

American Rescue Plan Funding

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September 2021

TENNESSEE COMPTROLLER OF THE TREASURY



American Rescue Plan

- Signed into law on March 11, 2021
- Sixth COVID-19 relief bill enacted by Congress
- \$1.9 trillion package

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State and Local Governments

- Includes a total of \$350 billion for “Coronavirus State and Local Fiscal Recovery Funds”

- Tennessee cities and counties estimated to receive more than \$2.2 billion
- State of Tennessee will receive \$3.725 billion
- Tennessee local education agencies (LEAs) will also receive more than \$2.2 billion (ESSER 3.0)

How the Money is Flowing

- Some of the money will be sent directly to city and county governments from the U.S. Treasury
- All 95 counties and 18 cities must request funds through the Treasury Submission Portal:



**TREASURY SUBMISSION
PORTAL**

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How the Money is Flowing

- Other cities will receive funding through the State
- The State will draw down the money in October
- Education funds will flow through the TN Department of Education (reimbursement basis)



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Cities Receiving Direct Funding

Bartlett

Clarksville

Franklin

Johnson City

Memphis

Nashville-Davidson

Bristol

Cleveland

Hendersonville

Kingsport

Morristown

Oak Ridge

Chattanooga

Collierville

Jackson

Knoxville

Murfreesboro

Smyrna

How the Money is Flowing

- City and county money will arrive in two tranches:
 - First wave available now
 - Second wave will arrive 12 months later
- Cities and counties will have until **December 31, 2024** to spend the funds
- LEAs will have funds available to use through **September 30, 2024**

Where to Deposit Your Money

- Your bank
- Local Government Investment Pool (LGIP)
 - Money managed by 36 investment professionals
 - Earns the same rate as the State's cash portfolio
 - State Treasury can set up separate ARP account

A Word of Caution

No expenditures should be made before you are certain that the use of the funds comply with the provisions of the American Rescue Plan.

Unused funds or funds deemed to have been used inappropriately must be returned to the U.S. Treasury.

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City and County Spending Eligibility

- Support public health and public safety expenditures
- Address negative economic impacts caused by the public health emergency
- Replace lost public sector revenue
- Provide premium pay to essential workers
- Provide Equity-Based Services
- And...

Last, but not Least...

Invest in water, sewer, and
broadband infrastructure.



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Water and Sewer Spending

- Many utility systems have aging infrastructure.
- If money is spent on capital improvements, these assets will need to be depreciated over time.
- Utility systems must be certain rates are adequate to fund depreciation and all other utility-related costs.

Eligible projects align with CWSRF and DWSRF.
These projects include stormwater systems.

Water and Sewer State Grants

State of Tennessee is setting aside
\$1.35 billion for Water and Sewer

- Most of this money will be available for local project grants
- Grants will require a formula-based, local match of ARP money

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Broadband Grants

State of Tennessee is setting aside
\$500 million for Broadband

- \$400 million available for provider grants in unserved locations
- \$100 million to help households cover expenses, provide community connectivity, free public wi-fi in targeted areas, etc.
- Local match of 70/30 but can vary based on community needs
- Application begins in Fall 2021; Awards in Spring 2022

Education Spending Eligibility

- 20% of the funds must be used to address learning loss.
- The use of the remaining 80% appears to be somewhat flexible and can be used for a number of purposes.
- Governor Lee has outlined a number of priority focus areas.

As a best practice, please make sure TDOE agrees that the expenditure is eligible.

Unallowed Uses

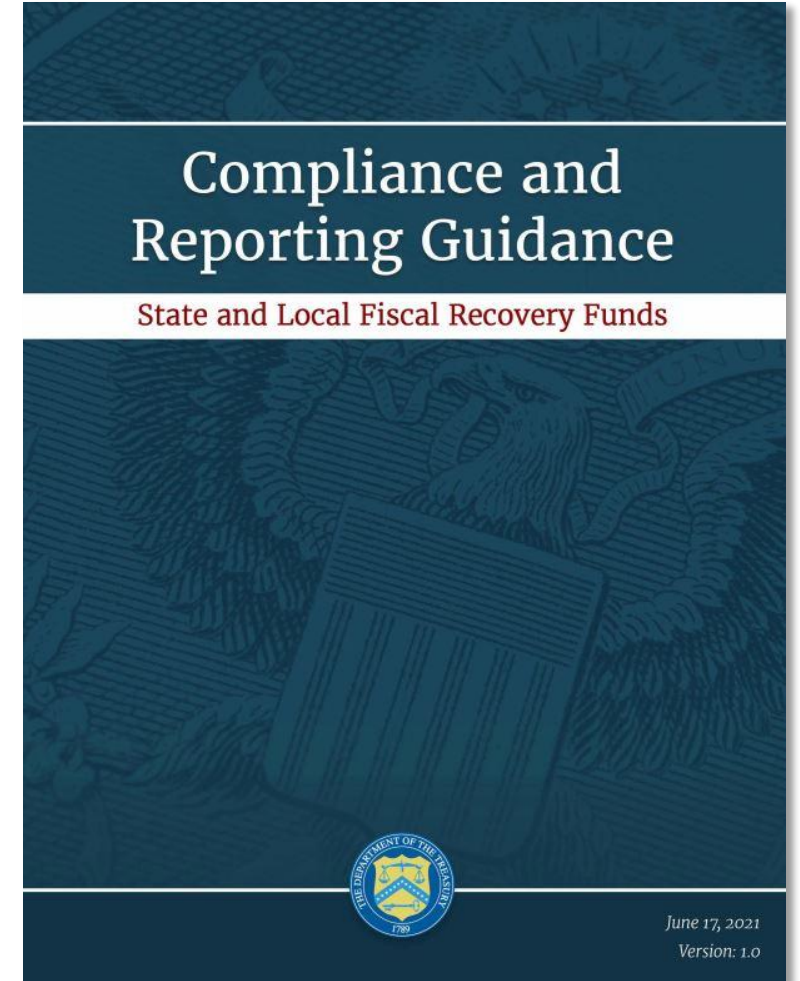
- Funds cannot be used to reimburse costs incurred by your government prior to March 3, 2021.
- Funds cannot be used to replenish rainy day funds or similar reserves.
- Funds may not be used to pay interest or principal on outstanding debt (includes short term notes).
- Funds can not be deposited into a pension fund.

Requirements

- Maintain adequate internal controls over the spending of the Act funds.
- Ensure your government is meeting any periodic reporting requirements.
- All funds will be subject to audit.

Requirements

- Compliance and Reporting Guidance released June 17, 2021
- Includes details on allowable costs, subrecipient monitoring, reporting requirements, etc.
- Interest earned on ARP Local Fiscal Recovery Funds can be used for any purpose.



Best Practices

- American Rescue Plan funds should be maintained separately from other funds received by your government entity.
- Expenditures related to the use of these funds should also be separated from other expenditures.
- Detailed documentation should be maintained.
- Be transparent with the public.

Best Practices

- The Tennessee Comptroller's Office strongly recommends that these funds should only be used for one-time expenses.
- Consider full costs of all projects including staffing requirements, maintenance, and future replacement.
- Use the money to do the greatest amount of good for the greatest amount of citizens/students.

Our Advice

- Use this money to stabilize your communities.
- Think strategically before you spend.
- Consider creating a group of government officials, business leaders, nonprofits, and other stakeholders to strategize spending plans and track results.

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Coming Soon: Local Government Technical Support

- State is creating a program to:
 - Provide Training and Education
 - Support Local Planning
 - Review Annual Local Plan for Risks (coming 2022)

This program will launch in September.

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The Unknowns

- The federal government accepted public comments regarding its Interim Final Rule. A final rule will be adopted in September.
- The Tennessee Comptroller's Office will continue to provide information as it becomes available.



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For More Information

Please visit:

tncot.cc/covid



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Contact Information

Email questions to:

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