



Commonwealth of Massachusetts

Executive Office for Administration & Finance

Federal Funds Office (FFO)

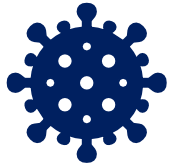
Coronavirus State and Local Fiscal Recovery Fund: Eligible Uses & Revenue Replacement

October 2021



ARPA Coronavirus State and Local Fiscal Recovery Funds

Eligible Uses for the State and Local Aid



1. *Respond to the public health emergency* with respect to COVID-19 or its negative economic impacts



2. Provide *premium pay* to employees providing essential work during the COVID-19 public health emergency



3. Provide government services to the extent of the *reduction in revenue* due to COVID-19



4. Invest in *water, sewer, or broadband* infrastructure

Covered Period

- *Expenses must be obligated by **December 31, 2024**, but actual payments can lag to **December 31, 2026***

Payment Timing

- *The Commonwealth received its payment of **\$5.3 B** on May 19, 2021*
- *Local Govt's (counties, cities, towns) received **first half, or \$1.7 B**; they will receive the balance next summer*



Coronavirus State and Local Fiscal Recovery Funds

Respond to the public health emergency with respect to COVID-19 or its negative economic impacts

Potential Eligible Uses Include:

- Direct COVID-related costs (testing, contact tracing, etc.)
- Public health and safety staff
- Hiring state and local government staff up to the number of employees to pre-pandemic levels
- Assistance to unemployed workers, including job training
- Contributions to UI systems
- Small business assistance
- Nonprofit assistance
- Assistance to households
- Aid to impacted industries
- Expenses to improve efficacy of public health or economic relief programs
- Survivor's benefits
- Aid to disproportionately impacted populations or communities (see next slide)



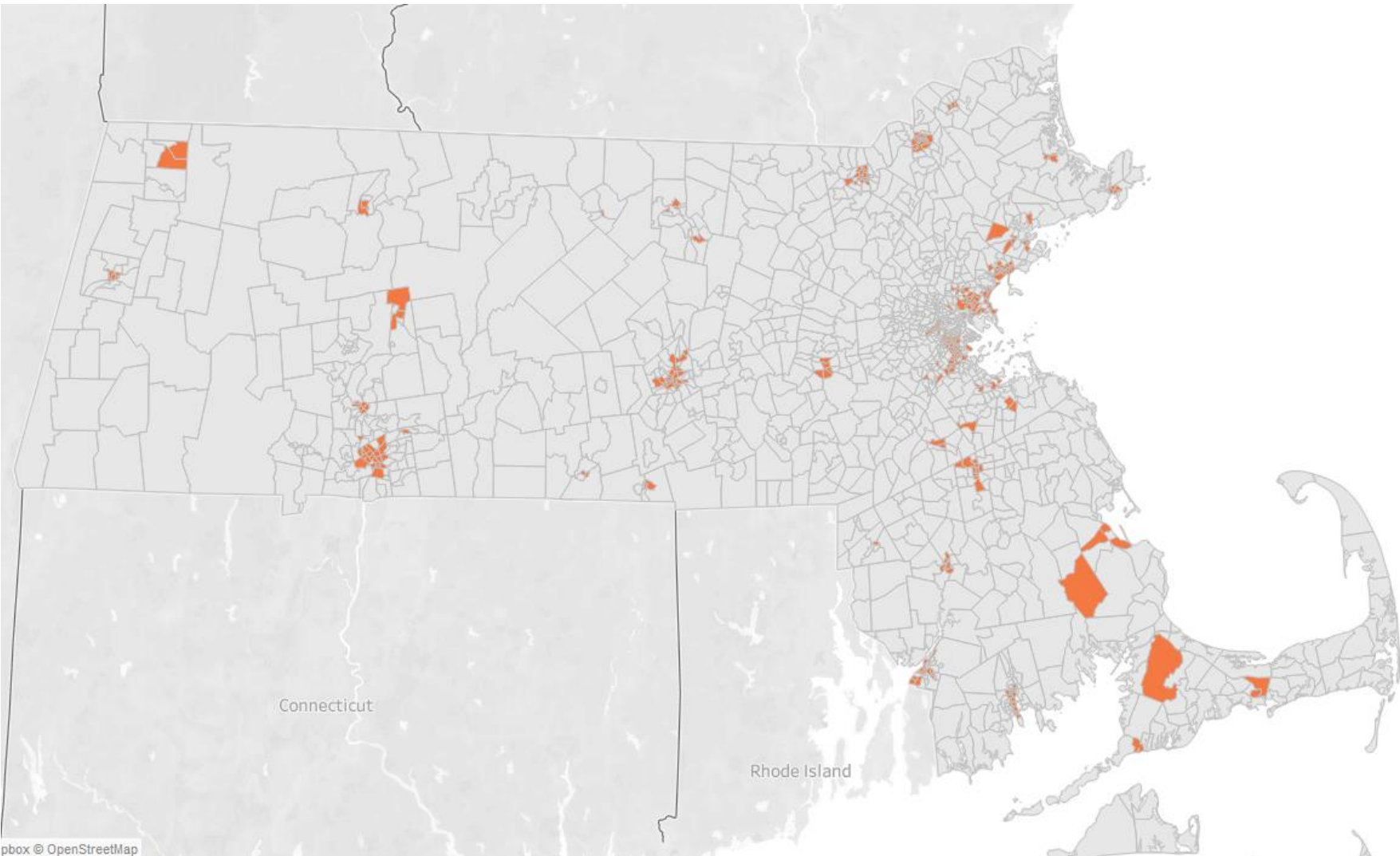
Coronavirus State and Local Fiscal Recovery Funds

Aid to Disproportionately Impacted Populations or Communities:

- Two ways to define these populations or communities:
 - Generate our own definition of disproportionately impacted populations or communities
 - Qualified Census Tracts (QCTs) identified by HUD
 - There are 311 QCTs in Massachusetts located within 49 municipalities
 - The QCTs represent approximately 1.3 M people



Coronavirus State and Local Fiscal Recovery Funds



Stats on QCTs

- 311 QCTs in Massachusetts
- Represents approximately **19%** of the population



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Aid to Disproportionately Impacted Populations or Communities:

- Potential eligible uses for disproportionately impacted populations or communities:
 - Programs that facilitate access to health and social services
 - Programs that address housing insecurity, lack of affordable housing, or homelessness
 - Programs that mitigate the impacts of COVID on education; and
 - Programs that mitigate the impacts of COVID on childhood health or welfare



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Premium Pay

- Provide premium pay to eligible workers performing essential work during COVID-19
 - › Eligible workers designated by chief executive
 - › Up to \$13/hr, capped at \$25 K per worker
 - › Can be for public, private, or non-profit workers
- Essential work defined as work involving regular in-person interactions or regular physical handling of items that were also handled by others
- Must prioritize lower income eligible workers

Potential Eligible Workers

- *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, warehouse workers*
- *Public health and safety*
- *Childcare workers*
- *Social service staff*



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Provide government services to the extent of the *reduction in revenue* due to COVID-19

- More commonly known as “revenue replacement”
- Revenue replacement funds can be used for a wide range of government services
 - › Including but not limited to roads, cybersecurity, health services, environmental remediation, educational services, and public safety services
- **This provision of the law offers state and local governments the most flexibility to use the funds**
- Awaiting further guidance from US Treasury, but it appears that recipients using funds as revenue replacement may only need to report a narrative description of fund uses

Limitations on Use of Revenue Replacement Funds

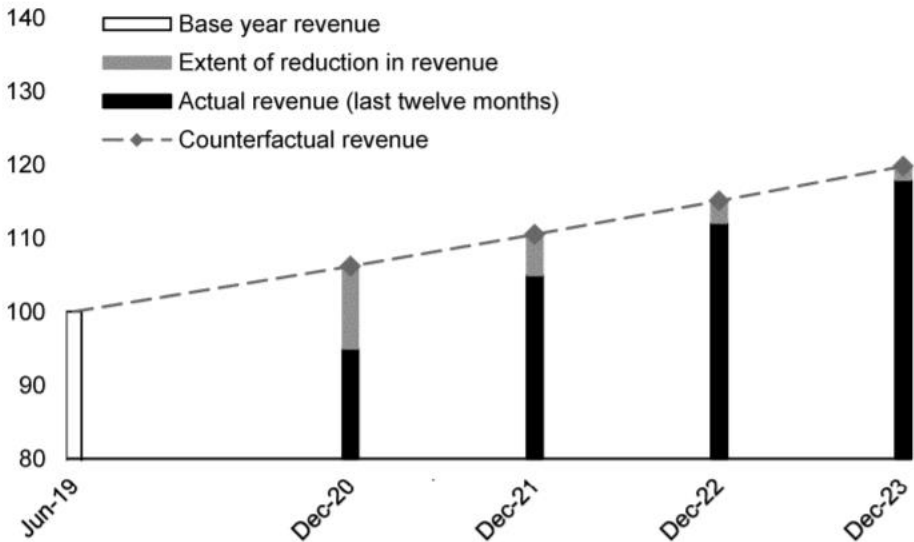
- *Cannot be deposited in a Stabilization Fund*
- *Cannot pay legal settlements*
- *Cannot support debt service costs*



Coronavirus State and Local Fiscal Recovery Funds

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

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



Timing for Calculations

- Recipients calculate the amount four times:
 - December 31, 2020
 - December 31, 2021
 - December 31, 2022
 - December 31, 2023
- Revenue amount is calculated on a **calendar year** basis

Source: US Treasury Coronavirus State and Local Fiscal Recovery Funds 31 CFR Part 35.



Coronavirus State and Local Fiscal Recovery Funds

Calculating the Reduction in Revenue Amount

- Create a counterfactual revenue collection scenario based on a set of assumptions described by Treasury
 - › Compare actual revenue experience to counterfactual
 - › The difference between the counterfactual amount and actual revenue collections is the reduction in revenue amount
- The calculation is based on “general revenue”, defined as **“revenues collected by a recipient and generated from its underlying economy...”** - *Forthcoming 31 CFR Part 35 (page 54)*

Role of the US Census Bureau

- *The original version of the guidance instructed recipients to use US Census Bureau data to calculate revenue replacement*
- *On June 8, Treasury published FAQ 3.11, allowing recipients to use their own data for the calculation*



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Definition of “General Revenue”

Included Revenue Categories:

- From state or local governments
- Liquor store revenue
- Tax revenue
- “Current charges” like tolls, airports, public hospitals, parking facilities, ports, or sewer systems
- Miscellaneous general revenue, such as interest earnings, donations, fines, lottery, rents, royalties, sale of property, and special assessments

Excluded Revenue Categories:

- Revenue from the Federal Government
- Intragovernmental transfers
- Proceeds from the issuance of debt
- Proceeds from the sale of investments
- Agency or private trust transactions
- Social insurance trust revenue
- Utility Revenue



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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:

Base Year Revenue is General Revenue collected in the most recent full fiscal year prior to the COVID-19 public health emergency.

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.

n equals the number of months elapsed from the end of the base year to the calculation date.

Actual General Revenue is a recipient’s actual general revenue collected during 12-month period ending on each calculation date.

Subscript *t* denotes the calculation date.

Growth Adjustment

- *The larger of 4.1% or the recipient's actual annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency*

Source: US Treasury Coronavirus State and Local Fiscal Recovery Funds 31 CFR Part 35.