses. For example, the City has seen over \$2.4 million in worker's compensation related claims due to COVID-19 and it is the City's opinion these claims can be replaced with ARPA funds and would reduce the actuarial impact to future City resources.

Administrative Oversight, Compliance and Outreach Efforts - \$3,000,000

Funds are intended to be used to provide staffing necessary to support federal compliance efforts. Staffing additions will also assist with enhancing community outreach to improve service delivery and to increase transparency on city progress for all approved programs via an enhanced website.

PPE/Cleanings/Sanitizing/Testing and Vaccine Distribution - \$2,000,000

Funds will be used to provide to ensure staff have access to necessary PPE, cleaning and sanitizing materials. Funds will also be used to ensure that workstations and common areas are appropriately cleaned. Additionally, funds will be used to offset any additional expense incurred to ensure that all city staff, family members and contractors have access to both vaccines and COVID testing.

Contingency \$10,000,000

Contingency for Future Needs

A Reserve is proposed to preserve resources in case the federal government changes guidance to allow the funds to be used in new areas of concern for the council or to supplement funding for an approved program that exhausts its allocation of funds before more funding becomes available. The Reserve would also be available to cover other unexpected COVID-19 expenses that could occur later in the year.

Revised On:
5/13/2021 4:40 PM