

While the dollar size of the relief has been substantial, the CARES relief bill, approved early in the pandemic, was the only legislation that included direct aid to counties and cities. Since then, Congress approved additional COVID relief funding, but while those relief bills did provide some targeted support money that eventually found its way to local government, none of that legislation provided direct aid to local governments. The provision of direct state and local aid had largely become a partisan issue. However, the change in control of the U.S. Senate and the Executive Branch changed the political balance, and on March 10, President Biden signed into law the American Recovery Plan (ARP) which will provide a \$1.9 trillion stimulus to the US economy.

The ARP provides funding for many programs and services nationwide. It includes benefits directly to individuals, such as recovery rebates, extended unemployment benefits, and additional assistance for Supplemental Nutrition Assistance Program. It also includes assistance to small businesses and to state and local governments as well as school districts. Some of this state and local government aid is targeted to specific categorical programs (public health activities, K-12 education, arts, early childhood education, emergency housing vouchers, public transit, etc.) and, additionally, \$360 billion of this one time aid will be directly allocated to states and localities on a formulaic basis.

Since the passage of the ARP, City staff have been reviewing the bill which was finally approved and have been in discussion with local government lobbyists to better understand this complicated legislation. Based on what we have reviewed in the law itself (defining federal regulations that will accompany it have yet to be written), staff have learned:

- The City will be allocated approximately **\$59.4 million**.
- These funds will be paid to localities in two equal tranches (May 2021 and May 2022).
- Upon application, the funds will be provided directly to localities with no state pass-through, as was the case with CARES funding.
- The spending period is from March 3, 2021 to December 31, 2024 (45 months).
- The permitted use of the funds as stated in the law are proscribed and limited as follows:
 - *To respond to the public health emergency with respect to 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; or*
 - *For the provision of government services to the extent of the reduction in revenue of such metropolitan city, nonentitlement unit of government or county due to such emergency; or*
 - *To make necessary investments in water, sewer, or broadband infrastructure.*
- ACPS will receive a separate allocation of \$35.4 million in addition to the approximate \$15 million they were allocated in the ESER 2 Fund approved in December of 2020.

As evident, the permitted use definitions in law are minimal, though the future regulations will likely further define them. For example, in the revenue replacement section, it is very unclear at this time as to how one would calculate the revenue loss, as well as what a locality can then do with the federal funds drawn down to cover the revenue loss. City staff will continue to seek out information and advice on this new ARP law. U.S. Treasury regulations to ?? in the future will far better define the permitted use of legislative language.

In addition to the direct allocation, City staff in almost all departments will be paying close attention to the federal categorical funding options, as it is expected that the City and ACPS (in particular) will likely receive substantial new ARP provided categorical funds, either directly or through grant programs.

Initial Approach: Given that the federal government is going to disperse the \$59.4 million in two equal tranches in 2021 and 2022, staff's thinking at this time is to develop a plan this spring for spending during FY 2022 part of the first \$29.7 million tranche and present the plan for City Council's consideration in July. The second \$29.7 million (plus any amounts of the first tranche not allocated) could be considered as part of the FY 2023 budget process plan for the spending of during FY 2023 and beyond. City ARP allocation planning will also be undertaken in consultation with ACPS's planning for the use of their new funding.

As discussed at the City Council Legislative Meeting on February 23, staff have been working on two fronts: (1) Community Recovery aimed at assistance to individuals in need and to organizations that support individuals in need, and (2) Economic Recovery aimed at businesses as well as enhancing the economic climate of the City. In the use of the initial CARES funding the focus was the

immediate support and protection of vulnerable persons, households and businesses. This aim will continue to some degree in the approach for the first tranche, for consideration in July. As discussed in February, these immediate programs may include (1) food security plan implementation, such as continued food distribution efforts, emergency grocery gift card programs, and targeted innovative partnerships; (2) targeted eviction prevention/rental assistance initiatives; and (3) economic security efforts, such as child care access and funding for parents, child care providers and employment/workforce strategies, and transportation assistance. Staff is thinking a greater emphasis is needed on language training and job skill development, improved opportunity for meeting health and wellness needs, and increased childcare access.

The planning for the second tranche will likely focus more on: (1) Needed capital investments which will improve existing City buildings and infrastructure, while at the same time creating jobs in the local economy, as well as creating savings, such as in energy consumption over the long term. Solar investments and vehicle charging stations are just two examples of the “green” value of these investments. (2) The long-term and strategic stabilization and growth, particularly in our communities most disadvantaged during the pandemic and address the long-term economic recovery of business community and City economy.

It should be noted that the preponderance of ARP spending should be focused on programs that have a finite end as well as long term capital investments that meet the ARP spending purposes, and not initiate programs where there would be an expectation of continuation when the ARP funding ends. Further, ARP spending must be used by the end of 2024, limiting larger scale capital projects. Additional federal funding opportunities through the anticipated H.R. 2 Infrastructure Bill or through the reintroduction of earmarks, currently being considered by one or both houses of Congress may also become available. Staff will continue to monitor upcoming legislation to ensure the most appropriate use of ARP funds over the 45-month period.

Timeframe and Process: As previously discussed with Council this fall, planning for recovery was initiated at the staff level with the establishment of two staff level groups, the Economic Recovery group and the Coordinated Community Recovery Plan group. These groups will continue as the core staff groups to develop ARP spending plans, with substantial coordination and program development, with departments, such as DCHS and Housing, including AEDP and Visit Alexandria, and also conduct proactive community engagement.

The community engagement process will seek ideas from residents, business owners, and partner organizations on how best to utilize the ARP funding, within the framework of the regulations, additional funding sources, existing programs/projects, recommendations already identified through the previous Recovery Plans, and programs/projects listed in the February 23 Council docket memo. This process will begin in April through a multi-faceted approach, such as focus groups, feedback through organizations, community meetings, and surveys.

The early draft planning timetable that is contemplated at this time is:

- March 23 Brief Council as to the ARP law and the proposed planning and City decision making processes, recommend immediate bridge funding until July allocation decisions, with Council adopting a planning process and timetable
- April Community engagement in developing ideas and providing feedback for use of ARP funding
- April to May Continue planning and proposal development
- July 6 City Council review and approval of a proposed plan for FY2022
- Sept. to Feb. Planning and development of plan for FY 2023 and beyond

Interim Bridge Funding: In order to have the food distribution programs, eviction prevention programs, and other emergency safety net programs that have continued in place since the federal CARES funding ended at the end of 2020, be able to continue, City Council approved a second \$1 million allocation of City interim bridge funding in February. The first allocation of \$1 million in interim bridge funding approved by Council last December will likely be fully expended as early as the end of March. Council approved a second allocation of \$1 million enabling both the food and eviction prevention programs to be able to stay in place through May. At that time, the origin of the second \$1 million allocation was planned from the City’s budgeted subsidy of WMATA which will be underspent in FY 2021. The ARP explicitly states that funding for state allocations can be used for programs beginning March 3. If the local government ARP funding also begins on March 3, the City can recoup one of the two \$1 million allocation amounts.

Bridge funding for the period covering April 1 through July 6, 2021 will be used to respond to the continuing food insecurity and basic needs of residents, particularly those who do not qualify for existing federal programs, nor the forthcoming ARP’s categorical funding. Funding would also be used to ensure that all eligible individuals and landlords are enrolled and accessing the rental assistance resources that are currently available through navigation and outreach efforts.

The work to address basic needs and food insecurity would be done through DCHS's Emergency Assistance Providers. It is anticipated that these providers, who already have trusted intake and distribution mechanisms in place can serve families and individuals by providing emergency grocery gift cards, transportation assistance, and other basic needs during this covered period costing \$80,000 to \$100,000 per month. Additionally, DCHS is proposing to provide \$150,000 to enhance the capacity and efforts of several community partners who have been providing frontline eviction prevention assistance to needed households. Their most recent focus has been working in concert with DCHS' Office of Community Services to help residents navigate the Commonwealth's Rental Assistance System. Given the eviction moratorium uncertainty it is critical that families and their landlords are engaged into the program. The amount of bridge ARP funding that would be needed to cover these programs for 3 months is \$450,000.

FISCAL IMPACT: The federal funds do not require a match and would be expended on programs that largely do not represent ongoing obligations once the federal funds are fully expended. In that these federal funds are intended to stimulate the economy, and the City's investment of these funds would be aimed at making the recipients and beneficiaries more self-sufficient, there should be a positive fiscal, economic, and tax generation impact on the City over the long term.

ATTACHMENT: Presentation

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