

ALASKA · STATE · CAPITOL

# **American Rescue Plan (ARP) Provisions for Alaska**

Senate Finance Committee

March 26, 2021

Legislative Finance Division

# Outline

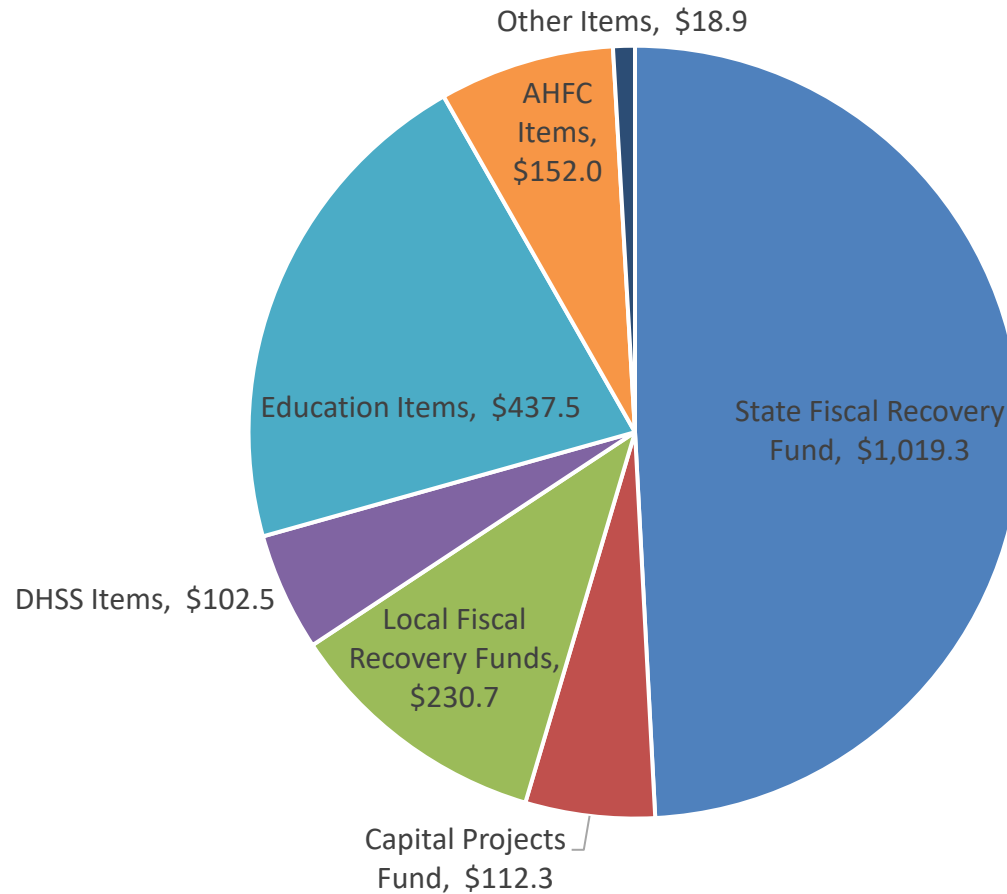
- Items not requiring legislative appropriation
- Funds with significant flexibility
  - Considerations on timing and legislative direction
- Funds with limited or no flexibility

Note: Amounts in this presentation are initial estimates and may change. Forthcoming federal guidance will give further clarity on potential uses and restrictions. This is not a comprehensive list of available funds in the American Rescue Plan.

# Funds Not Requiring State Appropriation

- \$1,400 Direct Payment to Alaskans – estimated total of \$847.3 million (600,000 Alaskans)
  - Phases out starting at \$75,000/\$150,000 income for individual/household
- Estimated \$600 million direct payments to tribal governments in Alaska
- Estimated \$100 million from Child Care Development Fund to tribal governments
- Tax code changes to Child Tax Credit (expanded to \$3,000 per child ages 6-17, \$3,600 per child under 6, credit made fully refundable), Earned Income Tax Credit
- Additional funds for Paycheck Protection Program
- Direct funding to rural health providers

# Over \$2 Billion Allocated to State of Alaska and Local Governments



# State Fiscal Recovery Fund

- Estimated \$1,019,259.4 allocation for Alaska
  - Will be allocated to Alaska 60 days from when State submits a certification to Treasury
  - Secretary of the Treasury may withhold half of state allocation for 12 months based on the unemployment rate of each state
- May be used on expenses incurred through December 31, 2024
- Eligible uses of funds include:
  - “(A) 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;
  - “(B) 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;
  - “(C) 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
  - “(D) to make necessary investments in water, sewer, or broadband infrastructure.
- Ineligible uses of funds include:
  - May not use funds to offset revenue losses caused by changes in State law or regulations
  - May not deposit funds in any pension fund

# Capital Projects Fund

- Estimated total of \$112,259.3 for Alaska
  - Treasury will establish a process for applying for grants within 60 days of enactment
- Available until expended – no cutoff date established in bill (but may be added in Treasury guidance)
- Can be used “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).”

# Considerations on Timing and Legislative Direction

- Generally, guidance is expected to be issued 60 days after ARP's enactment – approximately May 10
  - That is Day 112 of the legislative session
  - CARES Act guidance changed repeatedly after it was initially released
- The bill itself provides limited direction for what expenditures may be eligible
- There is a tradeoff in offering the administration flexibility
  - The more narrowly the legislature appropriates the funds, the more difficult it will be to make those appropriations quickly and the more likely it is that a special session is necessary if guidance changes
  - Providing flexibility to the executive branch delegates decision-making to the Governor, reducing legislative involvement
- The legislature could take many directions with these funds. Goals could include:
  - Helping the economy (individuals, businesses, non-profits) in the short term
  - Investing in long-term items (water and sewer projects, economic development, etc.)
  - Maintaining State budget reserve levels

# Local Fiscal Recovery Funds

- Estimated total of \$230,740.6 for Alaska
- \$45,344.9 of these funds that are allocated to Anchorage will flow directly without State pass-through
- It appears Alaska will have to appropriate remaining \$185,395.7 for other local governments
  - This includes an additional \$55,855.8 for Anchorage
- Similar limitations and uses as State Fiscal Relief Fund
- Allocation is a federal formula based primarily on population – this will result in a different allocation than the State's formula that was used for CARES funds



# Items with Limited Flexibility – Department of Health and Social Services

- CDC Funding for COVID-19 Testing (\$22.0 million) and Vaccination Activities (\$7.5b total, Alaska share unknown)
- Health Workforce Funding (\$7.7b total, Alaska share unknown)
- Community Health Centers Funding (\$7.6b total, Alaska share unknown)
- Mental Health Block Grant (\$3.0 million) and Substance Abuse Block Grant (\$4.7 million)
- Family Violence and Child Abuse State Grants (\$291 thousand)
- Low-Income Water Utility Bill Assistance Funding (\$500m total, Alaska share unknown)
- Low-Income Home Energy Assistance Program (LIHEAP) Funding (\$23.7 million)
- Child Care Development Fund (\$28.4 million) and Child Care Stabilization Grants (\$45.5 million) – must supplement and not supplant existing funds
- Pandemic Emergency Assistance to provide short-term TANF benefits (\$3.3 million) – must supplement and not supplant existing funds
- 85% Federal Medical Assistance Percentage (FMAP) for first three years that a state covers mobile crisis intervention services for mental health or substance abuse disorders

# Items with Limited Flexibility – Education

- \$358.7 million for K-12 schools through Elementary and Secondary School Emergency Relief (ESSER)
  - 90% (\$322.8 million) must go to school districts
  - At least 5% (\$17.9 million) must go to address learning loss, 1% (\$3.6 million) for summer enrichment, 1% (\$3.6 million) for afterschool programs, 2.5% (\$9.0 million) for other state activities, and a maximum of 0.5% (\$1.8 million) for State administration
- \$5.8 million in emergency assistance to non-public schools
- \$33.8 million in Higher Education Emergency Relief Funds (~90% of this is for the University of Alaska) equally split between student aid and institutions
- Institute of Museum and Library Services Funds (\$2.2 million)
- National Endowment for the Arts Funds (\$1.6 million) to Alaska Council on the Arts
- Head Start (may go directly to providers) (\$1.6 million)

# Items with Limited Flexibility – Education Continued

- ESSER funding is subject to a maintenance of effort (MOE) provision
  - Different test than applied to CARES ESSER funds (which Alaska passed), same as CRSSA funds (not yet submitted)
  - K-12 aid is tied to both K-12 MOE and University of Alaska MOE
  - Tied to proportion of State's overall budget spent on K-12 and University of Alaska in FY22 and FY23 compared to the average of FY17-19
  - Unclear at this point what must be counted, but Alaska may have trouble meeting the UA test based on the compact reduction in funding
- There is a waiver process for states that have experienced financial distress, but the process and timing of that waiver has not yet been established
- Unclear what the consequence of failing the MOE test would be

# Items with Limited Flexibility – Other Agencies

- FTA Transit Infrastructure Grants
  - \$11.5 million for Anchorage (may not require appropriation)
  - \$3.8 million for Fairbanks
  - \$2.7 million for rural areas
- COVID-19 Federal Emergency Rental Assistance Program (AHFC) (\$102 million)
- Mortgage Assistance funding (AHFC) (\$50 million)
- Emergency Management Performance Grants to Department of Military and Veterans Affairs (\$0.9 million)
- Federally-funded unemployment compensation
  - Adds \$300 weekly supplemental payment through September 6, 2021
  - First \$10,200 of unemployment benefits will be nontaxable income for households with an adjusted gross income of up to \$150,000
  - Self-employed and contractors are eligible for the expanded payment

# Questions?

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