

State of Alaska

Office of Management and Budget

House Finance US Treasury Fiscal Relief Guidance Overview

May 20, 2021

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Office of Governor
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Agenda

- Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) Allocations to Alaska
- American Rescue Plan (ARP) Act Language on Eligible Uses & Restrictions
- Treasury Preliminary Guidance (Interim Final Rule) on Eligible Uses & Restrictions
 - Covered period
 - Broad use categories with eligible use examples
 - Specific stated restrictions
 - Reporting requirements
- Follow-up Questions / Next Steps
- Capital Project Funds
- Tribal Government Funds

CSLFRF Allocations to Alaska

Recipient	Total Allocation	First Tranche Payment	Comments
State	\$ 1,011,788.2	\$ 505,894.1	Appropriations to be determined
Census Areas	\$ 14,942.8	\$ 7,471.4	Appropriation to Commerce
Nonentitlement Units (smaller cities)	\$ 43,189.2	\$ 21,594.6	Appropriation to Commerce
<i>Commerce Appropriation Need Subtotal</i>	<i>\$ 58,131.9</i>	<i>\$ 29,066.0</i>	
Metropolitan Cities - Anchorage	\$ 47,376.7	\$ 23,688.4	No appropriation needed
Metropolitan Cities - Fairbanks	\$ 5,551.8	\$ 2,775.9	No appropriation needed
Organized Boroughs	\$ 127,151.3	\$ 63,575.6	No appropriation needed
Total	\$ 1,250,000.0	\$ 625,000.0	

Note: Second tranche to be paid 12 months after the first payment



ARP CSLFRF Uses and Restrictions Language

The American Rescue Plan specified that these funds can be used to cover expenses —

- A. to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19) or its negative economic impacts;
- B. to respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers performing such essential work;
- 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; and
- D. to make necessary investments in water, sewer, or broadband infrastructure.

Restrictions include—

- A. direct or indirect offsets to a reduction in net tax revenue resulting from changing law, regulation, or administrative interpretation during the covered period that reduces or delays the imposition of any tax or tax increase;
- B. deposits into any pension fund.

Treasury Guidance - Interim Final Rule (IFR)

Covered Period/Period of Performance:

- To cover costs incurred beginning on March 3, 2021
- Obligation deadline is December 31, 2024
- Additional project/grant closeout period through December 31, 2026
- Payments are intended to be used prospectively, except essential workers may receive both retrospective premium pay for prior work as well as prospective premium pay for current or ongoing work
- COVID-19 revenue loss estimates are retrospective and prospective and the total estimation of revenue loss (regardless of the year the loss was incurred) can be used for the provision of government services at any point during the covered period



Treasury Guidance – IFR Eligible Uses

A. to respond to the public health emergency – support the public health response

COVID-19 Mitigation & Containment

Medical Expenses

Behavioral Healthcare

Public Health & Safety Staff

- More narrowly defined than CARES Act



Treasury Guidance - IFR Eligible Uses

A. ... or its negative economic impacts – requires written support of COVID-19 impact

Workers & Families

Small Businesses

Public Sector

- Deposits to UI Trust Funds is called out as allowable under this provision

Impacted Industries

- Industries other than tourism, travel and hospitality require COVID impact analysis



Treasury Guidance - IFR Eligible Uses

A. ... or its negative economic impacts: equity-focused services to those “hardest hit” by COVID

Addressing Health Disparities

Investing in Housing & Neighborhoods

Addressing Educational Disparities

Promoting Healthy Childhood Environments



Treasury Guidance - IFR Eligible Uses

B. to respond to workers performing essential work:

Example professions eligible for premium pay:

- ✓ 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 school staff
- ✓ Social service and human services staff

- Essential work involves regular in-person interactions or physical handling of items that were also handled by others
- Recipients have discretion to designate additional sectors

Premium pay should prioritize low- and moderate-income workers, who face the greatest mismatch between employment-related health risks and compensation.



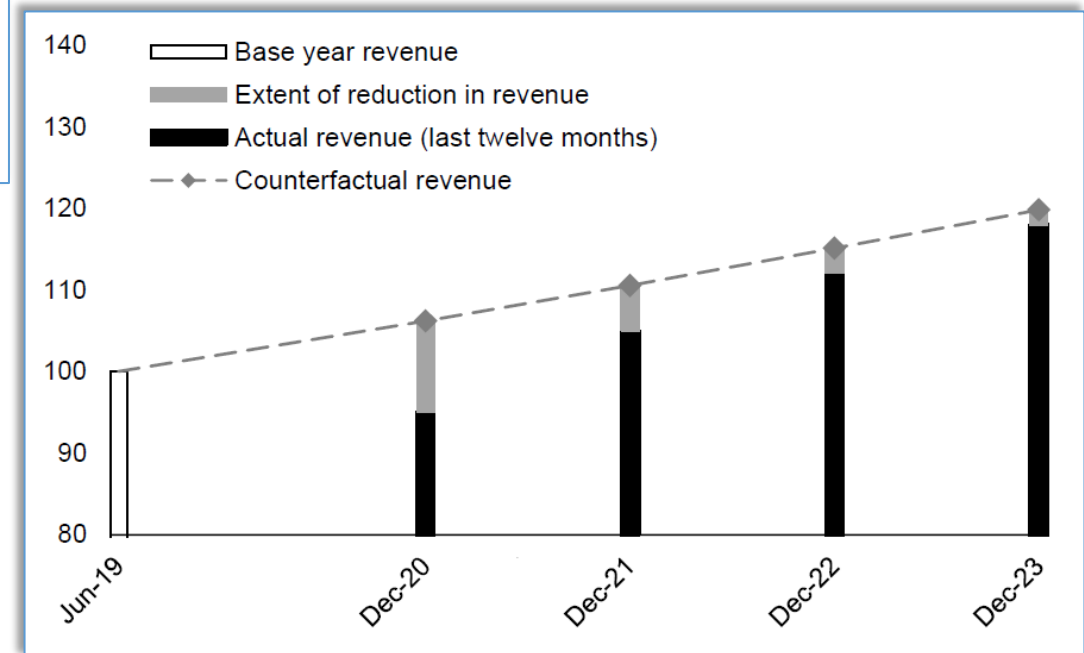
Source: The above picture is from a Treasury presentation on the IFR.

Treasury Guidance - IFR Eligible Uses

C. for the provision of government services to the extent of the reduction in revenue:

- Provide continuity of vital government services by filling budget shortfalls
- Revenue loss is calculated relative to the expected trend, beginning with the last full fiscal year pre-pandemic and adjusted annually for growth
- Recipients may re-calculate revenue loss at multiple points during the program, supporting those entities that experience revenue loss with a lag
- Once a reduction in revenue is identified, recipients have broad latitude to use these funds to support government services (with some exceptions, described later)

Source: The above picture is from a Treasury presentation on the IFR.



Source: The above picture is from the IFR.



Preliminary Alaska Lost Revenue Estimates

Growth Adjustment Estimate

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
"General Revenue" (Census Bureau definition)	\$ 2,677.1	\$ 2,856.6	\$ 3,600.9	\$ 3,737.6	\$ 2,718.0
Year-over-Year Growth Rate (Pre-COVID)		6.7%	26.1%	3.8%	
3-year Average Pre-COVID Growth Rate	12.2%				
Interim Final Rule Growth Adjustment	4.1%				

"Revenue Loss" Estimate

	<u><-- History</u>	<u>Forecast --></u>			
	<u>FY 2019</u>	<u>CY 2020</u>	<u>CY 2021</u>	<u>CY 2022</u>	<u>CY 2023</u>
Base Year "General Revenue"	\$ 3,737.6				
"Counterfactual" Revenue		\$ 4,441.2	\$ 4,982.4	\$ 5,589.5	\$ 6,270.7
"Actual" Revenue (using Spring forecast info)		\$ 2,618.1	\$ 2,596.2	\$ 2,813.7	\$ 3,078.8
Revenue Loss Estimate per Treasury Guidance		\$ 1,823.1	\$ 2,386.2	\$ 2,775.8	\$ 3,191.8
Cumulative Loss Estimate, CY 2020 - CY 2023	\$ 10,176.9				

Treasury Guidance - IFR Eligible Uses

C. for the provision of government services to the extent of the reduction in revenue:

- Can Include
 - Maintenance or building of infrastructure, including roads
 - Modernization of cybersecurity, including hardware, software and protection of critical infrastructure
 - Health services
 - Environmental remediation
 - School or educational services
 - Provision of police, fire and other public safety services
- Would not include
 - Interest or principal on any outstanding debt instrument (debt service)
 - Settlements or judgments
 - Reserves of rainy day funds



Treasury Guidance - IFR Eligible Uses

D. to make necessary investments in water, sewer, or broadband infrastructure:

Water and Sewer Infrastructure

- ✓ Includes improvements to infrastructure, such as building or upgrading facilities and transmission, distribution, and storage systems
- ✓ Eligible uses aligned to Environmental Protection Agency project categories across the:
 - Clean Water State Revolving Fund
 - Drinking Water State Revolving Fund

Broadband Infrastructure

- ✓ Focus on households and businesses without a wireline connection capable of reliably delivering 25 Mbps download / 3 Mbps upload
- ✓ Fund projects that deliver reliable service
 - Minimum 100 Mbps download / 100 Mbps upload speeds unless impracticable
- ✓ Complement broadband investments made through the separate Capital Projects Fund

Source: The above picture is from a Treasury presentation on the IFR.



Treasury Guidance - IFR Restrictions

A. Direct or indirect offsets to a reduction in net tax revenue:

- Establishes a framework to determine the cost of changes in law, regulation, or interpretation that reduce tax revenue
- Establishes a framework to identify and value the sources of funds that will offset any reduction in net tax revenue resulting from such changes
- The framework prevents efforts to the funds to indirectly offset reductions in net tax revenue

B. Deposits into any pension fund:

- A “deposit” is defined as an extraordinary contribution to a pension fund
- Recipients may use funds for routine payroll contributions to pensions for covered employees

C. Other restrictions on use:

- Non-Federal match for other Federal programs who bar the use of Federal funds to meet match
- Subject to Uniform Guidance including the cost principles and restrictions for selected items



Treasury Guidance – CSLFRF Reporting

IFR Reporting Requirements:

- State, Metropolitan Cities, Counties, and Tribal Governments Project and Expenditure reports
 - Interim Report due August 31, 2021
 - Quarterly through the end of the award period (December 31, 2026)
- State, Metropolitan Cities and Counties with a Population over 250,000 Recovery Plan Performance Report
 - Initial Report due August 31, 2021
 - Annually through the end of the award period on December 31, 2026
 - Must be posted on the public-facing website of the recipient
- Nonentitlement Units of Local Government
 - Annual Project and Expenditure reports until the end of the award period
 - Initial annual report must be submitted to Treasury by October 31, 2021



Next Steps / Follow-up

- The IFR is scheduled to be published in the Federal Register on May 17, 2021
- There will be a 60-day comment period to provide input
- Treasury will develop a Final Rule that will incorporate feedback
- State assumptions will have to be revisited based on the Final Rule
- Upon receipt, Alaska has 30 days to distribute pass-through funding
 - Cities will need to have a valid DUNS numbers
 - There will need to be signed agreements outlining requirements
 - A 30-day extension can be requested

ARP – CSLFRF Capital Projects Funds

Anticipated Alaska Allocation: \$112.3 million

- American Rescue Plan allowable use language:
to carry out critical capital projects directly enabling work, education, and health monitoring, including remote options, in response to the public health emergency with respect to the Coronavirus Disease (COVID-19)
- Current Treasury website allowable use language:
allows for investment in high-quality broadband as well as other connectivity infrastructure, devices, and equipment
it also provides flexibility for each state, territory, and Tribal government to make other investments in critical community hubs or other capital assets that provide access jointly to work, education, and health monitoring
must demonstrate that they meet the critical connectivity needs highlighted and amplified by the COVID-19 pandemic
- Applicants will be required to provide a plan describing how they intend to use allocated funds
Treasury will begin to accept applications for review in the summer of 2021 and will issue guidance before that date

ARP – CSLFRF Tribal Government Funds

- \$1 billion to be distributed equally at \$1.7 million per Tribe ~\$400 million to Alaska Tribes
- \$19 billion to be distributed based on pro-rata enrollment (65%) and employment (35%)
- Two Payments
 - First payment will include the \$1.7 million and the enrollment portion of the \$19B
 - Second payment will include the employment portion of the \$19B
 - Treasury expects the second payment to be made soon after Tribal governments confirm their 2019 employment numbers previously submitted to Treasury in 2020
- Upcoming Deadlines
 - The deadline to complete the first submission is **May 24, 2021 at 11:59 PM PST**
 - The deadline for confirming or amending a Tribal government's 2019 employment numbers is **June 7, 2021 at 11:59 PM PST**



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