



BOARD OF TRUSTEES
October 26, 2021
6:30 PM

Leeper Center, 3800 Wilson Avenue, Wellington, CO

Regular Meeting Agenda

Individuals that attend the meeting in person will be required to wear a face covering while in attendance.

Individuals wishing to make public comments must attend the meeting in person or may submit comments by sending an email to euckerkk@wellingtoncolorado.gov. The email must be received by 4:00 p.m. Tuesday October 26, 2021. The comments will be provided to the Trustees and added as an addendum to the packet. Emailed comments will not be read during the meeting.

The Zoom details below are for online viewing and listening only.

<https://us06web.zoom.us/j/86921542008?pwd=WXowbkVWU3FSeFhENWFiVWJjeEVLdz09>

Passcode: 802179

Webinar ID: 869 2154 2008

Or One tap mobile:

US: +17207072699,,86921542008# or +12532158782,,86921542008#

Or Telephone:

Dial(for higher quality, dial a number based on your current location):

US: +1 720 707 2699 or +1 253 215 8782 or +1 346 248 7799 or +1 301 715 8592

A. CALL TO ORDER

1. Pledge of Allegiance
2. Roll Call
3. Amendments to Agenda
4. Conflict of Interest

B. COMMUNITY PARTICIPATION

1. Public Comment

C. PRESENTATION

1. 60 Percent Cost Estimate for Water Treatment Plant Expansion
2. Water and Sewer Rate Presentation
3. American Rescue Plan Act (ARPA)

4. Treasurer's Report

D. CONSENT AGENDA

1. Minutes of the October 12, 2021 Board of Trustees Regular meeting

E. ACTION ITEMS

1. Annexation Agreement for Country Lane Acres Annexation

- Presentation: Cody Bird, Planning Director

2. Resolution No. 31-2021 - A Resolution Establishing Non-Residential Water Charges for Wellington Water Enterprise Water Utility Use

- Presentation: Patti Garcia, Town Administrator

3. Wellington Main Street Sign and Awning Grant Program - Request to Waive Planning Department Fees

- Presentation: Patti Garcia, Town Administrator

F. REPORTS

1. Town Attorney

2. Town Administrator

a. Wellington Main Street - 3rd Quarter Report

3. Staff Communications

a. Larimer County Sheriff's Office Monthly Report - September 2021

4. Board Reports

G. ADJOURN

The Town of Wellington will make reasonable accommodations for access to Town services, programs, and activities and special communication arrangements. Individuals needing special accommodation may request assistance by contacting at Town Hall or at 970-568-3380 ext. 110 at least 24 hours in advance.

Board of Trustees Meeting

Date: October 26, 2021
Submitted By: Dave Myer, Engineer
Subject: 60 Percent Cost Estimate for Water Treatment Plant Expansion

EXECUTIVE SUMMARY

The 60 percent cost estimate that was received from the CMAR Contractor (HP-Hydro Construction) for Wellington's Water Treatment Plant expansion will be presented.

BACKGROUND / DISCUSSION

The 60 percent design package (drawings, specifications and CDPHE submittals) was received on schedule from Jacobs on August 27, 2021. After iterations in cost estimates and a 60 percent design workshop (October 14) HP-Hydro submitted a concluding 60 percent cost estimate of **\$31,071,719** (includes a 7 percent contingency) on October 20 (attached). This cost reflects \$14,000 in value engineering (VE) savings and the ozone equipment costs from the supplier that was selected by the design team (Primozone). Approved VE items include the deletion of translucent wall panel from the Treatment Building (\$10,000) and deletion of overhead door electric operator (\$4,000). Other VE items that were identified by the Contractor include the following, which are being further considered in the 90 percent design.

- Delete controlled low-strength material (flowfill) under structures
- Revise Carbon dioxide specification
- Substitute polyethylene chemical storage tanks in place of fiberglass
- Delete damproofing from water holding buried walls
- Flocculation & sludge collection instrumentation change
- Rubbing of concrete surfaces exposed to view
- Delete exterior concrete stain

The total 60 percent cost estimate represents an increase of \$433,624 from the 30 percent cost estimate of \$30,638,095 (inclusive of a 10 percent contingency). Most of the cost increase can be attributed to price fluctuations in electrical, HVAC, subcontractor labor costs, and metal buildings. FRP tank pricing increased by \$180,000 due to resins and raw materials. Preliminary agreements were made among the design team to go with less-expensive polypropylene tanks, even though the tank lifetime may be shorter.

Moving forward, Jacobs will proceed with development of the 90 percent design in early December after CDPHE review comments have been received. The project team will continue to explore all possible options to achieve further cost savings, including consideration of the above VE items, as the design proceeds to 90 percent. The current schedule shows the 90 percent package to be received from Jacobs on February 14, 2022 with the 90 percent cost estimate following from HP-Hydro. Generation of the Guaranteed Maxim Price (GMP) will commence in March and April followed by 100 percent final construction documents in late April. Construction is expected to begin in May 2022. The 90 percent cost estimate typically includes a 5 percent contingency, reduced from the 7 percent that was used for the 60 percent cost estimate.

STAFF RECOMMENDATION

ATTACHMENTS



1. WTP HP-Hydro 60% Cost Estimate
2. WTP 60 Percent Cost Estimate Presentation 10-26-21

Project name	Wellington WTP 60% October 2021
Report format	Sorted by 'Location/Group phase' 'Group phase' summary Allocate addons

Standard Estimate Report
Wellington WTP 60% October 2021

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Description	Quantity	Labor		Material		Subcontract	Equipment	Other	Total
		Unit Cost	Amount	Unit Cost	Amount	Amount	Amount	Amount	Amount
01- General Conditions									
1000.000 GENERAL CONDITIONS			2,089,329		4,106	95,697	337,863	359,303	2,886,298
1900.000 OWNED EQUIPMENT							73,638		73,638
01- General Conditions			2,089,329		4,106	95,697	411,501	359,303	2,959,936
896.00 Labor hours									
4,224.00 Equipment hours									
02- Raw Water PS									
11000.000 EQUIPMENT			8,079		143,717				151,796
15000.000 MECHANICAL			3,389		53,791				57,180
16000.000 ELECTRICAL						9,011			9,011
02- Raw Water PS			11,468		197,509	9,011			217,987
176.430 Labor hours									
03- Treatment Building									
1000.000 GENERAL CONDITIONS			123,118				26,690		149,808
2000.000 SITEWORK			36,182		224,952	71,551	22,160		354,845
3000.000 CONCRETE			30,855		1,107,197	2,230,625	121,916		3,490,594
5000.000 METALS			40,396		234,966		3,992		279,355
7000.000 THERMAL & MOIST PROTECT						25,093			25,093
8000.000 DOORS & WINDOWS					29,770	19,961			49,731
9000.000 FINISHES						155,123			155,123
11000.000 EQUIPMENT			215,633		2,093,595		26,120	1,801	2,337,149
13000.000 SPECIAL CONSTRUCTION						1,015,145			1,015,145
15000.000 MECHANICAL			310,752		1,690,931	697,142	65,813		2,764,639
16000.000 ELECTRICAL						3,815,442			3,815,442
03- Treatment Building			756,936		5,381,410	8,030,083	266,693	1,801	14,436,923
20,321.364 Labor hours									
78.714 Equipment hours									
04- Ozone Building									
1000.000 GENERAL CONDITIONS			61,559				13,345		74,904
2000.000 SITEWORK			14,746		56,837		13,414		84,996
3000.000 CONCRETE					103,707	172,201			275,908
4000.000 MASONRY						11,406			11,406
7000.000 THERMAL & MOIST PROTECT						13,687			13,687
8000.000 DOORS & WINDOWS					9,581	40,378			49,959
9000.000 FINISHES						43,343			43,343
11000.000 EQUIPMENT			58,682		1,885,433	88,626	11,976		2,044,717
13000.000 SPECIAL CONSTRUCTION						412,902			412,902
15000.000 MECHANICAL					79,615	327,356			406,971
16000.000 ELECTRICAL						205,310			205,310
04- Ozone Building			134,987		2,135,173	1,315,209	38,735		3,624,104
1,239.140 Labor hours									
67.20 Equipment hours									
05- Finished Water									
11000.000 EQUIPMENT			2,020		45,625		2,737		50,382
15000.000 MECHANICAL			8,079		10,208				18,288
16000.000 ELECTRICAL						22,812			22,812

Standard Estimate Report
Wellington WTP 60% October 2021

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Description	Quantity	Labor		Material		Subcontract	Equipment	Other	Total
		Unit Cost	Amount	Unit Cost	Amount	Amount	Amount	Amount	Amount
05- Finished Water			10,099		55,833	22,812	2,737		91,482
164.26 Labor hours									
06- Chemical Building									
1000.000 GENERAL CONDITIONS			61,559				13,345		74,904
2000.000 SITEWORK			15,136		71,767				86,903
3000.000 CONCRETE					112,587	261,970			374,557
4000.000 MASONRY						36,500			36,500
5000.000 METALS			12,119		25,093				37,212
7000.000 THERMAL & MOIST PROTECT						13,687			13,687
8000.000 DOORS & WINDOWS					19,162	6,844			26,006
9000.000 FINISHES						167,100			167,100
11000.000 EQUIPMENT			32,317		673,760		2,737		708,814
13000.000 SPECIAL CONSTRUCTION						507,573			507,573
15000.000 MECHANICAL			72,713		90,337	450,542	1,369	540	615,501
16000.000 ELECTRICAL						458,526			458,526
06- Chemical Building			193,843		992,707	1,902,742	17,451	540	3,107,283
1,971.992 Labor hours									
66.667 Equipment hours									
07- Site Pump Stations									
2000.000 SITEWORK			35,757		200,634		18,963		255,353
11000.000 EQUIPMENT			29,186		225,271		1,369		255,826
13000.000 SPECIAL CONSTRUCTION						114,061			114,061
15000.000 MECHANICAL					113,649				113,649
16000.000 ELECTRICAL						77,562			77,562
07- Site Pump Stations			64,943		539,554	191,623	20,331		816,451
1,057.53 Labor hours									
95.00 Equipment hours									
08- Site Piping									
2000.000 SITEWORK			298,463		1,252,514	12,775	255,880		1,819,632
3000.000 CONCRETE					8,683				8,683
08- Site Piping			298,463		1,261,197	12,775	255,880		1,828,314
5,013.648 Labor hours									
494.644 Equipment hours									
09- Sitework									
2000.000 SITEWORK			144,692		371,708	217,401	103,416	7,204	844,420
3000.000 CONCRETE					78,346	176,795			255,141
4000.000 MASONRY						28,515			28,515
16000.000 ELECTRICAL			10,950			810,070	7,414		828,434
09- Sitework			155,642		450,054	1,232,781	110,830	7,204	1,956,510
2,235.812 Labor hours									
8,436.882 Equipment hours									

Estimate Totals

Description	Amount	Totals	Hours	Rate	Cost Basis	Cost per Unit	Percent of Total
Labor	3,715,710		##### hrs				11.96%
Material	11,017,542						35.46%
Subcontract	12,812,733						41.24%
Equipment	1,124,158		##### hrs				3.62%
Other	368,847						1.19%
	29,038,990	29,038,990					93.46% #####
Contingency	2,032,729			7.000 %	T		6.54%
Total		31,071,719					

Water Treatment Plant Expansion

60 Percent Cost Estimate

Board of Trustees Meeting
October 26, 2021





Timeline

- 60 percent design package received on schedule from Jacobs on August 27, 2021.
- The first 60 percent cost estimate was received from Hensel Phelps - Hydro Construction (CMAR Contractor) on October 7 with Value Engineering (VE) options identified.
- VE discussions then took place along with selection of the ozone equipment supplier.
- Final 60 percent cost estimate received on October 20.



HENSEL PHELPS
Plan. Build. Manage.



60 Percent Cost Estimate

\$31,071,719

Estimate Totals

Description	Amount	Totals	Hours	Rate	Cost Basis	Cost per Unit	Percent of Total
Labor	3,715,710		##### hrs				11.96%
Material	11,017,542						35.46%
Subcontract	12,812,733						41.24%
Equipment	1,124,158		##### hrs				3.62%
Other	368,847						1.19%
	29,038,990	29,038,990					93.46%
Contingency	2,032,729			7.000 %	T		6.54%
Total		31,071,719					

30% vs. 60% Costs



30 Percent	
Total Estimate	\$29,421,610
VE Reductions*	\$1,568,796
After VE Estimate	\$27,852,814
10% Contingency	\$2,785,281
Final 30% Estimate	\$30,638,095

60 Percent	
Total Estimate	\$29,052,990
VE Reductions	\$14,000
After VE Estimate	\$29,038,990
7% Contingency	\$2,032,729
Final 60% Estimate	\$31,071,719

Difference
-\$368,620
--
\$1,186,176
--
\$433,624

**Many of the VE items at 30% were negated by 60% due to price fluctuations.*

VE Items

Approved for 60% and Being Considered for 90%

Project: Wellington WTP 60% Value Engineering

Updated:10/19/2021

Total Potential Savings	\$ 645,800
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VE Log

Number	Potential VE Item	VE Implemented in 60% Estimate?	Approximate Cost Savings to be Incorporated in 90% Design
1	Delete CLSM Under Structures	N	\$ 200,000.00
2	Carbon Dioxide Specification Changes	N	\$ 110,000.00
3	Substitute Polyethylene Chemical Storage Tanks in placew of fiberglass	N	\$ 200,000.00
4	Delete Translucent Wall Panel from Treatment Building	Y	\$ 10,000.00
5	Damproofing Delete from Water Holding Buried Walls	N	\$ 8,800.00
6	Flocculation & Sludge Collection Instrumentation Change	N	\$ 35,000.00
7	Overhead Door Electric Operator Delete	Y	\$ 4,000.00
8	Rubbing of Concrete Surfaces Exposed to View. Patch Tie Holes & Grind Fins	N	\$ 70,000.00
9	Exterior Concrete Stain Delete	N	\$ 8,000.00



Reasons for Cost Increase

HP-Hydro to discuss...

- Increase in electrical costs (materials, equipment, and instrumentation).
- Increase in HVAC materials.
- Subcontractor pricing (labor).
- FRP tank prices increased.
- Metal buildings



Project Schedule

Design

- 60 Percent Design & CDPHE Submittal – Done
- Ozone Equipment Bids and Selection – Done
- CDPHE Review Comments – Late November
 - Preliminary discussion in October went well
- 90 Percent Design Startup – Early December
- 90 Percent Design Package & Workshops – February 2022
- Guaranteed Maximum Price (GMP) – March 2022
- 100 Percent Design Package – April 2022
- Construction Start – May 2022



Pre-Purchases

Ozone Equipment

- Selection of Primozone (lowest capital + O&M cost)
- Footprint and Implementation into Design
- Pre-Purchase Approval to Board November 9 or 23?

Metal Buildings

- Lead times
- Design Considerations and Timing
- Pre-Purchase Approval to Board November 9 or 23?

051-C-2001

051-C-2002

051-C-2003

051-C-2004

DOUBLE SWING GATE

2 TRACK TEST ROAD

CHAIN LINK FENCE

E COUNTY RD 68

N COUNTY RD 11

AUTOMATIC DOUBLE GATE/LEVER SWING GATE

SOLIDS DRYING BED 1 (FUTURE)

SOLIDS DRYING BED 2

SOLIDS DRYING BED 3

SOLIDS DRYING BED 4

VEHICLE PUMP STATION

OZONE FACILITY

LOX

PROpane TANK

EXIST CHEMICAL BLDG

EXIST TREATMENT BLDG

CHEMICAL FACILITY

EXIST CLEARWELL BLDG

1500 GPM PUMP ENCLOSURE

ADMIN LAB BLDG (FUTURE)

EXIST FINISHED WATER TANK (1MG)

EXIST FINISHED WATER TANK (2MG)

LEACH FIELD

EXIST SLUDGE POND

EXIST BWWEQ POND

BWWEQ POND

BWWEQ POND

BWWEQ POND

GRAVEL SURFACED ROADS

FUTURE EXPANSION

TREATMENT FACILITY

CO2 TANK

LEASE BOUNDARY

CHAIN LINK FENCE

0

40

80

120

Scale In Feet

N

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CIVIL
SITE LAYOUT AND PAVING PLAN
KEY PLAN

VERIFY SCALE	
BAR IS ONE INCH ON ORIGINAL DRAWING, 0  1"	
DATE	AUGUST 202
PROJ	PA 2290
DWG	01-001
SHEET	of

602 DESIGN

Water Treatment Plant Expansion

60 Percent Cost Estimate

THANK YOU....QUESTIONS?



Board of Trustees Meeting

Date: October 26, 2021
Submitted By: Bob Gowing, Public Works Director
Subject: Water and Sewer Rate Presentation

EXECUTIVE SUMMARY

A presentation on the current and historical conditions of the Water and Sewer Utility, including a discussion of potential new rates and impact fees.

BACKGROUND / DISCUSSION

The Town of Wellington continues to evaluate the appropriate rates and fees for providing water and wastewater services. The attached presentation provides background information on the current and historical conditions of the Water and Sewer Utility, including a brief discussion of potential new rates and impact fees. A common understanding of where we have been is provided to inform upcoming discussions on where we should go.

STAFF RECOMMENDATION

None.

ATTACHMENTS

1. 2021-10-26 Utility Rate Presentation

Water and Sewer Utility

1. Big Picture Utility Overview
2. Water Utility Plant Expansion and Rates
3. Sewer Utility Plant Expansion and Rates

October 26, 2021





Water and Sewer Utility

1. Big Picture Utility Overview

October 26, 2021



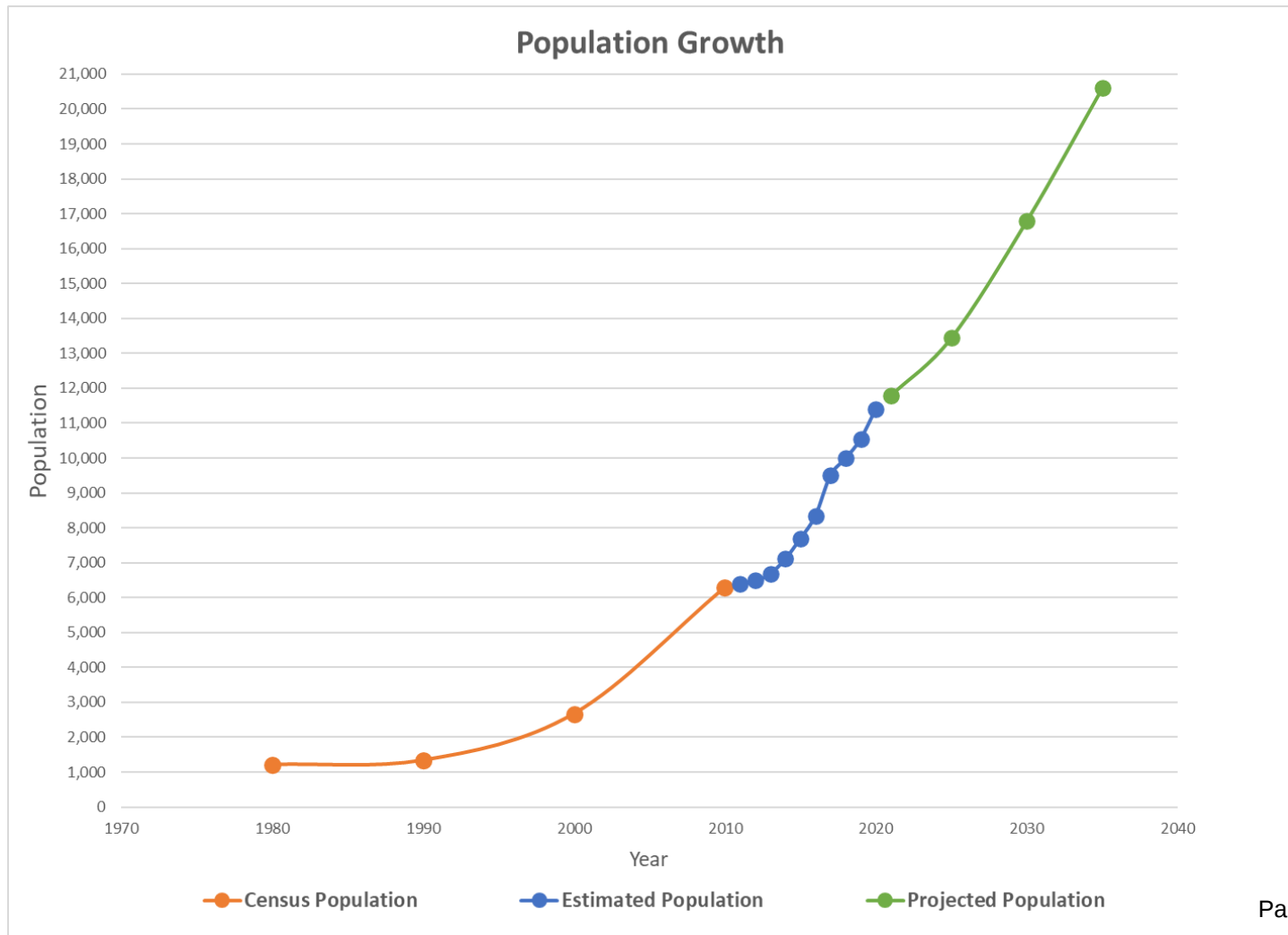
Wellington Water/Sewer Utility – An Overview

- Wellington wisely created a water/sewer utility in the 1960's
 - Allows residents to align water utility services with Town goals
 - Ensures Town viability into the future
 - Creates local accountability
- Treatment plant expansions are planned in anticipation of growth
 - Capacity must always exceed demand
 - Demand increases with current and future growth
 - Comprehensive Plan and Utility Masterplans are closely aligned
 - Long range planning is a must!

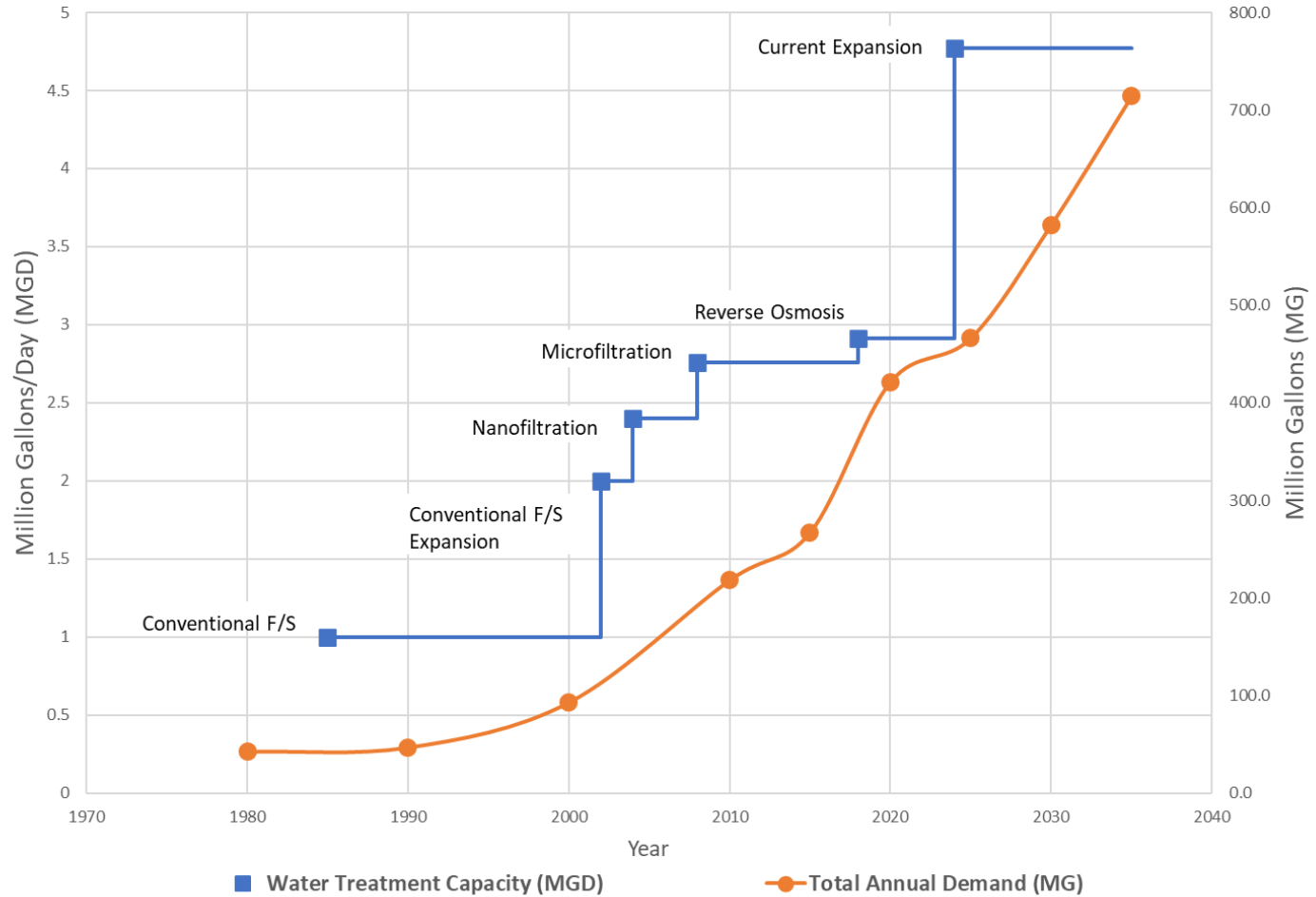


Wellington Water/Sewer Utility – An Overview

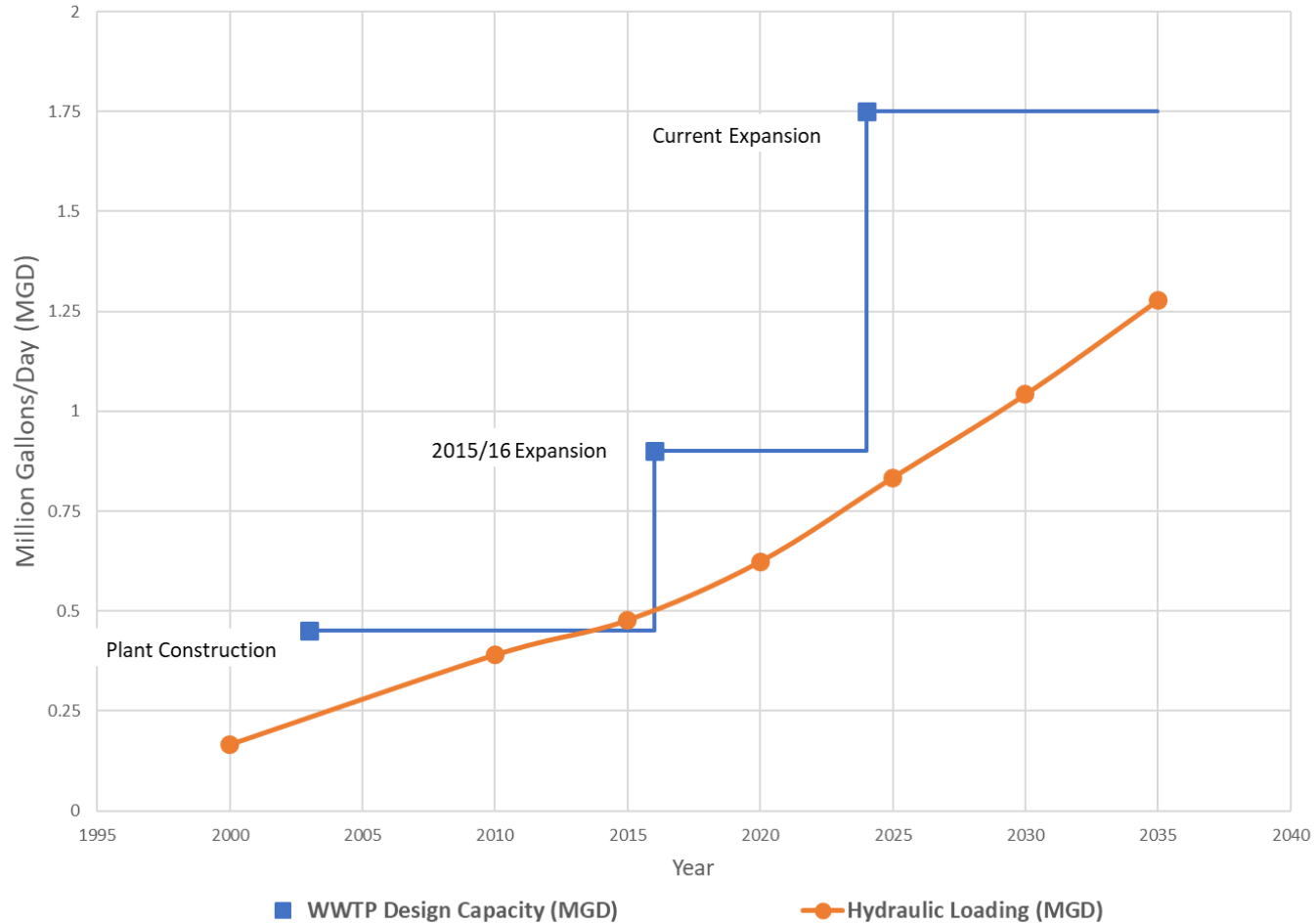
- Utilities function like a non-profit
 - Must be self-sustaining
 - Funding sources
 - Rates paid by current customers
 - Impact fees paid by developers and homebuilders
 - Loans and grants
 - Expenses
 - Operations and maintenance
 - Capital improvements
- Financial health of the Utility is critical
 - Fund balance policies
 - Rigorous accounting practices
 - Continuous monitoring
 - Regular periodic rate and impact fee adjustments



Water Treatment Capacity & Total Annual Demand



WWTP Design Capacity & Hydraulic Loading





Water Utility

1. Plant Expansion Project
2. Potential Rates and Impact Fees



Water Treatment Plant Expansion Project

- Town goals for the project
 - Eliminate liquid discharge (required by the State)
 - Improve taste & odor
 - Increase capacity for future growth
- Design philosophy
 - Take the long view – Avoid future surprises
 - Design for future expansion now to prevent wasted dollars later
 - Align with Town Strategic Plan, Comprehensive Plan and other Utility Masterplans
- Construction contract award - March 2022
- Begin construction - May 2022
- Complete construction and start-up plant - Early to mid 2024

A stylized graphic featuring a dark teal mountain peak on the left and a winding path or river on the right, both set against a white background. The path curves from the bottom left towards the right side of the page.



Water Rate and Impact Fee History

Historical Water Usage Rates and Tiers				
Year	Base Rate	Tier 1 0-14K gal	Tier 2 15-29K gal	Tier 3 30K+ gal
2021	\$66.00	\$4.56	\$5.70	\$7.72
2016 - 2020	\$18.86	\$3.65	\$3.93	\$4.94
2015	\$18.23	\$3.38	\$3.64	\$4.57
2014	\$17.63	\$3.16	\$3.38	\$4.27
2013	\$14.50	\$2.93	\$3.17	\$4.04
2011 - 2012	\$13.94	\$2.71	\$2.93	\$3.74
2006 - 2010	\$19.13	\$2.90	\$3.48	\$3.70
1992 - 2005	\$16.50	\$2.30	\$2.75	\$3.50

Historical Water Impact Fees	
Year	Water
2021	\$7,750
2011 - 2020	\$5,500

Potential Fees and Rates

Potential Drinking Water Impact Fees, Usage Rates and Tiers								
	Scenario	Impact Fee	Base Rate	Tier 1	Tier 2	Tier 3	Avg Winter Water Bill (4K gal)	Avg Summer Water Bill (10K gal)
0	Existing Tiers and Rates	\$7,750	\$66.00	0-14K gal \$4.56	15-29K gal \$5.70	30K+ gal \$7.72	\$84.24	\$111.60
1	Existing Tier Structure with New Rates NO Recovery Dollars	\$7,750	\$66.00	0-14K gal \$6.75	15-29K gal \$8.44	30K+ gal \$11.43	\$93.00	\$133.50
2	New Tier Structure with New Rates NO Recovery Dollars	\$7,750	\$66.00	0-3K gal \$6.16	4-6K gal \$7.70	7K+ gal \$10.42	\$92.18	\$149.26
3	New Tier Structure with New Rates WITH Recovery Dollars	\$7,750	\$66.00	0-3K gal \$5.79	4-6K gal \$7.24	7K+ gal \$9.80	\$90.61	\$144.29



Sewer Utility

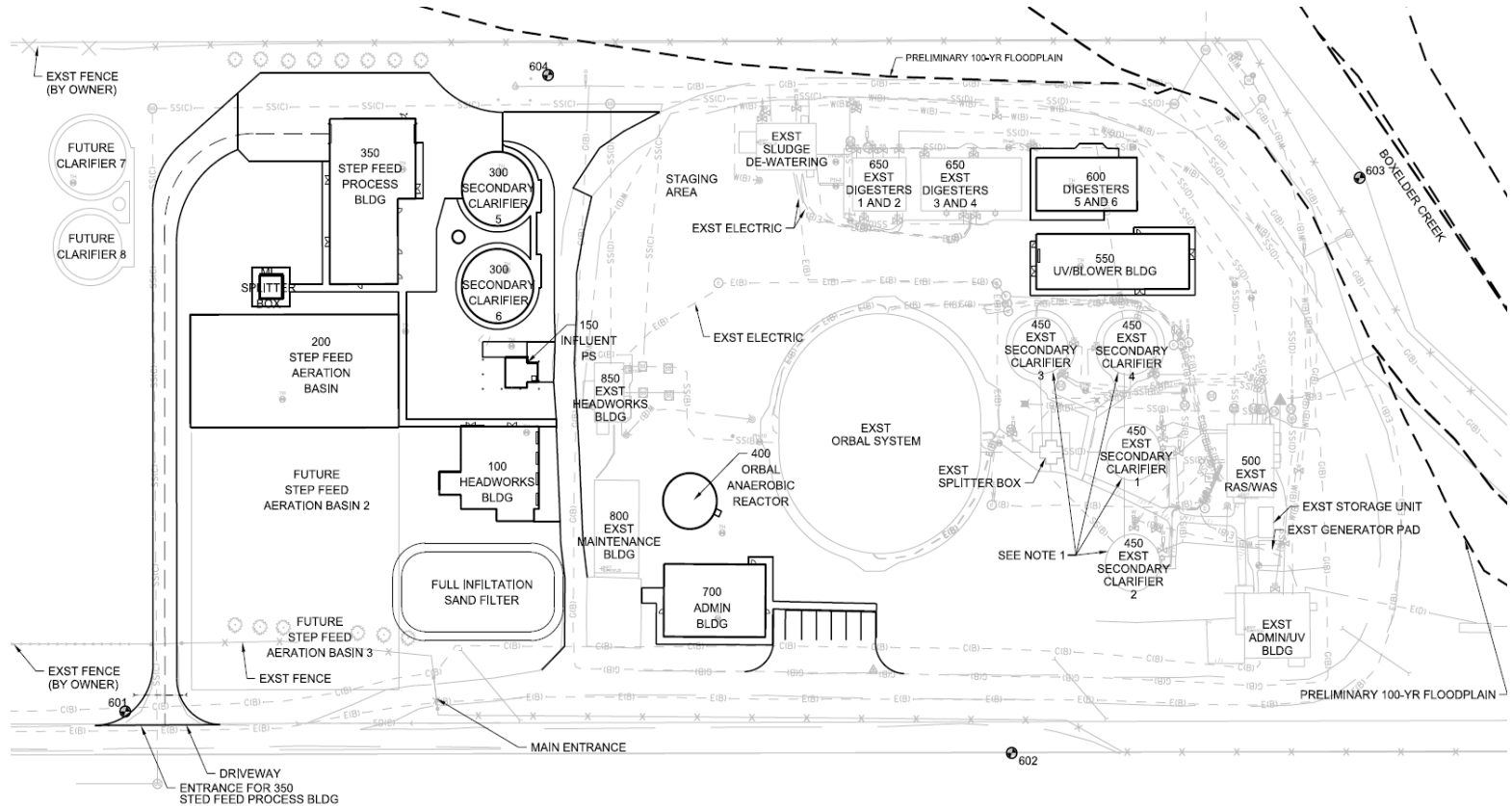
1. Plant Expansion Project
2. Potential Rates and Impact Fees



Wastewater Treatment Plant Expansion Project

- Town goals for the project
 - Meet newer, more stringent compliance standards
 - Capacity must grow with Water Treatment Plant Expansion
- 60% cost estimate presentation - October 12, 2021
- Currently in the 90% design phase
- Construction contract award - February 2022
- Begin Construction - May 2022
- Complete construction and start-up plant – early to mid 2024

Proposed WWTP Site Plan



Sewer Rate and Impact Fee History

Historical Sewer Base and Usage Rates		
Year	Base Rate (0-3Kgal)	Usage Rate (4Kgal +)
2016 - 2021	\$20.63	\$6.50
2015	\$19.63	\$6.25
2012 - 2014	\$17.98	\$5.30
2011	\$15.63	\$4.25
2007 - 2010	\$13.61	\$3.75

Historical Sewer Impact Fees	
Year	Sewer
2021	\$9,700
2012 - 2020	\$7,500
2011	\$6,350

Potential Sewer Fees and Rates

Potential Sewer Impact Fees, Base Rates, and Usage Rates				
Scenario	Impact Fee	Base Rate	Usage Rate	Avg Sewer Bill (4Kgal)
1	\$9,750	0-3Kgal	4K+ gal	\$65.00
		\$50.00	\$15.00	
2	\$11,250	0-3Kgal	4K+ gal	\$58.50
		\$45.00	\$13.50	



The Path Forward

- The Town is committed to
 - Informing
 - Listening
 - Transparency
 - Responsible Utility Planning
- The Short Term
 - Sewer Rate Round Table
 - Representatives of each Board and Commission
 - Representatives from Main Street and the Chamber of Commerce
 - Individuals appointed by each Trustee and the Mayor
 - Four meetings scheduled over the next two months
 - Finalization of rate structure based on Round Table feedback
 - Adoption of new rates and impact fees in January 2022
- The Long Term
 - Proactively monitor, analyze and communicate
 - Annual adjustments, as needed



Questions or Feedback?

Board of Trustees Meeting

Date: October 26, 2021
Submitted By: Judy Tippetts, Finance Director
Subject: American Rescue Plan Act (ARPA)

EXECUTIVE SUMMARY

American Rescue Plan Act summary

BACKGROUND / DISCUSSION

The budget presented at the retreat on October 13 assumed that the ARPA funds would be used for the water treatment plant. The Trustees requested that staff research other options for the funding.

Guidance issued by the Treasury seeks to provide substantial flexibility for local governments to meet local needs—including support for households, small businesses, impacted industries, essential workers, and the communities hardest hit by the crisis. These funds can also be used to make necessary investments in water, sewer, and broadband infrastructure.

Funding from the Coronavirus State and Local Fiscal Recovery Funds is subject to the requirements specified in the Interim Final Rule.

Recipients may use these funds to:

- Support public health expenditures by, for example, funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff.
- Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector. This includes:
 - o Assisting unemployed workers, including services like job training to accelerate rehiring of unemployed workers, may extend to workers unemployed due to the pandemic or the resulting recession, or who were already unemployed when the pandemic began and remained so due to the negative economic impacts of the pandemic.
 - o Assisting households or populations facing negative economic impacts due to COVID-19 such as food assistance; rent, mortgage, or utility assistance; counseling and legal aid to prevent eviction or homelessness; cash assistance; emergency assistance for burials, home repairs, weatherization, or other needs; internet access or digital literacy assistance; or job training to address negative economic or public health impacts experienced due to a worker's occupation or level of training.
 - o Help improve the efficacy of programs addressing negative economic impacts, including data analysis, targeted consumer outreach, improvements to data or technology infrastructure, and impact evaluations.
 - o Assist small businesses to adopt safer operating procedures, weather periods of closure, or mitigate financial hardship resulting from the COVID-19 public health emergency.
 - o Provide funding for payroll, covered benefits, and other costs associated with rehiring public sector staff up to the pre-pandemic staffing level.
 - o Aid provided to tourism, travel, and hospitality industries should respond to the negative economic impacts of the pandemic on those and similarly impacted industries.
- Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic.
- Provide premium pay for essential workers, offering additional support to those who have and will bear the greatest health risks because of their service in critical infrastructure sectors.



- Invest in water, sewer, and broadband infrastructure, make necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and expand access to broadband internet.

Within these overall categories, recipients have broad flexibility to decide how best to use this funding to meet the needs of their communities.

STAFF RECOMMENDATION

Staff is looking for Board direction on the use of the ARPA funds and if the funds should be allocated in the 2021 budget.

ATTACHMENTS

1. AmericanRescuePres
2. FRF-Interim-Final-Rule

American Rescue Plan Act of 2021

October 22, 2021



American Rescue Plan Act (ARPA)

- First proposed on January 14, 2021, the package expands from the CARES Act from March 2020.
- Recap of The Town of Wellington CARES funding \$552,720
- | | | |
|--|----------------------|---------|
| • Business Relief Grants and Signage | \$ 349,353.20 | 63.21% |
| • Residential Utility Grants 140 individual grants | \$ 89,356.45 | 16.17% |
| • Telework - computers, ipads, other support | \$ 35,617.49 | 6.44% |
| • Public Works - chemicals, storage etc | \$ 33,622.00 | 6.08% |
| • Audio Visual for virtual meetings | \$ 23,877.62 | 4.32% |
| • IGA with Larimer County for testing | \$ 20,000.00 | 3.62% |
| • PPE | <u>\$ 893.24</u> | 0.16% |
| | <u>\$ 552,720.00</u> | 100.00% |
- 79.38% direct support of businesses and residents in Wellington.



ARPA

- The American Rescue Plan (H.R. 1319) is a \$1.9 trillion emergency legislative package to provide the resources needed to address the ongoing COVID-19 public health crisis and spur a strong economic recovery.
- Act became law on March 11, 2021.
- Town of Wellington, population under \$50,000 falls into the category of Non-entitlement unit of local government. (NEU)
- Town of Wellington received \$1,311,668.70 On 06/16/21
- 2nd Tranche funded in 2022, no earlier than 12 months from 1st payment
- Funding from the Coronavirus State and Local Fiscal Recovery Funds is subject to the requirements specified in the [Interim Final Rule](#).

ARPA – Recipients may use these funds to:

and certain public health and safety staff.

- Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector. This includes:
 - Assisting unemployed workers, including services like job training to accelerate rehiring of unemployed workers, may extend to workers unemployed due to the pandemic or the resulting recession, or who were already unemployed when the pandemic began and remained so due to the negative economic impacts of the pandemic.
 - Assisting households or populations facing negative economic impacts due to COVID-19 such as food assistance; rent, mortgage, or utility assistance; counseling and legal aid to prevent eviction or homelessness; cash assistance; emergency assistance for burials, home repairs, weatherization, or other needs; internet access or digital literacy assistance; or job training to address negative economic or public health impacts experienced due to a worker's occupation or level of training.
 - Help improve the efficacy of programs addressing negative economic impacts, including data analysis, targeted consumer outreach, improvements to data or technology infrastructure, and impact evaluations.
 - Assist small businesses to adopt safer operating procedures, weather periods of closure, or mitigate financial hardship resulting from the COVID-19 public health emergency.
 - **Provide funding for payroll, covered benefits, and other costs associated with rehiring public sector staff up to the pre-pandemic staffing level.**
 - Aid provided to tourism, travel, and hospitality industries should respond to the negative economic impacts of the pandemic on those and similarly impacted industries.

ARPA – Recipients may use these funds to:

- **Replace lost public sector revenue**, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic.
- **Provide premium pay for essential workers**, offering additional support to those who have and will bear the greatest health risks because of their service in critical infrastructure sectors.
- **Invest in water, sewer, and broadband infrastructure**, make necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and expand access to broadband internet.
- States are not permitted to use the fund for highways, bridges, transit systems, or ports, and construction or improvement of hospitals and traditional schools is not presumed to be eligible except under limited circumstances.

Impact on using funds for Water Infrastructure

Current Tiers and Rates

Base Rate: \$66

0-15,000 \$ 4.56

15,001 – 30,000 \$ 5.70

30,001 plus \$ 7.72

Average bill (7,000 gallons) \$97.92

- Examine 3 Scenarios

1. Current base and tier structure **EXCLUDING \$1,311,669** American Recovery Grant.
 - a. Base rate \$66.00
 - b. Tier rates increase 48% for the next 3 years; year over year.
 - c. Pricing
 - i. Tier 1 - \$6.75
 - ii. Tier 2 - \$8.44
 - iii. Tier 3 - \$11.43
- Average bill (7,000 gallons) \$113.25 Increase of \$15.33 per month year one, Year two \$135.93, increase of \$38.01 per month, Year three \$169.50 increase of \$71.58

Impact on using funds for Water Infrastructure

Current Tiers and Rates

Base Rate: \$66

0-15,000 \$ 4.56

15,000 – 30,000 \$ 5.70

30,000 plus \$ 7.72

Average bill (7,000 gallons) \$97.92

- Examine 3 Scenarios

2. Changing to a more **restrictive tier structure** (0-3k, 4k-6k, and 7k+) **INCLUDES \$1,311,669** American Recovery Grant.
 - a. Base Rate \$66.00
 - b. Tier rates increase 27% for the next 3 years; year over year.
 - c. Pricing
 - i. Tier 1 - \$5.79
 - ii. Tier 2 - \$7.24
 - iii. Tier 3 - \$9.80
 - d. Average bill (7,000 gallons) \$114.89 Increase of \$16.97 per month
Year two \$128.10, increase of \$30.18 per month, Year three \$144.85, increase of \$46.93 per month

Impact on using funds for Water Infrastructure

Current Tiers and Rates

Base Rate: \$66

0-15,000 \$ 4.56

15,001 – 30,000 \$ 5.70

30,001 plus \$ 7.72

Average bill (7,000 gallons) \$97.92

- Examine 3 Scenarios

3. Changing to a more restrictive tier structure (0-3k, 4k-6k, and 7k+) **EXCLUDES \$1,311,669** American Recovery Grant.
 - a. Base rate \$66.00
 - b. Tier rates increase 35% for the next 3 years; year over year.
 - c. Pricing
 - i. Tier 1 - \$ 6.16
 - ii. Tier 2 - \$ 7.70
 - iii. Tier 3 - \$10.42
 - d. Average bill (7,000) \$117.97 Increase of \$20.05 per month
Year two \$136.16, increase of \$38.26 per month, Year three \$160.72, increase of \$62.80 per month

Impact on using funds for Water Infrastructure

	Description	Year 1	Year 2	Year 3
Scenario 1	Original Tier Structure , 48% increase EXCLUDES ARPA	\$113.25	\$135.93	\$169.50
Scenario 2	Restrictive Tiers, 27% increase INCLUDES ARPA	\$114.89	\$128.10	\$144.85
Scenario 3	Restrictive Tiers, 35% increase EXCLUDES ARPA	\$117.97	\$136.16	\$160.72

DEPARTMENT OF THE TREASURY

31 CFR Part 35

RIN 1505-AC77

Coronavirus State and Local Fiscal Recovery Funds

AGENCY: Department of the Treasury

ACTION: Interim Final Rule

SUMMARY: The Secretary of the Treasury (Treasury) is issuing this Interim Final Rule to implement the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund established under the American Rescue Plan Act.

DATES: *Effective date:* The provisions in this Interim Final Rule are effective [____], 2021.

Comment date: Comments must be received on or before [____], 2021.

ADDRESSES: Please submit comments electronically through the Federal eRulemaking Portal:

<http://www.regulations.gov> [(if hard copy, preferably an original and two copies to the [Office of the Undersecretary for Domestic Finance], Attention: [Name], Room [#####] MT, Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220. Because postal mail may be subject to processing delay, it is recommended that comments be submitted electronically.] All comments should be captions with “Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule Comments.” Please include your name, organization

affiliation, address, email address and telephone number in your comment. Where appropriate, a comment should include a short executive summary (no more than [#] single-spaced pages).]

In general, comments received will be posted on <http://www.regulations.gov> without change, including any business or personal information provided. Comments received, including attachments and other supporting materials, will be part of the public record and subject to public

disclosure. Do not enclose any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure.

FOR FURTHER INFORMATION CONTACT:

[Name], [Title], [Office], 202-622-[#####], or [Name], [Title], [Office], 202-622-[#####].

SUPPLEMENTARY INFORMATION:

I. Background Information

A. Overview

Since the first case of coronavirus disease 2019 (COVID-19) was discovered in the United States in January 2020, the disease has infected over 32 million and killed over 575,000 Americans.¹ The disease has impacted every part of life: as social distancing became a necessity, businesses closed, schools transitioned to remote education, travel was sharply reduced, and millions of Americans lost their jobs. In April 2020, the national unemployment rate reached its highest level in over seventy years following the most severe month-over-month decline in employment on record.² As of April 2021, there were still 8.2 million fewer jobs than before the pandemic.³ During this time, a significant share of households have faced food and housing insecurity.⁴ Economic disruptions impaired the flow of credit to households, State and

¹ Centers for Disease Control and Prevention, COVID Data Tracker, <http://www.covid.cdc.gov/covid-data-tracker/#datatracker-home> (last visited May 8, 2021).

² U.S. Bureau of Labor Statistics, Unemployment Rate [UNRATE], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/UNRATE>, May 3, 2021. U.S. Bureau of Labor Statistics, Employment Level [LNU02000000], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/LNU02000000>, May 3, 2021.

³ U.S. Bureau of Labor Statistics, All Employees, Total Nonfarm [PAYEMS], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PAYEMS>, May 7, 2021.

⁴ Nirmita Panchal et al., The Implications of COVID-19 for Mental Health and Substance Abuse (Feb. 10, 2021), <https://www.kff.org/coronavirus-covid-19/issue-brief/the-implications-of-covid-19-for-mental->

local governments, and businesses of all sizes.⁵ As businesses weathered closures and sharp declines in revenue, many were forced to shut down, especially small businesses.⁶

Amid this once-in-a-century crisis, State, territorial, Tribal, and local governments (State, local, and Tribal governments) have been called on to respond at an immense scale. Governments have faced myriad needs to prevent and address the spread of COVID-19, including testing, contact tracing, isolation and quarantine, public communications, issuance and enforcement of health orders, expansions to health system capacity like alternative care facilities, and in recent months, a massive nationwide mobilization around vaccinations. Governments also have supported major efforts to prevent COVID-19 spread through safety measures in settings like nursing homes, schools, congregate living settings, dense worksites, incarceration settings, and public facilities. The pandemic's impacts on behavioral health, including the toll of pandemic-related stress, have increased the need for behavioral health resources.

At the same time, State, local and Tribal governments launched major efforts to address the economic impacts of the pandemic. These efforts have been tailored to the needs of their communities and have included expanded assistance to unemployed workers; food assistance;

health-and-substance-use/#:~:text=Older%20adults%20are%20also%20more,prior%20to%20the%20current%20crisis; U.S. Census Bureau, Household Pulse Survey: Measuring Social and Economic Impacts during the Coronavirus Pandemic, <https://www.census.gov/programs-surveys/household-pulse-survey.html> (last visited Apr. 26, 2021); Rebecca T. Leeb et al., Mental Health-Related Emergency Department Visits Among Children Aged <18 Years During the COVID Pandemic – United States, January 1 – October 17, 2020, *Morb. Mortal. Wkly. Rep.* 69(45):1675-80 (Nov. 13, 2020), <https://www.cdc.gov/mmwr/volumes/69/wr/mm6945a3.htm>.

⁵ Board of Governors of the Federal Reserve System, Monetary Policy Report (June 12, 2020), <https://www.federalreserve.gov/monetarypolicy/2020-06-mpr-summary.htm>.

⁶ Joseph R. Biden, Remarks by President Biden on Helping Small Businesses (Feb. 22, 2021), <https://www.whitehouse.gov/briefing-room/speeches-remarks/2021/02/22/remarks-by-president-biden-on-helping-small-businesses/>.

rent, mortgage, and utility support; cash assistance; internet access programs; expanded services to support individuals experiencing homelessness; support for individuals with disabilities and older adults; and assistance to small businesses facing closures or revenue loss or implementing new safety measures.

In responding to the public health emergency and its negative economic impacts, State, local, and Tribal governments have seen substantial increases in costs to provide these services, often amid substantial declines in revenue due to the economic downturn and changing economic patterns during the pandemic.⁷ Facing these budget challenges, many State, local, and Tribal governments have been forced to make cuts to services or their workforces, or delay critical investments. From February to May of 2020, State, local, and Tribal governments reduced their workforces by more than 1.5 million jobs and, in April of 2021, State, local, and Tribal government employment remained nearly 1.3 million jobs below pre-pandemic levels.⁸ These cuts to State, local, and Tribal government workforces come at a time when demand for government services is high, with State, local, and Tribal governments on the frontlines of fighting the pandemic. Furthermore, State, local, and Tribal government austerity measures can hamper overall economic growth, as occurred in the recovery from the Great Recession.⁹

⁷ Michael Leachman, House Budget Bill Provides Needed Fiscal Aid for States, Localities, Tribal Nations, and Territories (Feb. 10, 2021), <https://www.cbpp.org/research/state-budget-and-tax/house-budget-bill-provides-needed-fiscal-aid-for-states-localities>.

⁸ U.S. Bureau of Labor Statistics, All Employees, State Government [CES9092000001] and All Employees, Local Government [CES9093000001], retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/CES9092000001> and <https://fred.stlouisfed.org/series/CES9093000001> (last visited May 8, 2021).

⁹ Tracy Gordon, State and Local Budgets and the Great Recession, Brookings Institution (Dec. 31, 2012), <http://www.brookings.edu/articles/state-and-local-budgets-and-the-great-recession>.

Finally, although the pandemic's impacts have been widespread, both the public health and economic impacts of the pandemic have fallen most severely on communities and populations disadvantaged before it began. Low-income communities, people of color, and Tribal communities have faced higher rates of infection, hospitalization, and death,¹⁰ as well as higher rates of unemployment and lack of basic necessities like food and housing.¹¹ Pre-existing social vulnerabilities magnified the pandemic in these communities, where a reduced ability to work from home and, frequently, denser housing amplified the risk of infection. Higher rates of pre-existing health conditions also may have contributed to more severe COVID-19 health outcomes.¹² Similarly, communities or households facing economic insecurity before the pandemic were less able to weather business closures, job losses, or declines in earnings and were less able to participate in remote work or education due to the inequities in access to reliable and affordable broadband infrastructure.¹³ Finally, though schools in all areas faced challenges, those in high poverty areas had fewer resources to adapt to remote and hybrid

¹⁰ Sebastian D. Romano et al., Trends in Racial and Ethnic Disparities in COVID-19 Hospitalizations, by Region – United States, March-December 2020, MMWR Morb Mortal Wkly Rep 2021, 70:560-565 (Apr. 16, 2021), https://www.cdc.gov/mmwr/volumes/70/wr/mm7015e2.htm?s_cid=mm7015e2_w.

¹¹ Center on Budget and Policy Priorities, Tracking the COVID-19 Recession's Effects on Food, Housing, and Employment Hardships, <https://www.cbpp.org/research/poverty-and-inequality/tracking-the-covid-19-recessions-effects-on-housing-and> (last visited May 4, 2021).

¹² Lisa R. Fortuna et al., Inequity and the Disproportionate Impact of COVID-19 on Communities of Color in the United States: The Need for Trauma-Informed Social Justice Response, Psychological Trauma Vol. 12(5):443-45 (2020), *available at* <https://psycnet.apa.org/fulltext/2020-37320-001.pdf>.

¹³ Emily Vogles et al., 53% of Americans Say the Internet Has Been Essential During the COVID-19 Outbreak (Apr. 30, 2020), <https://www.pewresearch.org/internet/2020/04/30/53-of-americans-say-the-internet-has-been-essential-during-the-covid-19-outbreak/>.

learning models.¹⁴ Unfortunately, the pandemic also has reversed many gains made by communities of color in the prior economic expansion.¹⁵

B. The Statute and Interim Final Rule

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law by the President.¹⁶ Section 9901 of ARPA amended Title VI of the Social Security Act¹⁷ (the Act) to add section 602, which establishes the Coronavirus State Fiscal Recovery Fund, and section 603, which establishes the Coronavirus Local Fiscal Recovery Fund (together, the Fiscal Recovery Funds).¹⁸ The Fiscal Recovery Funds are intended to provide support to State, local, and Tribal governments (together, recipients) in responding to the impact of COVID-19 and in their efforts to contain COVID-19 on their communities, residents, and businesses. The Fiscal Recovery Funds build on and expand the support provided to these governments over the last year, including through the Coronavirus Relief Fund (CRF).¹⁹

¹⁴ Emma Dorn et al., COVID-19 and student learning in the United States: The hurt could last a lifetime (June 2020), https://webtest.childrensinstitute.net/sites/default/files/documents/COVID-19-and-student-learning-in-the-United-States_FINAL.pdf; Andrew Bacher-Hicks et al., Inequality in Household Adaptation to Schooling Shocks: Covid-Induced Online Engagement in Real Time, J. of Public Econ. Vol. 193(C) (July 2020), *available at* <https://www.nber.org/papers/w27555>.

¹⁵ *See, e.g.*, Tyler Atkinson & Alex Richter, Pandemic Disproportionately Affects Women, Minority Labor Force Participation, <https://www.dallasfed.org/research/economics/2020/1110> (last visited May 9, 2021); Jared Bernstein & Janelle Jones, The Impact of the COVID19 Recession on the Jobs and Incomes of Persons of Color, https://www.cbpp.org/sites/default/files/atoms/files/6-2-20bud_0.pdf (last visited May 9, 2021).

¹⁶ American Rescue Plan Act of 2021 (ARPA) § 9901, Pub. L. No. 117-2, codified at 42 U.S.C. § 802 *et seq.*

¹⁷ 42 U.S.C. 801 *et seq.*

¹⁸ §§ 602, 603 of the Act.

¹⁹ The CRF was established by the section 601 of the Act as added by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Pub. L. No. 116-136, 134 Stat. 281 (2020).

Through the Fiscal Recovery Funds, Congress provided State, local, and Tribal governments with significant resources to respond to the COVID-19 public health emergency and its economic impacts through four categories of eligible uses. Section 602 and section 603 contain the same eligible uses; the primary difference between the two sections is that section 602 establishes a fund for States, territories, and Tribal governments and section 603 establishes a fund for metropolitan cities, nonentitlement units of local government, and counties.

Sections 602(c)(1) and 603(c)(1) provide that funds may be used:

- a) To respond to the public health emergency 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;
- 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 prior to the emergency; and
- d) To make necessary investments in water, sewer, or broadband infrastructure.

In addition, Congress clarified two types of uses which do not fall within these four categories. Sections 602(c)(2)(B) and 603(c)(2) provide that these eligible uses do not include, and thus funds may not be used for, depositing funds into any pension fund. Section 602(c)(2)(A) also provides, for States and territories, that the eligible uses do not include:

“directly or indirectly offset[ing] a reduction in the net tax revenue of [the] State or territory resulting from a change in law, regulation, or administrative interpretation.”

The ARPA provides a substantial infusion of resources to meet pandemic response needs and rebuild a stronger, more equitable economy as the country recovers. First, payments from the Fiscal Recovery Funds help to ensure that State, local, and Tribal governments have the resources needed to continue to take actions to decrease the spread of COVID-19 and bring the pandemic under control. Payments from the Fiscal Recovery Funds may also be used by recipients to provide support for costs incurred in addressing public health and economic challenges resulting from the pandemic, including resources to offer premium pay to essential workers, in recognition of their sacrifices over the last year. Recipients may also use payments from the Fiscal Recovery Funds to replace State, local, and Tribal government revenue lost due to COVID-19, helping to ensure that governments can continue to provide needed services and avoid cuts or layoffs. Finally, these resources lay the foundation for a strong, equitable economic recovery, not only by providing immediate economic stabilization for households and businesses, but also by addressing the systemic public health and economic challenges that may have contributed to more severe impacts of the pandemic among low-income communities and people of color.

Within the eligible use categories outlined in the Fiscal Recovery Funds provisions of ARPA, State, local, and Tribal governments have flexibility to determine how best to use payments from the Fiscal Recovery Funds to meet the needs of their communities and populations. The Interim Final Rule facilitates swift and effective implementation by establishing a framework for determining the types of programs and services that are eligible under the ARPA along with examples of uses that State, local, and Tribal governments may consider. These uses build on eligible expenditures under the CRF, including some expansions in eligible uses to respond to the public health emergency, such as vaccination campaigns. They

also reflect changes in the needs of communities, as evidenced by, for example, nationwide data demonstrating disproportionate impacts of the COVID-19 public health emergency on certain populations, geographies, and economic sectors. The Interim Final Rule takes into consideration these disproportionate impacts by recognizing a broad range of eligible uses to help States, local, and Tribal governments support the families, businesses, and communities hardest hit by the COVID-19 public health emergency.

Implementation of the Fiscal Recovery Funds also reflect the importance of public input, transparency, and accountability. Treasury seeks comment on all aspects of the Interim Final Rule and, to better facilitate public comment, has included specific questions throughout this Supplementary Information. Treasury encourages State, local, and Tribal governments in particular to provide feedback and to engage with Treasury regarding issues that may arise regarding all aspects of this Interim Final Rule and Treasury's work in administering the Fiscal Recovery Funds. In addition, the Interim Final Rule establishes certain regular reporting requirements, including by requiring State, local, and Tribal governments to publish information regarding uses of Fiscal Recovery Funds payments in their local jurisdiction. These reporting requirements reflect the need for transparency and accountability, while recognizing and minimizing the burden, particularly for smaller local governments. Treasury urges State, territorial, Tribal, and local governments to engage their constituents and communities in developing plans to use these payments, given the scale of funding and its potential to catalyze broader economic recovery and rebuilding.

II. Eligible Uses

A. Public Health and Economic Impacts

Sections 602(c)(1)(A) and 603(c)(1)(A) provide significant resources for State, territorial, Tribal governments, and counties, metropolitan cities, and nonentitlement units of local governments (each referred to as a recipient) to meet the wide range of public health and economic impacts of the COVID-19 public health emergency.

These provisions authorize the use of payments from the Fiscal Recovery Funds to respond to the public health emergency with respect to COVID-19 or its negative economic impacts. Section 602 and section 603 also describe several types of uses that would be responsive to the impacts of the COVID-19 public health emergency, including assistance to households, small businesses, and nonprofits and aid to impacted industries, such as tourism, travel, and hospitality.²⁰

Accordingly, to assess whether a program or service is included in this category of eligible uses, a recipient should consider whether and how the use would respond to the COVID-19 public health emergency. Assessing whether a program or service “responds to” the COVID-19 public health emergency requires the recipient to, first, identify a need or negative impact of the COVID-19 public health emergency and, second, identify how the program, service, or other intervention addresses the identified need or impact. While the COVID-19 public health emergency affected many aspects of American life, eligible uses under this category must be in response to the disease itself or the harmful consequences of the economic disruptions resulting from or exacerbated by the COVID-19 public health emergency.

²⁰ §§602(c)(1)(A), 603(c)(1)(A) of the Act.

The Interim Final Rule implements these provisions by identifying a non-exclusive list of programs or services that may be funded as responding to COVID-19 or the negative economic impacts of the COVID-19 public health emergency, along with considerations for evaluating other potential uses of the Fiscal Recovery Funds not explicitly listed. The Interim Final Rule also provides flexibility for recipients to use payments from the Fiscal Recovery Funds for programs or services that are not identified on these non-exclusive lists but that fall under the terms of section 602(c)(1)(A) or 603(c)(1)(A) by responding to the COVID-19 public health emergency or its negative economic impacts. As an example, in determining whether a program or service responds to the negative economic impacts of the COVID-19 public health emergency, the Interim Final Rule provides that payments from the Fiscal Recovery Funds should be designed to address an economic harm resulting from or exacerbated by the public health emergency. Recipients should assess the connection between the negative economic harm and the COVID-19 public health emergency, the nature and extent of that harm, and how the use of this funding would address such harm.

As discussed, the pandemic and the necessary actions taken to control the spread had a severe impact on households and small businesses, including in particular low-income workers and communities and people of color. While eligible uses under sections 602(c)(1)(A) and 603(c)(1)(A) provide flexibility to recipients to identify the most pressing local needs, Treasury encourages recipients to provide assistance to those households, businesses, and non-profits in communities most disproportionately impacted by the pandemic.

1. Responding to COVID-19

On January 21, 2020, the Centers for Disease Control and Prevention (CDC) identified the first case of novel coronavirus in the United States.²¹ By late March, the virus had spread to many States and the first wave was growing rapidly, centered in the northeast.²² This wave brought acute strain on health care and public health systems: hospitals and emergency medical services struggled to manage a major influx of patients; response personnel faced shortages of personal protective equipment; testing for the virus was scarce; and congregate living facilities like nursing homes and prisons saw rapid spread. State, local, and Tribal governments mobilized to support the health care system, issue public health orders to mitigate virus spread, and communicate safety measures to the public. The United States has since faced at least two additional COVID-19 waves that brought many similar challenges: the second in the summer, centered in the south and southwest, and a wave throughout the fall and winter, in which the virus reached a point of uncontrolled spread across the country and over 3,000 people died per day.²³ By early May 2021, the United States has experienced over 32 million confirmed COVID-19 cases and over 575,000 deaths.²⁴

²¹ Press Release, Centers for Disease Control and Prevention, First Travel-related Case of 2019 Novel Coronavirus Detected in United States (Jan. 21, 2020), <https://www.cdc.gov/media/releases/2020/p0121-novel-coronavirus-travel-case.html>.

²² Anne Schuchat et al., Public Health Response to the Initiation and Spread of Pandemic COVID-19 in the United States, February 24 – April 21, 2021, *MMWR Morb Mortal Wkly Rep* 2021, 69(18):551-56 (May 8, 2021), <https://www.cdc.gov/mmwr/volumes/69/wr/mm6918e2.htm>.

²³ Centers for Disease Control and Prevention, COVID Data Tracker: Trends in Number of COVID-19 Cases and Deaths in the US Reported to CDC, by State/Territory, https://covid.cdc.gov/covid-data-tracker/#trends_dailytrendscases (last visited May 8, 2021).

²⁴ *Id.*

Mitigating the impact of COVID-19, including taking actions to control its spread and support hospitals and health care workers caring for the sick, continues to require a major public health response from State, local and Tribal governments. New or heightened public health needs include COVID-19 testing, major expansions in contact tracing, support for individuals in isolation or quarantine, enforcement of public health orders, new public communication efforts, public health surveillance (e.g., monitoring case trends and genomic sequencing for variants), enhancement to health care capacity through alternative care facilities, and enhancement of public health data systems to meet new demands or scaling needs. State, local, and Tribal governments have also supported major efforts to prevent COVID-19 spread through safety measures at key settings like nursing homes, schools, congregate living settings, dense worksites, incarceration settings, and in other public facilities. This has included implementing infection prevention measures or making ventilation improvements in congregate settings, health care settings, or other key locations.

Other response and adaptation costs include capital investments in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics. In recent months, State, local, and Tribal governments across the country have mobilized to support the national vaccination campaign, resulting in over 250 million doses administered to date.²⁵

The need for public health measures to respond to COVID-19 will continue in the months and potentially years to come. This includes the continuation of the vaccination campaign for the general public and, if vaccinations are approved for children in the future, eventually for

²⁵ Centers for Disease Control and Prevention, COVID Data Tracker: COVID-19 Vaccinations in the United States, <https://covid.cdc.gov/covid-data-tracker/#vaccinations> (last visited May 8, 2021).

youths. This also includes monitoring the spread of COVID-19 variants, understanding the impact of these variants (especially on vaccination efforts), developing approaches to respond to those variants, and monitoring global COVID-19 trends to understand continued risks to the United States. Finally, the long-term health impacts of COVID-19 will continue to require a public health response, including medical services for individuals with “long COVID,” and research to understand how COVID-19 impacts future health needs and raises risks for the millions of Americans who have been infected.

Other areas of public health have also been negatively impacted by the COVID-19 pandemic. For example, in one survey in January 2021, over 40 percent of American adults reported symptoms of depression or anxiety, up from 11 percent in the first half of 2019.²⁶ The proportion of children’s emergency department visits related to mental health has also risen noticeably.²⁷ Similarly, rates of substance misuse and overdose deaths have spiked: preliminary data from the CDC show a nearly 30 percent increase in drug overdose mortality from September 2019 to September 2020.²⁸ Stay-at-home orders and other pandemic responses may have also reduced the ability of individuals affected by domestic violence to access services.²⁹

²⁶ Panchal, *supra* note 4; Mark É. Czeisler et al., Mental Health, Substance Abuse, and Suicidal Ideation During COVID-19 Pandemic— United States, June 24–30 2020, *Morb. Mortal. Wkly. Rep.* 69(32):1049–57 (Aug. 14, 2020), <https://www.cdc.gov/mmwr/volumes/69/wr/mm6932a1.htm>.

²⁷ Leeb, *supra* note 4.

²⁸ Centers for Disease Prevention and Control, National Center for Health Statistics, Provisional Drug Overdose Death Counts, <https://www.cdc.gov/nchs/nvss/vsrr/drug-overdose-data.htm> (last visited May 8, 2021).

²⁹ Megan L. Evans, et al., A Pandemic within a Pandemic – Intimate Partner Violence during Covid-19, *N. Engl. J. Med.* 383:2302–04 (Dec. 10, 2020), *available at* <https://www.nejm.org/doi/full/10.1056/NEJMp2024046>.

Finally, some preventative public health measures like childhood vaccinations have been deferred and potentially forgone.³⁰

While the pandemic affected communities across the country, it disproportionately impacted some demographic groups and exacerbated health inequities along racial, ethnic, and socioeconomic lines.³¹ The CDC has found that racial and ethnic minorities are at increased risk for infection, hospitalization, and death from COVID-19, with Hispanic or Latino and Native American or Alaska Native patients at highest risk.³²

Similarly, low-income and socially vulnerable communities have seen the most severe health impacts. For example, counties with high poverty rates also have the highest rates of infections and deaths, with 223 deaths per 100,000 compared to the U.S. average of 175 deaths per 100,000, as of May 2021.³³ Counties with high social vulnerability, as measured by factors such as poverty and educational attainment, have also fared more poorly than the national

³⁰ Jeanne M. Santoli et al., Effects of the COVID-19 Pandemic on Routine Pediatric Vaccine Ordering and Administration – United States, *Morb. Mortal. Wkly. Rep.* 69(19):591-93 (May 8, 2020), <https://www.cdc.gov/mmwr/volumes/69/wr/mm6919e2.htm>; Marisa Langdon-Embry et al., Notes from the Field: Rebound in Routine Childhood Vaccine Administration Following Decline During the COVID-19 Pandemic – New York City, March 1-June 27, 2020, *Morb. Mortal. Wkly. Rep.* 69(30):999-1001 (Jul. 31 2020), <https://www.cdc.gov/mmwr/volumes/69/wr/mm6930a3.htm>.

³¹ Office of the White House, National Strategy for the COVID-19 Response and Pandemic Preparedness (Jan. 21, 2021), <https://www.whitehouse.gov/wp-content/uploads/2021/01/National-Strategy-for-the-COVID-19-Response-and-Pandemic-Preparedness.pdf>.

³² In a study of 13 states from October to December 2020, the CDC found that Hispanic or Latino and Native American or Alaska Native individuals were 1.7 times more likely to visit an emergency room for COVID-19 than White individuals, and Black individuals were 1.4 times more likely to do so than White individuals. *See Romano, supra* note 10.

³³ Centers for Disease Control and Prevention, COVID Data Tracker: Trends in COVID-19 Cases and Deaths in the United States, by County-level Population Factors, https://covid.cdc.gov/covid-data-tracker/#pop-factors_totaldeaths (last visited May 8, 2021).

average, with 211 deaths per 100,000 as of May 2021.³⁴ Over the last year, Native Americans have experienced more than one and a half times the rate of COVID-19 infections, more than triple the rate of hospitalizations, and more than double the death rate compared to White Americans.³⁵ Low-income and minority communities also exhibit higher rates of pre-existing conditions that may contribute to an increased risk of COVID-19 mortality.³⁶

In addition, individuals living in low-income communities may have had more limited ability to socially distance or to self-isolate when ill, resulting in faster spread of the virus, and were over-represented among essential workers, who faced greater risk of exposure.³⁷ Social distancing measures in response to the pandemic may have also exacerbated pre-existing public health challenges. For example, for children living in homes with lead paint, spending substantially more time at home raises the risk of developing elevated blood lead levels, while

³⁴ The CDC's Social Vulnerability Index includes fifteen variables measuring social vulnerability, including unemployment, poverty, education levels, single-parent households, disability status, non-English speaking households, crowded housing, and transportation access.

Centers for Disease Control and Prevention, COVID Data Tracker: Trends in COVID-19 Cases and Deaths in the United States, by Social Vulnerability Index, https://covid.cdc.gov/covid-data-tracker/#pop-factors_totaldeaths (last visited May 8, 2021).

³⁵ Centers for Disease Control and Prevention, Risk for COVID-19 Infection, Hospitalization, and Death By Race/Ethnicity, <https://www.cdc.gov/coronavirus/2019-ncov/covid-data/investigations-discovery/hospitalization-death-by-race-ethnicity.html> (last visited Apr. 26, 2021).

³⁶ See, e.g., Centers for Disease Control and Prevention, Risk of Severe Illness or Death from COVID-19 (Dec. 10, 2020), <https://www.cdc.gov/coronavirus/2019-ncov/community/health-equity/racial-ethnic-disparities/disparities-illness.html> (last visited Apr. 26, 2021).

³⁷ Milena Almagro et al., Racial Disparities in Frontline Workers and Housing Crowding During COVID-19: Evidence from Geolocation Data (Sept. 22, 2020), NYU Stern School of Business (forthcoming), available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3695249; Grace McCormack et al., Economic Vulnerability of Households with Essential Workers, JAMA 324(4):388-90 (2020), available at <https://jamanetwork.com/journals/jama/fullarticle/2767630>.

screenings for elevated blood lead levels declined during the pandemic.³⁸ The combination of these underlying social and health vulnerabilities may have contributed to more severe public health outcomes of the pandemic within these communities, resulting in an exacerbation of pre-existing disparities in health outcomes.³⁹

Eligible Public Health Uses. The Fiscal Recovery Funds provide resources to meet and address these emergent public health needs, including through measures to counter the spread of COVID-19, through the provision of care for those impacted by the virus, and through programs or services that address disparities in public health that have been exacerbated by the pandemic. To facilitate implementation and use of payments from the Fiscal Recovery Funds, the Interim Final Rule identifies a non-exclusive list of eligible uses of funding to respond to the COVID-19 public health emergency. Eligible uses listed under this section build and expand upon permissible expenditures under the CRF, while recognizing the differences between the ARPA and CARES Act, and recognizing that the response to the COVID-19 public health emergency has changed and will continue to change over time. To assess whether additional uses would be eligible under this category, recipients should identify an effect of COVID-19 on public health, including either or both of immediate effects or effects that may manifest over months or years, and assess how the use would respond to or address the identified need.

³⁸ See, e.g., Joseph G. Courtney et al., Decreases in Young Children Who Received Blood Lead Level Testing During COVID-19 – 34 Jurisdictions, January-May 2020, *Morb. Mort. Wkly. Rep.* 70(5):155-61 (Feb. 5, 2021), <https://www.cdc.gov/mmwr/volumes/70/wr/mm7005a2.htm>; Emily A. Benfer & Lindsay F. Wiley, Health Justice Strategies to Combat COVID-19: Protecting Vulnerable Communities During a Pandemic, *Health Affairs Blog* (Mar. 19, 2020), <https://www.healthaffairs.org/doi/10.1377/hblog20200319.757883/full/>.

³⁹ See, e.g., Centers for Disease Control and Prevention, *supra* note 34; Benfer & Wiley, *supra* note 38; Nathaniel M. Lewis et al., Disparities in COVID-19 Incidence, Hospitalizations, and Testing, by Area-Level Deprivation – Utah, March 3-July 9, 2020, *Morb. Mort. Wkly. Rep.* 69(38):1369-73 (Sept. 25, 2020), <https://www.cdc.gov/mmwr/volumes/69/wr/mm6938a4.htm>.

The Interim Final Rule identifies a non-exclusive list of uses that address the effects of the COVID-19 public health emergency, including:

- *COVID-19 Mitigation and Prevention.* A broad range of services and programming are needed to contain COVID-19. Mitigation and prevention efforts for COVID-19 include vaccination programs; medical care; testing; contact tracing; support for isolation or quarantine; supports for vulnerable populations to access medical or public health services; public health surveillance (e.g., monitoring case trends, genomic sequencing for variants); enforcement of public health orders; public communication efforts; enhancement to health care capacity, including through alternative care facilities; purchases of personal protective equipment; support for prevention, mitigation, or other services in congregate living facilities (e.g., nursing homes, incarceration settings, homeless shelters, group living facilities) and other key settings like schools;⁴⁰ ventilation improvements in congregate settings, health care settings, or other key locations; enhancement of public health data systems; and other public health responses.⁴¹ They also include capital investments in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations

⁴⁰ This includes implementing mitigation strategies consistent with the Centers for Disease Control and Prevention's (CDC) Operational Strategy for K-12 Schools through Phased Prevention, *available at* <https://www.cdc.gov/coronavirus/2019-ncov/community/schools-childcare/operation-strategy.html>.

⁴¹ Many of these expenses were also eligible in the CRF. Generally, funding uses eligible under CRF as a response to the direct public health impacts of COVID-19 will continue to be eligible under the ARPA, including those not explicitly listed here (e.g., telemedicine costs, costs to facilitate compliance with public health orders, disinfection of public areas, facilitating distance learning, increased solid waste disposal needs related to PPE, paid sick and paid family and medical leave to public employees to enable compliance with COVID-19 public health precautions), with the following two exceptions: 1) the standard for eligibility of public health and safety payrolls has been updated (see details on page 20) and 2) expenses related to the issuance of tax-anticipation notes are no longer an eligible funding use (see discussion of debt service on page 44).

to public buildings to implement COVID-19 mitigation tactics. These COVID-19 prevention and mitigation programs and services, among others, were eligible expenditures under the CRF and are eligible uses under this category of eligible uses for the Fiscal Recovery Funds.⁴²

- *Medical Expenses.* The COVID-19 public health emergency continues to have devastating effects on public health; the United States continues to average hundreds of deaths per day and the spread of new COVID-19 variants has raised new risks and genomic surveillance needs.⁴³ Moreover, our understanding of the potentially serious and long-term effects of the virus is growing, including the potential for symptoms like shortness of breath to continue for weeks or months, for multi-organ impacts from COVID-19, or for post-intensive care syndrome.⁴⁴ State and local governments may need to continue to provide care and services to address these near- and longer-term needs.⁴⁵
- *Behavioral Health Care.* In addition, new or enhanced State, local, and Tribal government services may be needed to meet behavioral health needs exacerbated by the pandemic and respond to other public health impacts. These services include mental health treatment, substance misuse treatment, other behavioral health services, hotlines or

⁴² Coronavirus Relief Fund for States, Tribal Governments, and Certain Eligible Local Governments, 86 Fed. Reg. 4182 (Jan. 15, 2021), *available at* https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf.

⁴³ Centers for Disease Control and Prevention, *supra* note 24.

⁴⁴ Centers for Disease Control and Prevention, Long-Term Effects (Apr. 8, 2021), <https://www.cdc.gov/coronavirus/2019-ncov/long-term-effects.html> (last visited Apr. 26, 2021).

⁴⁵ Pursuant to 42 CFR 433.51 and 45 CFR 75.306, Fiscal Recovery Funds may not serve as a State or locality's contribution of certain Federal funds.

warmlines, crisis intervention, overdose prevention, infectious disease prevention, and services or outreach to promote access to physical or behavioral health primary care and preventative medicine.

- *Public Health and Safety Staff.* Treasury recognizes that responding to the public health and negative economic impacts of the pandemic, including administering the services described above, requires a substantial commitment of State, local, and Tribal government human resources. As a result, the Fiscal Recovery Funds may be used for payroll and covered benefits expenses for public safety, public health, health care, human services, and similar employees, to the extent that their services are devoted to mitigating or responding to the COVID-19 public health emergency.⁴⁶ Accordingly, the Fiscal Recovery Funds may be used to support the payroll and covered benefits for the portion of the employee's time that is dedicated to responding to the COVID-19 public health emergency. For administrative convenience, the recipient may consider public health and safety employees to be entirely devoted to mitigating or responding to the COVID-19 public health emergency, and therefore fully covered, if the employee, or his or her operating unit or division, is primarily dedicated to responding to the COVID-19 public health emergency. Recipients may consider other presumptions for assessing the extent to which an employee, division, or operating unit is engaged in activities that respond to

⁴⁶ In general, if an employee's wages and salaries are an eligible use of Fiscal Recovery Funds, recipients may treat the employee's covered benefits as an eligible use of Fiscal Recovery Funds. For purposes of the Fiscal Recovery Funds, covered benefits include costs of all types of leave (vacation, family-related, sick, military, bereavement, sabbatical, jury duty), employee insurance (health, life, dental, vision), retirement (pensions, 401(k)), unemployment benefit plans (federal and state), workers compensation insurance, and Federal Insurance Contributions Act (FICA) taxes (which includes Social Security and Medicare taxes).

the COVID-19 public health emergency, provided that the recipient reassesses periodically and maintains records to support its assessment, such as payroll records, attestations from supervisors or staff, or regular work product or correspondence demonstrating work on the COVID-19 response. Recipients need not routinely track staff hours.

- *Expenses to Improve the Design and Execution of Health and Public Health Programs.*

State, local, and Tribal governments may use payments from the Fiscal Recovery Funds to engage in planning and analysis in order to improve programs addressing the COVID-19 pandemic, including through use of targeted consumer outreach, improvements to data or technology infrastructure, impact evaluations, and data analysis.

Eligible Uses to Address Disparities in Public Health Outcomes. In addition, in recognition of the disproportionate impacts of the COVID-19 pandemic on health outcomes in low-income and Native American communities and the importance of mitigating these effects, the Interim Final Rule identifies a broader range of services and programs that will be presumed to be responding to the public health emergency when provided in these communities. Specifically, Treasury will presume that certain types of services, outlined below, are eligible uses when provided in a Qualified Census Tract (QCT),⁴⁷ to families living in QCTs, or when these services are provided

⁴⁷ Qualified Census Tracts are a common, readily-accessible, and geographically granular method of identifying communities with a large proportion of low-income residents. Using an existing measure may speed implementation and decrease administrative burden, while identifying areas of need at a highly-localized level.

While QCTs are an effective tool generally, many tribal communities have households with a wide range of income levels due in part to non-tribal member, high income residents living in the community. Mixed income communities, with a significant share of tribal members at the lowest levels of income, are often not included as eligible QCTs yet tribal residents are experiencing disproportionate impacts due to the pandemic. Therefore, including all services provided by Tribal governments is a more effective means of ensuring that disproportionately impacted Tribal members can receive services.

by Tribal governments.⁴⁸ Recipients may also provide these services to other populations, households, or geographic areas that are disproportionately impacted by the pandemic. In identifying these disproportionately-impacted communities, recipients should be able to support their determination that the pandemic resulted in disproportionate public health or economic outcomes to the specific populations, households, or geographic areas to be served.

Given the exacerbation of health disparities during the pandemic and the role of pre-existing social vulnerabilities in driving these disparate outcomes, services to address health disparities are presumed to be responsive to the public health impacts of the pandemic. Specifically, recipients may use payments from the Fiscal Recovery Funds to facilitate access to resources that improve health outcomes, including services that connect residents with health care resources and public assistance programs and build healthier environments, such as:

- Funding community health workers to help community members access health services and services to address the social determinants of health;⁴⁹
- Funding public benefits navigators to assist community members with navigating and applying for available Federal, State, and local public benefits or services;

⁴⁸ U.S. Department of Housing and Urban Development (HUD), Qualified Census Tracts and Difficult Development Areas, <https://www.huduser.gov/portal/datasets/qct.html> (last visited Apr. 26, 2021); U.S. Department of the Interior, Bureau of Indian Affairs, Indian Lands of Federally Recognized Tribes of the United States (June 2016), <https://www.bia.gov/sites/bia.gov/files/assets/bia/ots/webteam/pdf/idc1-028635.pdf> (last visited Apr. 26, 2021).

⁴⁹ The social determinants of health are the social and environmental conditions that affect health outcomes, specifically economic stability, health care access, social context, neighborhoods and built environment, and education access. *See, e.g.*, U.S. Department of Health and Human Services, Office of Disease Prevention and Health Promotion, Healthy People 2030: Social Determinants of Health, <https://health.gov/healthypeople/objectives-and-data/social-determinants-health> (last visited Apr. 26, 2021).

- Housing services to support healthy living environments and neighborhoods conducive to mental and physical wellness;
- Remediation of lead paint or other lead hazards to reduce risk of elevated blood lead levels among children; and
- Evidence-based community violence intervention programs to prevent violence and mitigate the increase in violence during the pandemic.⁵⁰

2. Responding to Negative Economic Impacts

Impacts on Households and Individuals. The public health emergency, including the necessary measures taken to protect public health, resulted in significant economic and financial hardship for many Americans. As businesses closed, consumers stayed home, schools shifted to remote education, and travel declined precipitously, over 20 million jobs were lost in March and April 2020.⁵¹ Although many have returned to work, as of April 2021, the economy remains 8.2 million jobs below its pre-pandemic peak,⁵² and more than 3 million workers have dropped out of the labor market altogether relative to February 2020.⁵³

Rates of unemployment are particularly severe among workers of color and workers with lower levels of educational attainment; for example, the overall unemployment rate in the United

⁵⁰ National Commission on COVID-19 and Criminal Justice, Impact Report: COVID-19 and Crime (Jan. 31, 2021), <https://covid19.counciloncj.org/2021/01/31/impact-report-covid-19-and-crime-3/> (showing a spike in homicide and assaults); Brad Boesrup et al., Alarming Trends in US domestic violence during the COVID-19 pandemic, *Am. J. of Emerg. Med.* 38(12): 2753-55 (Dec. 1, 2020), *available at* [https://www.ajemjournal.com/article/S0735-6757\(20\)30307-7/fulltext](https://www.ajemjournal.com/article/S0735-6757(20)30307-7/fulltext) (showing a spike in domestic violence).

⁵¹ U.S. Bureau of Labor Statistics, All Employees, Total Nonfarm (PAYEMS), retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PAYEMS> (last visited May 8, 2021).

⁵² *Id.*

⁵³ U.S. Bureau of Labor Statistics, Civilian Labor Force Level [CLF16OV], retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/CLF16OV> (last visited May 8, 2021).

States was 6.1 percent in April 2021, but certain groups saw much higher rates: 9.7 percent for Black workers, 7.9 percent for Hispanic or Latino workers, and 9.3 percent for workers without a high school diploma.⁵⁴ Job losses have also been particularly steep among low wage workers, with these workers remaining furthest from recovery as of the end of 2020.⁵⁵ A severe recession—and its concentrated impact among low-income workers—has amplified food and housing insecurity, with an estimated nearly 17 million adults living in households where there is sometimes or often not enough food to eat and an estimated 10.7 million adults living in households that were not current on rent.⁵⁶ Over the course of the pandemic, inequities also manifested along gender lines, as schools closed to in-person activities, leaving many working families without child care during the day.⁵⁷ Women of color have been hit especially hard: the

⁵⁴ U.S. Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey: Employment status of the civilian population by sex and age (May 8 2021), <https://www.bls.gov/news.release/empsit.t01.htm> (last visited May 8, 2021); U.S. Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey: Employment status of the civilian noninstitutional population by race, Hispanic or Latino ethnicity, sex, and age (May 8, 2021), <https://www.bls.gov/web/empsit/cpseea04.htm> (last visited May 8, 2021); U.S. Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey: Employment status of the civilian noninstitutional population 25 years and over by educational attainment (May 8, 2021), <https://www.bls.gov/web/empsit/cpseea05.htm> (last visited May 8, 2021).

⁵⁵ Elise Gould & Jori Kandra, Wages grew in 2020 because the bottom fell out of the low-wage labor market, Economic Policy Institute (Feb. 24, 2021), <https://files.epi.org/pdf/219418.pdf>. *See also*, Michael Dalton et al., The K-Shaped Recovery: Examining the Diverging Fortunes of Workers in the Recovery from the COVID-19 Pandemic using Business and Household Survey Microdata, U.S. Bureau of Labor Statistics Working Paper Series (Feb. 2021), <https://www.bls.gov/osmr/research-papers/2021/pdf/ec210020.pdf>.

⁵⁶ Center on Budget and Policy Priorities, Tracking the COVID-19 Recession's Effects on Food, Housing, and Employment Hardships, <https://www.cbpp.org/research/poverty-and-inequality/tracking-the-covid-19-recessions-effects-on-food-housing-and> (last visited May 8, 2021).

⁵⁷ Women have carried a larger share of childcare responsibilities than men during the COVID-19 crisis. *See, e.g.*, Gema Zamarro & María J. Prados, Gender differences in couples' division of childcare, work and mental health during COVID-19, *Rev. Econ. Household* 19:11-40 (2021), *available at* <https://link.springer.com/article/10.1007/s11150-020-09534-7>; Titan Alon et al., The Impact of COVID-19 on Gender Equality, National Bureau of Economic Research Working Paper 26947 (April 2020), *available at* <https://www.nber.org/papers/w26947>.

labor force participation rate for Black women has fallen by 3.2 percentage points⁵⁸ during the pandemic as compared to 1.0 percentage points for Black men⁵⁹ and 2.0 percentage points for White women.⁶⁰

As the economy recovers, the effects of the pandemic-related recession may continue to impact households, including a risk of longer-term effects on earnings and economic potential. For example, unemployed workers, especially those who have experienced longer periods of unemployment, earn lower wages over the long term once rehired.⁶¹ In addition to the labor market consequences for unemployed workers, recessions can also cause longer-term economic challenges through, among other factors, damaged consumer credit scores⁶² and reduced familial and childhood wellbeing.⁶³ These potential long-term economic consequences underscore the continued need for robust policy support.

⁵⁸ U.S. Bureau of Labor Statistics, Labor Force Participation Rate - 20 Yrs. & Over, Black or African American Women [LNS11300032], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/LNS11300032> (last visited May 8, 2021).

⁵⁹ U.S. Bureau of Labor Statistics, Labor Force Participation Rate - 20 Yrs. & Over, Black or African American Men [LNS11300031], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/LNS11300031> (last visited May 8, 2021).

⁶⁰ U.S. Bureau of Labor Statistics, Labor Force Participation Rate - 20 Yrs. & Over, White Women [LNS11300029], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/LNS11300029> (last visited May 8, 2021).

⁶¹ See, e.g., Michael Greenstone & Adam Looney, Unemployment and Earnings Losses: A Look at Long-Term Impacts of the Great Recession on American Workers, Brookings Institution (Nov. 4, 2021), <https://www.brookings.edu/blog/jobs/2011/11/04/unemployment-and-earnings-losses-a-look-at-long-term-impacts-of-the-great-recession-on-american-workers/>.

⁶² Chi Chi Wu, Solving the Credit Conundrum: Helping Consumers' Credit Records Impaired by the Foreclosure Crisis and Great Recession (Dec. 2013), https://www.nclc.org/images/pdf/credit_reports/report-credit-conundrum-2013.pdf.

⁶³ Irwin Garfinkel, Sara McLanahan, Christopher Wimer, eds., Children of the Great Recession, Russell Sage Foundation (Aug. 2016), available at <https://www.russellsage.org/publications/children-great-recession>.

Impacts on Businesses. The pandemic has also severely impacted many businesses, with small businesses hit especially hard. Small businesses make up nearly half of U.S. private-sector employment⁶⁴ and play a key role in supporting the overall economic recovery as they are responsible for two-thirds of net new jobs.⁶⁵ Since the beginning of the pandemic, however, 400,000 small businesses have closed, with many more at risk.⁶⁶ Sectors with a large share of small business employment have been among those with the most drastic drops in employment.⁶⁷ The negative outlook for small businesses has continued: as of April 2021, approximately 70 percent of small businesses reported that the pandemic has had a moderate or large negative effect on their business, and over a third expect that it will take over 6 months for their business to return to their normal level of operations.⁶⁸

This negative outlook is likely the result of many small businesses having faced periods of closure and having seen declining revenues as customers stayed home.⁶⁹ In general, small businesses can face greater hurdles in accessing credit,⁷⁰ and many small businesses were

⁶⁴ Board of Governors of the Federal Reserve System, *supra* note 5.

⁶⁵ U.S. Small Business Administration, Office of Advocacy, Small Businesses Generate 44 Percent of U.S. Economic Activity (Jan. 30, 2019), <https://advocacy.sba.gov/2019/01/30/small-businesses-generate-44-percent-of-u-s-economic-activity/>.

⁶⁶ Biden, *supra* note 6.

⁶⁷ Daniel Wilmoth, U.S. Small Business Administration Office of Advocacy, The Effects of the COVID-19 Pandemic on Small Businesses, Issue Brief No. 16 (Mar. 2021), *available at* <https://cdn.advocacy.sba.gov/wp-content/uploads/2021/03/02112318/COVID-19-Impact-On-Small-Business.pdf>.

⁶⁸ U.S. Census Bureau, Small Business Pulse Survey, <https://portal.census.gov/pulse/data/> (last visited May 8, 2021).

⁶⁹ Olivia S. Kim et al., Revenue Collapses and the Consumption of Small Business Owners in the Early Stages of the COVID-19 Pandemic (Nov. 2020), <https://www.nber.org/papers/w28151>.

⁷⁰ *See e.g.*, Board of Governors of the Federal Reserve System, Report to Congress on the Availability of Credit to Small Businesses (Sept. 2017), *available at* <https://www.federalreserve.gov/publications/2017-september-availability-of-credit-to-small-businesses.htm>.

already financially fragile at the outset of the pandemic.⁷¹ Non-profits, which provide vital services to communities, have similarly faced economic and financial challenges due to the pandemic.⁷²

Impacts to State, Local, and Tribal Governments. State, local, and Tribal governments have felt substantial fiscal pressures. As noted above, State, local, and Tribal governments have faced significant revenue shortfalls and remain over 1 million jobs below their pre-pandemic staffing levels.⁷³ These reductions in staffing may undermine the ability to deliver services effectively, as well as add to the number of unemployed individuals in their jurisdictions.

Exacerbation of Pre-existing Disparities. The COVID-19 public health emergency may have lasting negative effects on economic outcomes, particularly in exacerbating disparities that existed prior to the pandemic.

The negative economic impacts of the COVID-19 pandemic are particularly pronounced in certain communities and families. Low- and moderate-income jobs make up a substantial portion of both total pandemic job losses,⁷⁴ and jobs that require in-person frontline work, which

⁷¹ Alexander W. Bartik et al., The Impact of COVID-19 on small business outcomes and expectations, PNAS 117(30): 17656-66 (July 28, 2020), *available at* <https://www.pnas.org/content/117/30/17656>.

⁷² Federal Reserve Bank of San Francisco, Impacts of COVID-19 on Nonprofits in the Western United States (May 2020), <https://www.frbsf.org/community-development/files/impact-of-covid-nonprofits-serving-western-united-states.pdf>.

⁷³ Wolfe & Kassa, *supra* note 7; Elijah Moreno & Heather Sobrepena, Tribal entities remain resilient as COVID-19 batters their finances, Federal Reserve Bank of Minneapolis (Nov. 10, 2021), <https://www.minneapolisfed.org/article/2020/tribal-entities-remain-resilient-as-covid-19-batters-their-finances>.

⁷⁴ Kim Parker et al., Economic Fallout from COVID-19 Continues to Hit Lower-Income Americans the Hardest, Pew Research Center (Sept. 24, 2020), <https://www.pewresearch.org/social-trends/2020/09/24/economic-fallout-from-covid-19-continues-to-hit-lower-income-americans-the-hardest/>; Gould, *supra* note 55.

are exposed to greater risk of contracting COVID-19.⁷⁵ Both factors compound pre-existing vulnerabilities and the likelihood of food, housing, or other financial insecurity in low- and moderate-income families and, given the concentration of low- and moderate-income families within certain communities,⁷⁶ raise a substantial risk that the effects of the COVID-19 public health emergency will be amplified within these communities.

These compounding effect of recessions on concentrated poverty and the long-lasting nature of this effect were observed after the 2007-2009 recession, including a large increase in concentrated poverty with the number of people living in extremely poor neighborhoods more than doubling by 2010-2014 relative to 2000.⁷⁷ Concentrated poverty has a range of deleterious impacts, including additional burdens on families and reduced economic potential and social cohesion.⁷⁸ Given the disproportionate impact of COVID-19 on low-income households discussed above, there is a risk that the current pandemic-induced recession could further increase concentrated poverty and cause long-term damage to economic prospects in neighborhoods of concentrated poverty.

The negative economic impacts of COVID-19 also include significant impacts to children in disproportionately affected families and include impacts to education, health, and welfare, all

⁷⁵ See *infra* Section II.B of this Supplementary Information.

⁷⁶ Elizabeth Kneebone, The Changing geography of US poverty, Brookings Institution (Feb. 15, 2017), <https://www.brookings.edu/testimonies/the-changing-geography-of-us-poverty/>.

⁷⁷ Elizabeth Kneebone & Natalie Holmes, U.S. concentrated poverty in the wake of the Great Recession, Brookings Institution (Mar. 31, 2016), <https://www.brookings.edu/research/u-s-concentrated-poverty-in-the-wake-of-the-great-recession/>.

⁷⁸ David Erickson et al., The Enduring Challenge of Concentrated Poverty in America: Case Studies from Communities Across the U.S. (2008), *available at* https://www.frbsf.org/community-development/files/cp_fullreport.pdf.

of which contribute to long-term economic outcomes.⁷⁹ Many low-income and minority students, who were disproportionately served by remote or hybrid education during the pandemic, lacked the resources to participate fully in remote schooling or live in households without adults available throughout the day to assist with online coursework.⁸⁰ Given these trends, the pandemic may widen educational disparities and worsen outcomes for low-income students,⁸¹ an effect that would substantially impact their long-term economic outcomes. Increased economic strain or material hardship due to the pandemic could also have a long-term impact on health, educational, and economic outcomes of young children.⁸² Evidence suggests

⁷⁹ Educational quality, as early as Kindergarten, has a long-term impact on children's public health and economic outcomes. *See, e.g.,* Tyler W. Watts et al., The Chicago School Readiness Project: Examining the long-term impacts of an early childhood intervention, PLoS ONE 13(7) (2018), *available at* <https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0200144>; Opportunity Insights, How Can We Amplify Education as an Engine of Mobility? Using big data to help children get the most from school, <https://opportunityinsights.org/education/> (last visited Apr. 26, 2021); U.S. Department of Health and Human Services (HHS), Office of Disease Prevention and Health Promotion, Early Childhood Development and Education, <https://www.healthypeople.gov/2020/topics-objectives/topic/social-determinants-health/interventions-resources/early-childhood-development-and-education> (last visited Apr. 26, 2021).

⁸⁰ *See, e.g.,* Bacher-Hicks, *supra* note 14.

⁸¹ A Department of Education survey found that, as of February 2021, 42 percent of fourth grade students nationwide were offered only remote education, compared to 48 percent of economically disadvantaged students, 54 percent of Black students and 57 percent of Hispanic students. Large districts often disproportionately serve low-income students. *See* Institute of Education Sciences, Monthly School Survey Dashboard, <https://ies.ed.gov/schoolsurvey/> (last visited Apr. 26, 2021). In summer 2020, a review found that 74 percent of the largest 100 districts chose remote learning only. *See* Education Week, School Districts' Reopening Plans: A Snapshot (Jul. 15, 2020), <https://www.edweek.org/leadership/school-districts-reopening-plans-a-snapshot/2020/07> (last visited May 4, 2021).

⁸² HHS, *supra* note 79.

that adverse conditions in early childhood, including exposure to poverty, food insecurity, housing insecurity, or other economic hardships, are particularly impactful.⁸³

The pandemic's disproportionate economic impacts are also seen in Tribal communities across the country—for Tribal governments as well as families and businesses on and off Tribal lands. In the early months of the pandemic, Native American unemployment spiked to 26 percent and, while partially recovered, remains at nearly 11 percent.⁸⁴ Tribal enterprises are a significant source of revenue for Tribal governments to support the provision of government services. These enterprises, notably concentrated in gaming, tourism, and hospitality, frequently closed, significantly reducing both revenues to Tribal governments and employment. As a result, Tribal governments have reduced essential services to their citizens and communities.⁸⁵

Eligible Uses. Sections 602(c)(1)(A) and 603(c)(1)(A) permit use of payments from the Fiscal Recovery Funds to respond to the negative economic impacts of the COVID-19 public health emergency. Eligible uses that respond to the negative economic impacts of the public health emergency must be designed to address an economic harm resulting from or exacerbated by the public health emergency. In considering whether a program or service would be eligible under this category, the recipient should assess whether, and the extent to which, there has been

⁸³ Hirokazu Yoshikawa, Effects of the Global Coronavirus Disease – 2019 Pandemic on Early Childhood Development: Short- and Long-Term Risks and Mitigating Program and Policy Actions, *J. of Pediatrics* Vol. 223:188-93 (Aug. 1, 2020), *available at* [https://www.jpeds.com/article/S0022-3476\(20\)30606-5/abstract](https://www.jpeds.com/article/S0022-3476(20)30606-5/abstract).

⁸⁴ Based on calculations conducted by the Minneapolis Fed's Center for Indian Country Development using Flood et al. (2020)'s Current Population Survey." Sarah Flood, Miriam King, Renae Rodgers, Steven Ruggles and J. Robert Warren. Integrated Public Use Microdata Series, Current Population Survey: Version 8.0 [dataset]. Minneapolis, MN: IPUMS, 2020. <https://doi.org/10.18128/D030.V8.0>; *see also* Donna Feir & Charles Golding, Native Employment During COVID-19: Hard hit in April but Starting to Rebound? (Aug. 5, 2020), <https://www.minneapolisfed.org/article/2020/native-employment-during-covid-19-hit-hard-in-april-but-starting-to-rebound>.

⁸⁵ Moreno & Sobrepena, *supra* note 73.

an economic harm, such as loss of earnings or revenue, that resulted from the COVID-19 public health emergency and whether, and the extent to which, the use would respond or address this harm.⁸⁶ A recipient should first consider whether an economic harm exists and whether this harm was caused or made worse by the COVID-19 public health emergency. While economic impacts may either be immediate or delayed, assistance or aid to individuals or businesses that did not experience a negative economic impact from the public health emergency would not be an eligible use under this category.

In addition, the eligible use must “respond to” the identified negative economic impact. Responses must be related and reasonably proportional to the extent and type of harm experienced; uses that bear no relation or are grossly disproportionate to the type or extent of harm experienced would not be eligible uses. Where there has been a negative economic impact resulting from the public health emergency, States, local, and Tribal governments have broad latitude to choose whether and how to use the Fiscal Recovery Funds to respond to and address the negative economic impact. Sections 602(c)(1)(A) and 603(c)(1)(A) describe several types of uses that would be eligible under this category, including assistance to households, small businesses, and nonprofits and aid to impacted industries such as tourism, travel, and hospitality.

To facilitate implementation and use of payments from the Fiscal Recovery Funds, the Interim Final Rule identifies a non-exclusive list of eligible uses of funding that respond to the negative economic impacts of the public health emergency. Consistent with the discussion above, the eligible uses listed below would respond directly to the economic or financial harms resulting from and or exacerbated by the public health emergency.

⁸⁶ In some cases, a use may be permissible under another eligible use category even if it falls outside the scope of section (c)(1)(A) of the Act.

- *Assistance to Unemployed Workers.* This includes assistance to unemployed workers, including services like job training to accelerate rehiring of unemployed workers; these services may extend to workers unemployed due to the pandemic or the resulting recession, or who were already unemployed when the pandemic began and remain so due to the negative economic impacts of the pandemic.
- *State Unemployment Insurance Trust Funds.* Consistent with the approach taken in the CRF, recipients may make deposits into the state account of the Unemployment Trust Fund established under section 904 of the Social Security Act (42 U.S.C. 1104) up to the level needed to restore the pre-pandemic balances of such account as of January 27, 2020 or to pay back advances received under Title XII of the Social Security Act (42 U.S.C. 1321) for the payment of benefits between January 27, 2020 and [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER], given the close nexus between Unemployment Trust Fund costs, solvency of Unemployment Trust Fund systems, and pandemic economic impacts. Further, Unemployment Trust Fund deposits can decrease fiscal strain on Unemployment Insurance systems impacted by the pandemic. States facing a sharp increase in Unemployment Insurance claims during the pandemic may have drawn down positive Unemployment Trust Fund balances and, after exhausting the balance, required advances to fund continuing obligations to claimants. Because both of these impacts were driven directly by the need for assistance to unemployed workers during the pandemic, replenishing Unemployment Trust Funds up to the pre-pandemic level responds to the pandemic's negative economic impacts on unemployed workers.

- *Assistance to Households.* Assistance to households or populations facing negative economic impacts due to COVID-19 is also an eligible use. This includes: food assistance; rent, mortgage, or utility assistance; counseling and legal aid to prevent eviction or homelessness; cash assistance (discussed below); emergency assistance for burials, home repairs, weatherization, or other needs; internet access or digital literacy assistance; or job training to address negative economic or public health impacts experienced due to a worker's occupation or level of training. As discussed above, in considering whether a potential use is eligible under this category, a recipient must consider whether, and the extent to which, the household has experienced a negative economic impact from the pandemic. In assessing whether a household or population experienced economic harm as a result of the pandemic, a recipient may presume that a household or population that experienced unemployment or increased food or housing insecurity or is low- or moderate-income experienced negative economic impacts resulting from the pandemic. For example, a cash transfer program may focus on unemployed workers or low- and moderate-income families, which have faced disproportionate economic harms due to the pandemic. Cash transfers must be reasonably proportional to the negative economic impact they are intended to address. Cash transfers grossly in excess of the amount needed to address the negative economic impact identified by the recipient would not be considered to be a response to the COVID-19 public health emergency or its negative impacts. In particular, when considering the appropriate size of permissible cash transfers made in response to the COVID-19 public health emergency, State, local and

Tribal governments may consider and take guidance from the per person amounts previously provided by the Federal government in response to the COVID-19 crisis. Cash transfers that are grossly in excess of such amounts would be outside the scope of eligible uses under section 602(c)(1)(A) and 603(c)(1)(A) and could be subject to recoupment. In addition, a recipient could provide survivor's benefits to surviving family members of COVID-19 victims, or cash assistance to widows, widowers, and dependents of eligible COVID-19 victims.

- *Expenses to Improve Efficacy of Economic Relief Programs.* State, local, and Tribal governments may use payments from the Fiscal Recovery Funds to improve efficacy of programs addressing negative economic impacts, including through use of data analysis, targeted consumer outreach, improvements to data or technology infrastructure, and impact evaluations.
- *Small Businesses and Non-profits.* As discussed above, small businesses and non-profits faced significant challenges in covering payroll, mortgages or rent, and other operating costs as a result of the public health emergency and measures taken to contain the spread of the virus. State, local, and Tribal governments may provide assistance to small businesses to adopt safer operating procedures, weather periods of closure, or mitigate financial hardship resulting from the COVID-19 public health emergency, including:
 - Loans or grants to mitigate financial hardship such as declines in revenues or impacts of periods of business closure, for example by supporting payroll and benefits costs, costs to retain employees, mortgage, rent, or utilities costs, and other operating costs;

- Loans, grants, or in-kind assistance to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing, enhanced cleaning efforts, barriers or partitions, or COVID-19 vaccination, testing, or contact tracing programs; and
- Technical assistance, counseling, or other services to assist with business planning needs.

As discussed above, these services should respond to the negative economic impacts of COVID-19. Recipients may consider additional criteria to target assistance to businesses in need, including small businesses. Such criteria may include businesses facing financial insecurity, substantial declines in gross receipts (e.g., comparable to measures used to assess eligibility for the Paycheck Protection Program), or other economic harm due to the pandemic, as well as businesses with less capacity to weather financial hardship, such as the smallest businesses, those with less access to credit, or those serving disadvantaged communities. Recipients should consider local economic conditions and business data when establishing such criteria.⁸⁷

- *Rehiring State, Local, and Tribal Government Staff.* State, local, and Tribal governments continue to see pandemic impacts in overall staffing levels: State, local, and Tribal government employment remains more than 1 million jobs lower

⁸⁷ See Federal Reserve Bank of Cleveland, *An Uphill Battle: COVID-19's Outsized Toll on Minority-Owned Firms* (Oct. 8, 2020), <https://www.clevelandfed.org/newsroom-and-events/publications/community-development-briefs/db-20201008-misera-report.aspx> (discussing the impact of COVID-19 on minority owned businesses).

in April 2021 than prior to the pandemic.⁸⁸ Employment losses decrease a state or local government's ability to effectively administer services. Thus, the Interim Final Rule includes as an eligible use payroll, covered benefits, and other costs associated with rehiring public sector staff, up to the pre-pandemic staffing level of the government.

- *Aid to Impacted Industries.* Sections 602(c)(1)(A) and 603(c)(1)(A) recognize that certain industries, such as tourism, travel, and hospitality, were disproportionately and negatively impacted by the COVID-19 public health emergency. Aid provided to tourism, travel, and hospitality industries should respond to the negative economic impacts of the pandemic on those and similarly impacted industries. For example, aid may include assistance to implement COVID-19 mitigation and infection prevention measures to enable safe resumption of tourism, travel, and hospitality services, for example, improvements to ventilation, physical barriers or partitions, signage to facilitate social distancing, provision of masks or personal protective equipment, or consultation with infection prevention professionals to develop safe reopening plans.

Aid may be considered responsive to the negative economic impacts of the pandemic if it supports businesses, attractions, business districts, and Tribal development districts operating prior to the pandemic and affected by required

⁸⁸ U.S. Bureau of Labor Statistics, All Employees, State Government [CES9092000001] and All Employees, Local Government [CES9093000001], retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/CES9092000001> and <https://fred.stlouisfed.org/series/CES9093000001> (last visited May 8, 2021).

closures and other efforts to contain the pandemic. For example, a recipient may provide aid to support safe reopening of businesses in the tourism, travel, and hospitality industries and to business districts that were closed during the COVID-19 public health emergency, as well as aid for a planned expansion or upgrade of tourism, travel, and hospitality facilities delayed due to the pandemic.

When considering providing aid to industries other than tourism, travel, and hospitality, recipients should consider the extent of the economic impact as compared to tourism, travel, and hospitality, the industries enumerated in the statute. For example, on net, the leisure and hospitality industry has experienced an approximately 24 percent decline in revenue and approximately 17 percent decline in employment nationwide due to the COVID-19 public health emergency.⁸⁹ Recipients should also consider whether impacts were due to the COVID-19 pandemic, as opposed to longer-term economic or industrial trends unrelated to the pandemic.

To facilitate transparency and accountability, the Interim Final Rule requires that State, local, and Tribal governments publicly report assistance provided to private-sector businesses under this eligible use, including tourism, travel, hospitality, and other impacted industries, and its connection to negative

⁸⁹ From February 2020 to April 2021, employment in “Leisure and hospitality” has fallen by approximately 17 percent. *See* U.S. Bureau of Labor Statistics, All Employees, Leisure and Hospitality, retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/USLAH> (last visited May 8, 2021). From 2019Q4 to 2020Q4, gross output (e.g. revenue) in arts, entertainment, recreation, accommodation, and food services has fallen by approximately 24 percent. *See* Bureau of Economic Analysis, News Release: Gross Domestic Product (Third Estimate), Corporate Profits, and GDP by Industry, Fourth Quarter and Year 2020 (Mar. 25, 2021), Table 17, https://www.bea.gov/sites/default/files/2021-03/gdp4q20_3rd.pdf.

economic impacts of the pandemic. Recipients also should maintain records to support their assessment of how businesses or business districts receiving assistance were affected by the negative economic impacts of the pandemic and how the aid provided responds to these impacts.

As discussed above, economic disparities that existed prior to the COVID-19 public health emergency amplified the impact of the pandemic among low-income and minority groups. These families were more likely to face housing, food, and financial insecurity; are over-represented among low-wage workers; and many have seen their livelihoods deteriorate further during the pandemic and economic contraction. In recognition of the disproportionate negative economic impacts on certain communities and populations, the Interim Final Rule identifies services and programs that will be presumed to be responding to the negative economic impacts of the COVID-19 public health emergency when provided in these communities.

Specifically, Treasury will presume that certain types of services, outlined below, are eligible uses when provided in a QCT, to families and individuals living in QCTs, or when these services are provided by Tribal governments.⁹⁰ Recipients may also provide these services to other populations, households, or geographic areas disproportionately impacted by the pandemic. In identifying these disproportionately impacted communities, recipients should be able to support their determination that the pandemic resulted in disproportionate public health or economic outcomes to the specific populations, households, or geographic areas to be served. The Interim Final Rule identifies a non-exclusive list of uses that address the disproportionate negative economic effects of the COVID-19 public health emergency, including:

⁹⁰ HUD, *supra* note 48.

- *Building Stronger Communities through Investments in Housing and Neighborhoods*. The economic impacts of COVID-19 have likely been most acute in lower-income neighborhoods, including concentrated areas of high unemployment, limited economic opportunity, and housing insecurity.⁹¹ Services in this category alleviate the immediate economic impacts of the COVID-19 pandemic on housing insecurity, while addressing conditions that contributed to poor public health and economic outcomes during the pandemic, namely concentrated areas with limited economic opportunity and inadequate or poor-quality housing.⁹² Eligible services include:
 - Services to address homelessness such as supportive housing, and to improve access to stable, affordable housing among unhoused individuals;
 - Affordable housing development to increase supply of affordable and high-quality living units; and
 - Housing vouchers, residential counseling, or housing navigation assistance to facilitate household moves to neighborhoods with high levels of economic opportunity and mobility for low-income residents, to help residents increase their economic opportunity and reduce concentrated areas of low economic opportunity.⁹³

⁹¹ Stuart M. Butler & Jonathan Grabinsky, Tackling the legacy of persistent urban inequality and concentrated poverty, Brookings Institution (Nov. 16, 2020), <https://www.brookings.edu/blog/up-front/2020/11/16/tackling-the-legacy-of-persistent-urban-inequality-and-concentrated-poverty/>.

⁹² U.S. Department of Health and Human Services (HHS), Office of Disease Prevention and Health Promotion, Quality of Housing, <https://www.healthypeople.gov/2020/topics-objectives/topic/social-determinants-health/interventions-resources/quality-of-housing#11> (last visited Apr. 26, 2021).

⁹³ The Opportunity Atlas, <https://www.opportunityatlas.org/> (last visited Apr. 26, 2021); Raj Chetty & Nathaniel Hendren, The Impacts of Neighborhoods on Intergenerational Mobility I: Childhood Exposure Effects, *Quarterly J. of Econ.* 133(3):1107-162 (2018), *available at* <https://opportunityinsights.org/paper/neighborhoodsi/>.

- *Addressing Educational Disparities.* As outlined above, school closures and the transition to remote education raised particular challenges for lower-income students, potentially exacerbating educational disparities, while increases in economic hardship among families could have long-lasting impacts on children’s educational and economic prospects. Services under this prong would enhance educational supports to help mitigate impacts of the pandemic. Eligible services include:
 - New, expanded, or enhanced early learning services, including pre-kindergarten, Head Start, or partnerships between pre-kindergarten programs and local education authorities, or administration of those services;
 - Providing assistance to high-poverty school districts to advance equitable funding across districts and geographies;
 - Evidence-based educational services and practices to address the academic needs of students, including tutoring, summer, afterschool, and other extended learning and enrichment programs; and
 - Evidence-based practices to address the social, emotional, and mental health needs of students;
- *Promoting Healthy Childhood Environments.* Children’s economic and family circumstances have a long-term impact on their future economic outcomes.⁹⁴ Increases in economic hardship, material insecurity, and parental stress and behavioral health challenges all raise the risk of long-term harms to today’s children due to the pandemic. Eligible services to address this challenge include:

⁹⁴ See supra notes 52 and 84.

- New or expanded high-quality childcare to provide safe and supportive care for children;
- Home visiting programs to provide structured visits from health, parent educators, and social service professionals to pregnant women or families with young children to offer education and assistance navigating resources for economic support, health needs, or child development; and
- Enhanced services for child welfare-involved families and foster youth to provide support and training on child development, positive parenting, coping skills, or recovery for mental health and substance use challenges.

State, local, and Tribal governments are encouraged to use payments from the Fiscal Recovery Funds to respond to the direct and immediate needs of the pandemic and its negative economic impacts and, in particular, the needs of households and businesses that were disproportionately and negatively impacted by the public health emergency. As highlighted above, low-income communities and workers and people of color have faced more severe health and economic outcomes during the pandemic, with pre-existing social vulnerabilities like low-wage or insecure employment, concentrated neighborhoods with less economic opportunity, and pre-existing health disparities likely contributing to the magnified impact of the pandemic. The Fiscal Recovery Funds provide resources to not only respond to the immediate harms of the pandemic but also to mitigate its longer-term impact in compounding the systemic public health and economic challenges of disproportionately impacted populations. Treasury encourages recipients to consider funding uses that foster a strong, inclusive, and equitable recovery, especially uses with long-term benefits for health and economic outcomes.

Uses Outside the Scope of this Category. Certain uses would not be within the scope of this eligible use category, although may be eligible under other eligible use categories. A general infrastructure project, for example, typically would not be included unless the project responded to a specific pandemic public health need (e.g., investments in facilities for the delivery of vaccines) or a specific negative economic impact like those described above (e.g., affordable housing in a QCT). The ARPA explicitly includes infrastructure if it is “necessary” and in water, sewer, or broadband. *See* Section II.D of this Supplementary Information. State, local, and Tribal governments also may use the Fiscal Recovery Funds under sections 602(c)(1)(C) or 603(c)(1)(C) to provide “government services” broadly to the extent of their reduction in revenue. *See* Section II.C of this Supplementary Information.

This category of eligible uses also would not include contributions to rainy day funds, financial reserves, or similar funds. Resources made available under this eligible use category are intended to help meet pandemic response needs and provide relief for households and businesses facing near- and long-term negative economic impacts. Contributions to rainy day funds and similar financial reserves would not address these needs or respond to the COVID-19 public health emergency but would rather constitute savings for future spending needs. Similarly, this eligible use category would not include payment of interest or principal on outstanding debt instruments, including, for example, short-term revenue or tax anticipation notes, or other debt service costs. As discussed below, payments from the Fiscal Recovery Funds are intended to be used prospectively and the Interim Final Rule precludes use of these funds to cover the costs of debt incurred prior to March 3, 2021. Fees or issuance costs associated with the issuance of new debt would also not be covered using payments from the Fiscal Recovery Funds because such costs would not themselves have been incurred to address

the needs of pandemic response or its negative economic impacts. The purpose of the Fiscal Recovery Funds is to provide fiscal relief that will permit State, local, and Tribal governments to continue to respond to the COVID-19 public health emergency.

For the same reasons, this category of eligible uses would not include satisfaction of any obligation arising under or pursuant to a settlement agreement, judgment, consent decree, or judicially confirmed debt restructuring plan in a judicial, administrative, or regulatory proceeding, except to the extent the judgment or settlement requires the provision of services that would respond to the COVID-19 public health emergency. That is, satisfaction of a settlement or judgment would not itself respond to COVID-19 with respect to the public health emergency or its negative economic impacts, unless the settlement requires the provision of services or aid that did directly respond to these needs, as described above.

In addition, as described in Section V.III of this Supplementary Information, Treasury will establish reporting and record keeping requirements for uses within this category, including enhanced reporting requirements for certain types of uses.

Question 1: Are there other types of services or costs that Treasury should consider as eligible uses to respond to the public health impacts of COVID-19? Describe how these respond to the COVID-19 public health emergency.

Question 2: The Interim Final Rule permits coverage of payroll and benefits costs of public health and safety staff primarily dedicated to COVID-19 response, as well as rehiring of public sector staff up to pre-pandemic levels. For how long should these measures remain in place? What other measures or presumptions might Treasury consider to assess the extent to which public sector staff are engaged in COVID-19 response, and therefore reimbursable, in an easily-administrable manner?

Question 3: The Interim Final Rule permits rehiring of public sector staff up to the government's pre-pandemic staffing level, which is measured based on employment as of January 27, 2021. Does this approach adequately measure the pre-pandemic staffing level in a manner that is both accurate and easily administrable? Why or why not?

Question 4: The Interim Final Rule permits deposits to Unemployment Insurance Trust Funds, or using funds to pay back advances, up to the pre-pandemic balance. What, if any, conditions should be considered to ensure that funds repair economic impacts of the pandemic and strengthen unemployment insurance systems?

Question 5: Are there other types of services or costs that Treasury should consider as eligible uses to respond to the negative economic impacts of COVID-19? Describe how these respond to the COVID-19 public health emergency.

Question 6: What other measures, presumptions, or considerations could be used to assess "impacted industries" affected by the COVID-19 public health emergency?

Question 7: What are the advantages and disadvantages of using Qualified Census Tracts and services provided by Tribal governments to delineate where a broader range of eligible uses are presumed to be responsive to the public health and economic impacts of COVID-19? What other measures might Treasury consider? Are there other populations or geographic areas that were disproportionately impacted by the pandemic that should be explicitly included?

Question 8: Are there other services or costs that Treasury should consider as eligible uses to respond to the disproportionate impacts of COVID-19 on low-income populations and communities? Describe how these respond to the COVID-19 public health emergency or its negative economic impacts, including its exacerbation of pre-existing challenges in these areas.

Question 9: The Interim Final Rule includes eligible uses to support affordable housing and stronger neighborhoods in disproportionately-impacted communities. Discuss the advantages and disadvantages of explicitly including other uses to support affordable housing and stronger neighborhoods, including rehabilitation of blighted properties or demolition of abandoned or vacant properties. In what ways does, or does not, this potential use address public health or economic impacts of the pandemic? What considerations, if any, could support use of Fiscal Recovery Funds in ways that do not result in resident displacement or loss of affordable housing units?

B. Premium Pay

Fiscal Recovery Funds payments may be used by recipients to provide premium pay to eligible workers performing essential work during the COVID-19 public health emergency or to provide grants to third-party employers with eligible workers performing essential work.⁹⁵ These are workers who have been and continue to be relied on to maintain continuity of operations of essential critical infrastructure sectors, including those who are critical to protecting the health and wellbeing of their communities.

Since the start of the COVID-19 public health emergency in January 2020, essential workers have put their physical wellbeing at risk to meet the daily needs of their communities and to provide care for others. In the course of this work, many essential workers have contracted or died of COVID-19.⁹⁶ Several examples reflect the severity of the health impacts

⁹⁵ §§602(c)(1)(B), 603(c)(1)(B) of the Act.

⁹⁶ See, e.g., Centers for Disease Control and Prevention, COVID Data Tracker: Cases & Death among Healthcare Personnel, <https://covid.cdc.gov/covid-data-tracker/#health-care-personnel> (last visited May 4, 2021); Centers for Disease Control and Prevention, COVID Data Tracker: Confirmed COVID-19 Cases and Deaths among Staff and Rate per 1,000 Resident-Weeks in Nursing Homes, by Week – United States, <https://covid.cdc.gov/covid-data-tracker/#nursing-home-staff> (last visited May 4, 2021).

for essential workers. Meat processing plants became “hotspots” for transmission, with 700 new cases reported at a single plant on a single day in May 2020.⁹⁷ In New York City, 120 employees of the Metropolitan Transit Authority were estimated to have died due to COVID-19 by mid-May 2020, with nearly 4,000 testing positive for the virus.⁹⁸ Furthermore, many essential workers are people of color or low-wage workers.⁹⁹ These workers, in particular, have borne a disproportionate share of the health and economic impacts of the pandemic. Such workers include:

- 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 other school staff; and
- Social service and human services staff.

During the public health emergency, employers’ policies on COVID-19-related hazard pay have varied widely, with many essential workers not yet compensated for the heightened

⁹⁷ See, e.g., The Lancet, The plight of essential workers during the COVID-19 pandemic, Vol. 395, Issue 10237:1587 (May 23, 2020), *available at* <https://www.thelancet.com/journals/lancet/article/PIIS0140-6736%2820%2931200-9/fulltext>.

⁹⁸ *Id.*

⁹⁹ Joanna Gaitens et al., Covid-19 and essential workers: A narrative review of health outcomes and moral injury, *Int’l J. of Env’tl. Research and Pub. Health* 18(4):1446 (Feb. 4, 2021), *available at* <https://pubmed.ncbi.nlm.nih.gov/33557075/>; Tiana N. Rogers et al., Racial Disparities in COVID-19 Mortality Among Essential Workers in the United States, *World Med. & Health policy* 12(3):311-27 (Aug. 5, 2020), *available at* <https://onlinelibrary.wiley.com/doi/full/10.1002/wmh3.358> (finding that vulnerability to coronavirus exposure was increased among non-Hispanic blacks, who disproportionately occupied the top nine essential occupations).

risks they have faced and continue to face.¹⁰⁰ Many of these workers earn lower wages on average and live in socioeconomically vulnerable communities as compared to the general population.¹⁰¹ A recent study found that 25 percent of essential workers were estimated to have low household income, with 13 percent in high-risk households.¹⁰² The low pay of many essential workers makes them less able to cope with the financial consequences of the pandemic or their work-related health risks, including working hours lost due to sickness or disruptions to childcare and other daily routines, or the likelihood of COVID-19 spread in their households or communities. Thus, the threats and costs involved with maintaining the ongoing operation of vital facilities and services have been, and continue to be, borne by those that are often the most vulnerable to the pandemic. The added health risk to essential workers is one prominent way in which the pandemic has amplified pre-existing socioeconomic inequities.

The Fiscal Recovery Funds will help respond to the needs of essential workers by allowing recipients to remunerate essential workers for the elevated health risks they have faced and continue to face during the public health emergency. To ensure that premium pay is targeted to workers that faced or face heightened risks due to the character of their work, the Interim Final Rule defines essential work as work involving regular in-person interactions or regular physical handling of items that were also handled by others. A worker would not be engaged in essential work and, accordingly may not receive premium pay, for telework performed from a residence.

¹⁰⁰ Economic Policy Institute, Only 30% of those working outside their home are receiving hazard pay (June 16, 2020), <https://www.epi.org/press/only-30-of-those-working-outside-their-home-are-receiving-hazard-pay-black-and-hispanic-workers-are-most-concerned-about-bringing-the-coronavirus-home/>.

¹⁰¹ McCormack, *supra* note 37.

¹⁰² *Id.*

Sections 602(g)(2) and 603(g)(2) define eligible worker to mean “those workers needed to maintain continuity of operations of essential critical infrastructure sectors and additional sectors as each Governor of a State or territory, or each Tribal government, may designate as critical to protect the health and well-being of the residents of their State, territory, or Tribal government.”¹⁰³ The rule incorporates this definition and provides a list of industries recognized as essential critical infrastructure sectors.¹⁰⁴ These sectors include healthcare, public health and safety, childcare, education, sanitation, transportation, and food production and services, among others as noted above. As provided under sections 602(g)(2) and 603(g)(2), the chief executive of each recipient has discretion to add additional sectors to this list, so long as additional sectors are deemed critical to protect the health and well-being of residents.

In providing premium pay to essential workers or grants to eligible employers, a recipient must consider whether the pay or grant would “respond to” to the worker or workers performing essential work. Premium pay or grants provided under this section respond to workers performing essential work if it addresses the heightened risk to workers who must be physically present at a jobsite and, for many of whom, the costs associated with illness were hardest to bear financially. Many of the workers performing critical essential services are low- or moderate-income workers, such as those described above. The ARPA recognizes this by defining premium pay to mean an amount up to \$13 per hour in addition to wages or remuneration the worker otherwise receives and in an aggregate amount not to exceed \$25,000 per eligible worker. To ensure the provision is implemented in a manner that compensates these workers, the Interim

¹⁰³ §§602(g)(2), 603(g)(2) of the Act.

¹⁰⁴ The list of critical infrastructure sectors provided in the Interim Final Rule is based on the list of essential workers under The Heroes Act, H.R. 6800, 116th Cong. (2020).

Final Rule provides that any premium pay or grants provided using the Fiscal Recovery Funds should prioritize compensation of those lower income eligible workers that perform essential work.

As such, providing premium pay to eligible workers responds to such workers by helping address the disparity between the critical services and risks taken by essential workers and the relatively low compensation they tend to receive in exchange. If premium pay would increase a worker's total pay above 150 percent of their residing state's average annual wage for all occupations, as defined by the Bureau of Labor Statistics' Occupational Employment and Wage Statistics, or their residing county's average annual wage, as defined by the Bureau of Labor Statistics' Occupational Employment and Wage Statistics, whichever is higher, on an annual basis, the State, local, or Tribal government must provide Treasury and make publicly available, whether for themselves or on behalf of a grantee, a written justification of how the premium pay or grant is responsive to workers performing essential worker during the public health emergency.¹⁰⁵

The threshold of 150 percent for requiring additional written justification is based on an analysis of the distribution of labor income for a sample of 20 occupations that generally correspond to the essential workers as defined in the Interim Final Rule.¹⁰⁶ For these

¹⁰⁵ County median annual wage is taken to be that of the metropolitan or nonmetropolitan area that includes the county. See U.S. Bureau of Labor Statistics, State Occupational Employment and Wage Estimates, <https://www.bls.gov/oes/current/oesrcst.htm> (last visited May 1, 2021); U.S. Bureau of Labor Statistics, May 2020 Metropolitan and Nonmetropolitan Area Estimates listed by county or town, https://www.bls.gov/oes/current/county_links.htm (last visited May 1, 2021).

¹⁰⁶ Treasury performed this analysis with data from the U.S. Census Bureau's 2019 Annual Social and Economic Supplement. In determining which occupations to include in this analysis, Treasury excluded management and supervisory positions, as such positions may not necessarily involve regular in-person interactions or physical handling of items to the same extent as non-managerial positions.

occupations, labor income for the vast majority of workers was under 150 percent of average annual labor income across all occupations. Treasury anticipates that the threshold of 150 percent of the annual average wage will be greater than the annual average wage of the vast majority of eligible workers performing essential work. These enhanced reporting requirements help to ensure grants are directed to essential workers in critical infrastructure sectors and responsive to the impacts of the pandemic observed among essential workers, namely the misalignment between health risks and compensation. Enhanced reporting also provides transparency to the public. Finally, using a localized measure reflects differences in wages and cost of living across the country, making this standard administrable and reflective of essential worker incomes across a diverse range of geographic areas.

Furthermore, because premium pay is intended to compensate essential workers for heightened risk due to COVID-19, it must be entirely additive to a worker's regular rate of wages and other remuneration and may not be used to reduce or substitute for a worker's normal earnings. The definition of premium pay also clarifies that premium pay may be provided retrospectively for work performed at any time since the start of the COVID-19 public health emergency, where those workers have yet to be compensated adequately for work previously performed.¹⁰⁷ Treasury encourages recipients to prioritize providing retrospective premium pay where possible, recognizing that many essential workers have not yet received additional compensation for work conducted over the course of many months. Essential workers who have already earned premium pay for essential work performed during the COVID-19 public health

¹⁰⁷ However, such compensation must be "in addition to" remuneration or wages already received. That is, employers may not reduce such workers' current pay and use Fiscal Recovery Funds to compensate themselves for premium pay previously provided to the worker.

emergency remain eligible for additional payments, and an essential worker may receive both retrospective premium pay for prior work as well as prospective premium pay for current or ongoing work.

To ensure any grants respond to the needs of essential workers and are made in a fair and transparent manner, the rule imposes some additional reporting requirements for grants to third-party employers, including the public disclosure of grants provided. *See* Section VIII of this Supplementary Information, discussing reporting requirements. In responding to the needs of essential workers, a grant to an employer may provide premium pay to eligible workers performing essential work, as these terms are defined in the Interim Final Rule and discussed above. A grant provided to an employer may also be for essential work performed by eligible workers pursuant to a contract. For example, if a municipality contracts with a third party to perform sanitation work, the third-party contractor could be eligible to receive a grant to provide premium pay for these eligible workers.

Question 10: Are there additional sectors beyond those listed in the Interim Final Rule that should be considered essential critical infrastructure sectors?

Question 11: What, if any, additional criteria should Treasury consider to ensure that premium pay responds to essential workers?

Question 12: What consideration, if any, should be given to the criteria on salary threshold, including measure and level, for requiring written justification?

C. Revenue Loss

Recipients may use payments from the Fiscal Recovery Funds for the provision of government services to the extent of the reduction in revenue experienced due to the COVID-19

public health emergency.¹⁰⁸ Pursuant to sections 602(c)(1)(C) and 603(c)(1)(C) of the Act, a recipient's reduction in revenue is measured relative to the revenue collected in the most recent full fiscal year prior to the emergency.

Many State, local, and Tribal governments are experiencing significant budget shortfalls, which can have a devastating impact on communities. State government tax revenue from major sources were down 4.3 percent in the six months ended September 2020, relative to the same period 2019.¹⁰⁹ At the local level, nearly 90 percent of cities have reported being less able to meet the fiscal needs of their communities and, on average, cities expect a double-digit decline in general fund revenues in their fiscal year 2021.¹¹⁰ Similarly, surveys of Tribal governments and Tribal enterprises found majorities of respondents reporting substantial cost increases and revenue decreases, with Tribal governments reporting reductions in healthcare, housing, social services, and economic development activities as a result of reduced revenues.¹¹¹ These budget shortfalls are particularly problematic in the current environment, as State, local, and Tribal governments work to mitigate and contain the COVID-19 pandemic and help citizens weather the economic downturn.

¹⁰⁸ ARPA, *supra* note 16.

¹⁰⁹ Major sources include personal income tax, corporate income tax, sales tax, and property tax. *See* Lucy Dadayan., States Reported Revenue Growth in July- – September Quarter, Reflecting Revenue Shifts from the Prior Quarter, State Tax and Econ. Rev. (Q. 3, 2020), *available at* https://www.urban.org/sites/default/files/publication/103938/state-tax-and-economic-review-2020-q3_0.pdf

¹¹⁰ National League of Cities, City Fiscal Conditions (2020), *available at* https://www.nlc.org/wp-content/uploads/2020/08/City_Fiscal_Conditions_2020_FINAL.pdf

¹¹¹ Surveys conducted by the Center for Indian Country Development at the Federal Reserve Bank of Minneapolis in March, April, and September 2020. *See* Moreno & Sobrepena, *supra* note 73.

Further, State, local, and Tribal government budgets affect the broader economic recovery. During the period following the 2007-2009 recession, State and local government budget pressures led to fiscal austerity that was a significant drag on the overall economic recovery.¹¹² Inflation-adjusted State and local government revenue did not return to the previous peak until 2013,¹¹³ while State, local, and Tribal government employment did not recover to its prior peak for over a decade, until August 2019 – just a few months before the COVID-19 public health emergency began.¹¹⁴

Sections 602(c)(1)(C) and 603(c)(1)(C) of the Act allow recipients facing budget shortfalls to use payments from the Fiscal Recovery Funds to avoid cuts to government services and, thus, enable State, local, and Tribal governments to continue to provide valuable services and ensure that fiscal austerity measures do not hamper the broader economic recovery. The Interim Final Rule implements these provisions by establishing a definition of “general revenue” for purposes of calculating a loss in revenue and by providing a methodology for calculating revenue lost due to the COVID-19 public health emergency.

¹¹² See, e.g., Fitzpatrick, Haughwout & Setren, Fiscal Drag from the State and Local Sector?, Liberty Street Economics Blog, Federal Reserve Bank of New York (June 27, 2012), <https://www.libertystreeteconomics.newyorkfed.org/2012/06/fiscal-drag-from-the-state-and-local-sector.html>; Jiri Jonas, Great Recession and Fiscal Squeeze at U.S. Subnational Government Level, IMF Working Paper 12/184, (July 2012), *available at* <https://www.imf.org/external/pubs/ft/wp/2012/wp12184.pdf>; Gordon, *supra* note 9.

¹¹³ State and local government general revenue from own sources, adjusted for inflation using the GDP price index. U.S. Census Bureau, Annual Survey of State Government Finances and U.S. Bureau of Economic Analysis, National Income and Product Accounts,

¹¹⁴ U.S. Bureau of Labor Statistics, All Employees, State Government [CES9092000001] and All Employees, Local Government [CES9093000001], retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/CES9092000001> and <https://fred.stlouisfed.org/series/CES9093000001> (last visited Apr. 27, 2021).

General Revenue. The Interim Final Rule adopts a definition of “general revenue” based largely on the components reported under “General Revenue from Own Sources” in the Census Bureau’s Annual Survey of State and Local Government Finances, and for purposes of this Interim Final Rule, helps to ensure that the components of general revenue would be calculated in a consistent manner.¹¹⁵ By relying on a methodology that is both familiar and comprehensive, this approach minimizes burden to recipients and provides consistency in the measurement of general revenue across a diverse set of recipients.

The Interim Final Rule defines the term “general revenue” to include revenues collected by a recipient and generated from its underlying economy and would capture a range of different types of tax revenues, as well as other types of revenue that are available to support government services.¹¹⁶ In calculating revenue, recipients should sum across all revenue streams covered as general revenue. This approach minimizes the administrative burden for recipients, provides for greater consistency across recipients, and presents a more accurate representation of the overall impact of the COVID-19 public health emergency on a recipient’s revenue, rather than relying

¹¹⁵ U.S. Census Bureau, Annual Survey of State and Local Government Finances, <https://www.census.gov/programs-surveys/gov-finance.html> (last visited Apr. 30, 2021).

¹¹⁶ The Interim Final Rule would define tax revenue in a manner consistent with the Census Bureau’s definition of tax revenue, with certain changes (i.e., inclusion of revenue from liquor stores and certain intergovernmental transfers). Current charges are defined as “charges imposed for providing current services or for the sale of products in connection with general government activities.” It includes revenues such as public education institution, public hospital, and toll revenues. Miscellaneous general revenue comprises of all other general revenue of governments from their own sources (i.e., other than liquor store, utility, and insurance trust revenue), including rents, royalties, lottery proceeds, and fines.

on financial reporting prepared by each recipient, which vary in methodology used and which generally aggregates revenue by purpose rather than by source.¹¹⁷

Consistent with the Census Bureau’s definition of “general revenue from own sources,” the definition of general revenue in the Interim Final Rule would exclude refunds and other correcting transactions, proceeds from issuance of debt or the sale of investments, and agency or private trust transactions. The definition of general revenue also would exclude revenue generated by utilities and insurance trusts. In this way, the definition of general revenue focuses on sources that are generated from economic activity and are available to fund government services, rather than a fund or administrative unit established to account for and control a particular activity.¹¹⁸ For example, public utilities typically require financial support from the State, local, or Tribal government, rather than providing revenue to such government, and any revenue that is generated by public utilities typically is used to support the public utility’s continued operation, rather than being used as a source of revenue to support government services generally.

The definition of general revenue would include all revenue from Tribal enterprises, as this revenue is generated from economic activity and is available to fund government services. Tribes are not able to generate revenue through taxes in the same manner as State and local governments and, as a result, Tribal enterprises are critical sources of revenue for Tribal

¹¹⁷ Fund-oriented reporting, such as what is used under the Governmental Accounting Standards Board (GASB), focuses on the types of uses and activities funded by the revenue, as opposed to the economic activity from which the revenue is sourced. See Governmental Accounting Standards Series, Statement No. 54 of the Governmental Accounting Standards Board: Fund Balance Reporting and Governmental Fund Type Definitions, No. 287-B (Feb. 2009).

¹¹⁸ *Supra* note 116.

governments that enable Tribal governments to provide a range of services, including elder care, health clinics, wastewater management, and forestry.

Finally, the term “general revenue” includes intergovernmental transfers between State and local governments, but excludes intergovernmental transfers from the Federal government, including Federal transfers made via a State to a local government pursuant to the CRF or as part of the Fiscal Recovery Funds. States and local governments often share or collect revenue on behalf of one another, which results in intergovernmental transfers. When attributing revenue to a unit of government, the Census Bureau’s methodology considers which unit of government imposes, collects, and retains the revenue and assigns the revenue to the unit of government that meets at least two of those three factors.¹¹⁹ For purposes of measuring loss in general revenue due to the COVID-19 public health emergency and to better allow continued provision of government services, the retention and ability to use the revenue is a more critical factor. Accordingly, and to better measure the funds available for the provision of government services, the definition of general revenue would include intergovernmental transfers from States or local governments other than funds transferred pursuant to ARPA, CRF, or another Federal program. This formulation recognizes the importance of State transfers for local government revenue.¹²⁰

Calculation of Loss. In general, recipients will compute the extent of the reduction in revenue by comparing actual revenue to a counterfactual trend representing what could have been expected to occur in the absence of the pandemic. This approach measures losses in

¹¹⁹ U.S. Census Bureau, Government Finance and Employment Classification Manual (Dec. 2000), <https://www2.census.gov/govs/class/classfull.pdf>

¹²⁰ For example, in 2018, state transfers to localities accounted for approximately 27 percent of local revenues. U.S. Census Bureau, Annual Survey of State and Local Government Finances, Table 1 (2018), <https://www.census.gov/data/datasets/2018/econ/local/public-use-datasets.html>.

revenue relative to the most recent fiscal year prior to the COVID-19 public health emergency by using the most recent pre-pandemic fiscal year as the starting point for estimates of revenue growth absent the pandemic. In other words, the counterfactual trend starts with the last full fiscal year prior to the COVID-19 public health emergency and then assumes growth at a constant rate in the subsequent years. Because recipients can estimate the revenue shortfall at multiple points in time throughout the covered period as revenue is collected, this approach accounts for variation across recipients in the timing of pandemic impacts.¹²¹ Although revenue may decline for reasons unrelated to the COVID-19 public health emergency, to minimize the administrative burden on recipients and taking into consideration the devastating effects of the COVID-19 public health emergency, any diminution in actual revenues relative to the counterfactual pre-pandemic trend would be presumed to have been due to the COVID-19 public health emergency.

For purposes of measuring revenue growth in the counterfactual trend, recipients may use a *growth adjustment* of either 4.1 percent per year or the recipient's average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency, whichever is higher. The option of 4.1 percent represents the average annual growth across all State and local government "General Revenue from Own Sources" in the most recent three years

¹²¹ For example, following the 2007-09 recession, local government property tax collections did not begin to decline until 2011, suggesting that property tax collection declines can lag downturns. See U.S. Bureau of Economic Analysis, Personal current taxes: State and local: Property taxes [S210401A027NBEA], retrieved from Federal Reserve Economic Data, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/graph/?g=r3YI> (last visited Apr. 22, 2021). Estimating the reduction in revenue at points throughout the covered period will allow for this type of lagged effect to be taken into account during the covered period.

of available data.¹²² This approach provides recipients with a standardized growth adjustment when calculating the counterfactual revenue trend and thus minimizes administrative burden, while not disadvantaging recipients with revenue growth that exceeded the national average prior to the COVID-19 public health emergency by permitting these recipients to use their own revenue growth rate over the preceding three years.

Recipients should calculate the extent of the reduction in revenue as of four points in time: December 31, 2020; December 31, 2021; December 31, 2022; and December 31, 2023. To calculate the extent of the reduction in revenue at each of these dates, recipients should follow a four-step process:

- Step 1: Identify revenues collected in the most recent full fiscal year prior to the public health emergency (i.e., last full fiscal year before January 27, 2020), called the *base year revenue*.
- Step 2: Estimate *counterfactual revenue*, which is equal to *base year revenue* * $[(1 + \text{growth adjustment})^{(n/12)}]$, where n is the number of months elapsed since the end of the base year to the calculation date, and *growth adjustment* is the greater of 4.1 percent and the recipient's average annual revenue growth in the three full fiscal years prior to the COVID-19 public health emergency.
- Step 3: Identify *actual revenue*, which equals revenues collected over the past twelve months as of the calculation date.

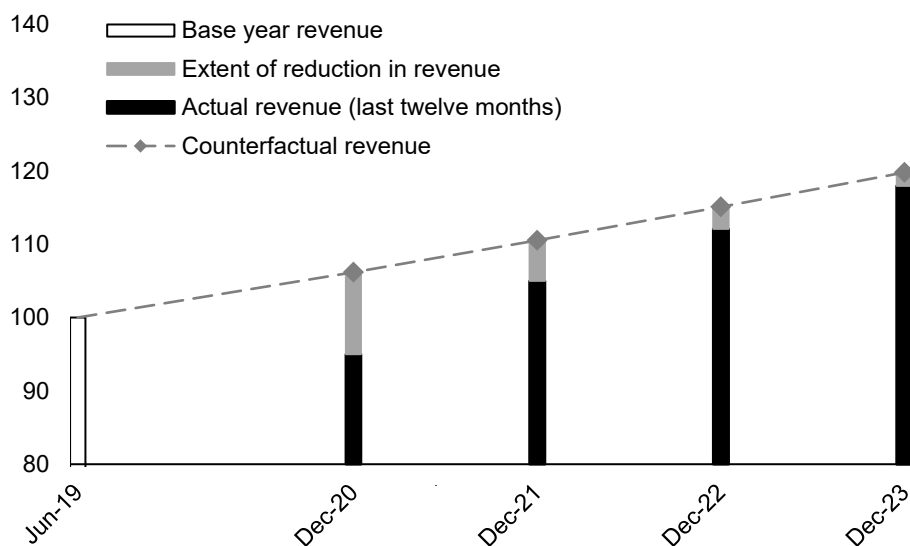
¹²² Together with revenue from liquor stores from 2015 to 2018. This estimate does not include any intergovernmental transfers. A recipient using the three-year average to calculate their growth adjustment must be based on the definition of general revenue, including treatment of intergovernmental transfers. 2015 – 2018 represents the most recent available data. See U.S. Census Bureau, State & Local Government Finance Historical Datasets and Tables (2018), <https://www.census.gov/programs-surveys/gov-finances/data/datasets.html>.

- Step 4: The extent of the reduction in revenue is equal to *counterfactual revenue* less *actual revenue*. If actual revenue exceeds counterfactual revenue, the extent of the reduction in revenue is set to zero for that calculation date.

For illustration, consider a hypothetical recipient with *base year revenue* equal to 100. In Step 2, the hypothetical recipient finds that 4.1 percent is greater than the recipient's average annual revenue growth in the three full fiscal years prior to the public health emergency. Furthermore, this recipient's base year ends June 30. In this illustration, *n* (months elapsed) and *counterfactual revenue* would be equal to:

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

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



Upon receiving Fiscal Recovery Fund payments, recipients may immediately calculate revenue loss for the period ending December 31, 2020.

Sections 602(c)(1)(C) and 603(c)(1)(C) of the Act provide recipients with broad latitude to use the Fiscal Recovery Funds for the provision of government services. Government services can include, but are not limited to, maintenance or pay-go funded building¹²³ of infrastructure, including roads; modernization of cybersecurity, including hardware, software, and protection of critical infrastructure; health services; environmental remediation; school or educational services; and the provision of police, fire, and other public safety services. However, expenses associated with obligations under instruments evidencing financial indebtedness for borrowed money would not be considered the provision of government services, as these financing expenses do not directly provide services or aid to citizens. Specifically, government services would not include interest or principal on any outstanding debt instrument, including, for example, short-term revenue or tax anticipation notes, or fees or issuance costs associated with the issuance of new debt. For the same reasons, government services would not include satisfaction of any obligation arising under or pursuant to a settlement agreement, judgment, consent decree, or judicially confirmed debt restructuring in a judicial, administrative, or regulatory proceeding, except if the judgment or settlement required the provision of government services. That is, satisfaction of a settlement or judgment itself is not a government service, unless the settlement required the provision of government services. In addition, replenishing financial reserves (e.g., rainy day or other reserve funds) would not be considered provision of a

¹²³ Pay-go infrastructure funding refers to the practice of funding capital projects with cash-on-hand from taxes, fees, grants, and other sources, rather than with borrowed sums.

government service, since such expenses do not directly relate to the provision of government services.

Question 13: Are there sources of revenue that either should or should not be included in the Interim Final Rule’s measure of “general revenue” for recipients? If so, discuss why these sources either should or should not be included.

Question 14: In the Interim Final Rule, recipients are expected to calculate the reduction in revenue on an aggregate basis. Discuss the advantages and disadvantages of, and any potential concerns with, this approach, including circumstances in which it could be necessary or appropriate to calculate the reduction in revenue by source.

Question 15: Treasury is considering whether to take into account other factors, including actions taken by the recipient as well as the expiration of the COVID-19 public health emergency, in determining whether to presume that revenue losses are “due to” the COVID-19 public health emergency. Discuss the advantages and disadvantages of this presumption, including when, if ever, during the covered period it would be appropriate to reevaluate the presumption that all losses are attributable to the COVID-19 public health emergency.

Question 16: Do recipients anticipate lagged revenue effects of the public health emergency? If so, when would these lagged effects be expected to occur, and what can Treasury to do support these recipients through its implementation of the program?

Question 17: In the Interim Final Rule, paying interest or principal on government debt is not considered provision of a government service. Discuss the advantages and disadvantages of this approach, including circumstances in which paying interest or principal on government debt could be considered provision of a government service.

D. Investments in Infrastructure

To assist in meeting the critical need for investments and improvements to existing infrastructure in water, sewer, and broadband, the Fiscal Recovery Funds provide funds to State, local, and Tribal governments to make necessary investments in these sectors. The Interim Final Rule outlines eligible uses within each category, allowing for a broad range of necessary investments in projects that improve access to clean drinking water, improve wastewater and stormwater infrastructure systems, and provide access to high-quality broadband service. Necessary investments are designed to provide an adequate minimum level of service and are unlikely to be made using private sources of funds. Necessary investments include projects that are required to maintain a level of service that, at least, meets applicable health-based standards, taking into account resilience to climate change, or establishes or improves broadband service to unserved or underserved populations to reach an adequate level to permit a household to work or attend school, and that are unlikely to be met with private sources of funds.¹²⁴

It is important that necessary investments in water, sewer, or broadband infrastructure be carried out in ways that produce high-quality infrastructure, avert disruptive and costly delays, and promote efficiency. Treasury encourages recipients to ensure that water, sewer, and broadband projects use strong labor standards, including project labor agreements and community benefits agreements that offer wages at or above the prevailing rate and include local hire provisions, not only to promote effective and efficient delivery of high-quality infrastructure projects but also to support the economic recovery through strong employment opportunities for workers. Using these practices in construction projects may help to ensure a reliable supply of

¹²⁴ Treasury notes that using funds to support or oppose collective bargaining would not be included as part of “necessary investments in water, sewer, or broadband infrastructure.”

skilled labor that would minimize disruptions, such as those associated with labor disputes or workplace injuries.

To provide public transparency on whether projects are using practices that promote on-time and on-budget delivery, Treasury will seek information from recipients on their workforce plans and practices related to water, sewer, and broadband projects undertaken with Fiscal Recovery Funds. Treasury will provide additional guidance and instructions on the reporting requirements at a later date.

1. Water and Sewer Infrastructure

The ARPA provides funds to State, local, and Tribal governments to make necessary investments in water and sewer infrastructure.¹²⁵ By permitting funds to be used for water and sewer infrastructure needs, Congress recognized the critical role that clean drinking water and services for the collection and treatment of wastewater and stormwater play in protecting public health. Understanding that State, local, and Tribal governments have a broad range of water and sewer infrastructure needs, the Interim Final Rule provides these governments with wide latitude to identify investments in water and sewer infrastructure that are of the highest priority for their own communities, which may include projects on privately-owned infrastructure. The Interim Final Rule does this by aligning eligible uses of the Fiscal Recovery Funds with the wide range of types or categories of projects that would be eligible to receive financial assistance through the Environmental Protection Agency's (EPA) Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF).¹²⁶

¹²⁵ §§ 602(c)(1)(D), 603(c)(1)(D) of the Act.

¹²⁶ Environmental Protection Agency, Drinking Water State Revolving fund, <https://www.epa.gov/dwsrf> (last visited Apr. 30, 2021); Environmental Protection Agency, Clean Water State Revolving Fund, <https://www.epa.gov/cwsrf> (last visited Apr. 30, 2021).

Established by the 1987 amendments¹²⁷ to the Clean Water Act (CWA),¹²⁸ the CWSRF provides financial assistance for a wide range of water infrastructure projects to improve water quality and address water pollution in a way that enables each State to address and prioritize the needs of their populations. The types of projects eligible for CWSRF assistance include projects to construct, improve, and repair wastewater treatment plants, control non-point sources of pollution, improve resilience of infrastructure to severe weather events, create green infrastructure, and protect waterbodies from pollution.¹²⁹ Each of the 51 State programs established under the CWSRF have the flexibility to direct funding to their particular environmental needs, and each State may also have its own statutes, rules, and regulations that guide project eligibility.¹³⁰

¹²⁷ Water Quality Act of 1987, P.L. 100-4.

¹²⁸ Federal Water Pollution Control Act as amended, codified at 33 U.S.C. §§ 1251 *et. seq.*, common name (Clean Water Act). In 2009, the American Recovery and Reinvestment Act created the Green Project Reserve, which increased the focus on green infrastructure, water and energy efficient, and environmentally innovative projects. P.L. 111-5. The CWA was amended by the Water Resources Reform and Development Act of 2014 to further expand the CWSRF's eligibilities. P.L. 113-121. The CWSRF's eligibilities were further expanded in 2018 by the America's Water Infrastructure Act of 2018, P.L. 115-270.

¹²⁹ See Environmental Protection Agency, The Drinking Water State Revolving Funds: Financing America's Drinking Water, EPA-816-R-00-023 (Nov. 2000), <https://nepis.epa.gov/Exe/ZyPDF.cgi/200024WB.PDF?Dockey=200024WB.PDF>; See also Environmental Protection Agency, Learn About the Clean Water State Revolving Fund, <https://www.epa.gov/cwsrf/learn-about-clean-water-state-revolving-fund-cwsrf> (last visited Apr. 30, 2021).

¹³⁰ 33 U.S.C. § 1383(c). See also Environmental Protection Agency, Overview of Clean Water State Revolving Fund Eligibilities (May 2016), https://www.epa.gov/sites/production/files/2016-07/documents/overview_of_cwsrf_eligibilities_may_2016.pdf; Claudia Copeland, Clean Water Act: A Summary of the Law, Congressional Research Service (Oct. 18, 2016), <https://fas.org/sgp/crs/misc/RL30030.pdf>; Jonathan L Ramseur, Wastewater Infrastructure: Overview, Funding, and Legislative Developments, Congressional Research Service (May 22, 2018), <https://fas.org/sgp/crs/misc/R44963.pdf>.

The DWSRF was modeled on the CWSRF and created as part of the 1996 amendments to the Safe Drinking Water Act (SDWA),¹³¹ with the principal objective of helping public water systems obtain financing for improvements necessary to protect public health and comply with drinking water regulations.¹³² Like the CWSRF, the DWSRF provides States with the flexibility to meet the needs of their populations.¹³³ The primary use of DWSRF funds is to assist communities in making water infrastructure capital improvements, including the installation and replacement of failing treatment and distribution systems.¹³⁴ In administering these programs, States must give priority to projects that ensure compliance with applicable health and environmental safety requirements; address the most serious risks to human health; and assist systems most in need on a per household basis according to State affordability criteria.¹³⁵

By aligning use of Fiscal Recovery Funds with the categories or types of eligible projects under the existing EPA state revolving fund programs, the Interim Final Rule provides recipients with the flexibility to respond to the needs of their communities while ensuring that investments in water and sewer infrastructure made using Fiscal Recovery Funds are necessary. As discussed above, the CWSRF and DWSRF were designed to provide funding for projects that protect public health and safety by ensuring compliance with wastewater and drinking water health

¹³¹ 42 U.S.C. 300j-12.

¹³² Environmental Protection Agency, Drinking Water State Revolving Fund Eligibility Handbook, (June 2017), https://www.epa.gov/sites/production/files/2017-06/documents/dwsrf_eligibility_handbook_june_13_2017_updated_508_version.pdf; Environmental Protection Agency, Drinking Water Infrastructure Needs Survey and Assessment: Sixth Report to Congress (March 2018), https://www.epa.gov/sites/production/files/2018-10/documents/corrected_sixth_drinking_water_infrastructure_needs_survey_and_assessment.pdf.

¹³³ *Id.*

¹³⁴ *Id.*

¹³⁵ 42 U.S.C. 300j-12(b)(3)(A).

standards.¹³⁶ The need to provide funding through the state revolving funds suggests that these projects are less likely to be addressed with private sources of funding; for example, by remediating failing or inadequate infrastructure, much of which is publicly owned, and by addressing non-point sources of pollution. This approach of aligning with the EPA state revolving fund programs also supports expedited project identification and investment so that needed relief for the people and communities most affected by the pandemic can be deployed expeditiously and have a positive impact on their health and wellbeing as soon as possible. Further, the Interim Final Rule is intended to preserve flexibility for award recipients to direct funding to their own particular needs and priorities and would not preclude recipients from applying their own additional project eligibility criteria.

In addition, responding to the immediate needs of the COVID-19 public health emergency may have diverted both personnel and financial resources from other State, local, and Tribal priorities, including projects to ensure compliance with applicable water health and quality standards and provide safe drinking and usable water.¹³⁷ Through sections 602(c)(1)(D) and 603(c)(1)(D), the ARPA provides resources to address these needs. Moreover, using Fiscal Recovery Funds in accordance with the priorities of the CWA and SWDA to “assist systems most in need on a per household basis according to state affordability criteria” would also have

¹³⁶ Environmental Protection Agency, Learn About the Clean Water State Revolving Fund, <https://www.epa.gov/cwsrf/learn-about-clean-water-state-revolving-fund-cwsrf> (last visited Apr. 30, 2021); 42 U.S.C. 300j-12.

¹³⁷ House Committee on the Budget, State and Local Governments are in Dire Need of Federal Relief (Aug. 19, 2020), <https://budget.house.gov/publications/report/state-and-local-governments-are-dire-need-federal-relief>.

the benefit of providing vulnerable populations with safe drinking water that is critical to their health and, thus, their ability to work and learn.¹³⁸

Recipients may use Fiscal Recovery Funds to invest in a broad range of projects that improve drinking water infrastructure, such as building or upgrading facilities and transmission, distribution, and storage systems, including replacement of lead service lines. Given the lifelong impacts of lead exposure for children, and the widespread nature of lead service lines, Treasury encourages recipients to consider projects to replace lead service lines.

Fiscal Recovery Funds may also be used to support the consolidation or establishment of drinking water systems. With respect to wastewater infrastructure, recipients may use Fiscal Recovery Funds to construct publicly owned treatment infrastructure, manage and treat stormwater or subsurface drainage water, facilitate water reuse, and secure publicly owned treatment works, among other uses. Finally, consistent with the CWSRF and DWSRF, Fiscal Recovery Funds may be used for cybersecurity needs to protect water or sewer infrastructure, such as developing effective cybersecurity practices and measures at drinking water systems and publicly owned treatment works.

Many of the types of projects eligible under either the CWSRF or DWSRF also support efforts to address climate change. For example, by taking steps to manage potential sources of pollution and preventing these sources from reaching sources of drinking water, projects eligible under the DWSRF and the ARPA may reduce energy required to treat drinking water. Similarly,

¹³⁸ Environmental Protection Agency, Drinking Water State Revolving Fund (Nov. 2019), https://www.epa.gov/sites/production/files/2019-11/documents/fact_sheet_-_dwsrf_overview_final_0.pdf; Environmental Protection Agency, National Benefits Analysis for Drinking Water Regulations, <https://www.epa.gov/sdwa/national-benefits-analysis-drinking-water-regulations> (last visited Apr. 30, 2020).

projects eligible under the CWSRF include measures to conserve and reuse water or reduce the energy consumption of public water treatment facilities. Treasury encourages recipients to consider green infrastructure investments and projects to improve resilience to the effects of climate change. For example, more frequent and extreme precipitation events combined with construction and development trends have led to increased instances of stormwater runoff, water pollution, and flooding. Green infrastructure projects that support stormwater system resiliency could include rain gardens that provide water storage and filtration benefits, and green streets, where vegetation, soil, and engineered systems are combined to direct and filter rainwater from impervious surfaces. In cases of a natural disaster, recipients may also use Fiscal Recovery Funds to provide relief, such as interconnecting water systems or rehabilitating existing wells during an extended drought.

Question 18: What are the advantages and disadvantages of aligning eligible uses with the eligible project type requirements of the DWSRF and CWSRF? What other water or sewer project categories, if any, should Treasury consider in addition to DWSRF and CWSRF eligible projects? Should Treasury consider a broader general category of water and sewer projects?

Question 19: What additional water and sewer infrastructure categories, if any, should Treasury consider to address and respond to the needs of unserved, underserved, or rural communities? How do these projects differ from DWSRF and CWSRF eligible projects?

Question 20: What new categories of water and sewer infrastructure, if any, should Treasury consider to support State, local, and Tribal governments in mitigating the negative impacts of climate change? Discuss emerging technologies and processes that support resiliency of water and sewer infrastructure. Discuss any challenges faced by States and local governments when pursuing or implementing climate resilient infrastructure projects.

Question 21: Infrastructure projects related to dams and reservoirs are generally not eligible under the CWSRF and DWSRF categories. Should Treasury consider expanding eligible infrastructure under the Interim Final Rule to include dam and reservoir projects? Discuss public health, environmental, climate, or equity benefits and costs in expanding the eligibility to include these types of projects.

2. Broadband Infrastructure.

The COVID-19 public health emergency has underscored the importance of universally available, high-speed, reliable, and affordable broadband coverage as millions of Americans rely on the internet to participate in, among critical activities, remote school, healthcare, and work. Recognizing the need for such connectivity, the ARPA provides funds to State, territorial, local, and Tribal governments to make necessary investments in broadband infrastructure.

The National Telecommunications and Information Administration (NTIA) highlighted the growing necessity of broadband in daily lives through its analysis of NTIA Internet Use Survey data, noting that Americans turn to broadband Internet access service for every facet of daily life including work, study, and healthcare.¹³⁹ With increased use of technology for daily activities and the movement by many businesses and schools to operating remotely during the pandemic, broadband has become even more critical for people across the country to carry out their daily lives.

¹³⁹ See, e.g., <https://www.ntia.gov/blog/2020/more-half-american-households-used-internet-health-related-activities-2019-ntia-data-show>; <https://www.ntia.gov/blog/2020/nearly-third-american-employees-worked-remotely-2019-ntia-data-show>; and generally, <https://www.ntia.gov/data/digital-nation-data-explorer>.

By at least one measure, however, tens of millions of Americans live in areas where there is no broadband infrastructure that provides download speeds greater than 25 Mbps and upload speeds of 3 Mbps.¹⁴⁰ By contrast, as noted below, many households use upload and download speeds of 100 Mbps to meet their daily needs. Even in areas where broadband infrastructure exists, broadband access may be out of reach for millions of Americans because it is unaffordable, as the United States has some of the highest broadband prices in the Organisation for Economic Co-operation and Development (OECD).¹⁴¹ There are disparities in availability as well; historically, Americans living in territories and Tribal lands as well as rural areas have disproportionately lacked sufficient broadband infrastructure.¹⁴² Moreover, rapidly growing demand has, and will likely continue to, quickly outpace infrastructure capacity, a phenomenon acknowledged by various states around the country that have set scalability requirements to account for this anticipated growth in demand.¹⁴³

¹⁴⁰ As an example, data from the Federal Communications Commission shows that as of June 2020, 9.07 percent of the U.S. population had no available cable or fiber broadband providers providing greater than 25 Mbps download speeds and 3 Mbps upload speeds. Availability was significantly less for rural versus urban populations, with 35.57 percent of the rural population lacking such access, compared with 2.57 percent of the urban population. Availability was also significantly less for tribal versus non-tribal populations, with 35.93 percent of the tribal population lacking such access, compared with 8.74 of the non-tribal population. Federal Communications Commission, Fixed Broadband Deployment, <https://broadbandmap.fcc.gov/#/> (last visited May 9, 2021).

¹⁴¹ How Do U.S. Internet Costs Compare To The Rest Of The World?, BroadbandSearch Blog Post, *available at* <https://www.broadbandsearch.net/blog/internet-costs-compared-worldwide>.

¹⁴² *See, e.g.*, Federal Communications Commission, Fourteenth Broadband Deployment Report, *available at* <https://docs.fcc.gov/public/attachments/FCC-21-18A1.pdf>.

¹⁴³ *See, e.g.*, Illinois Department of Commerce & Economic Opportunity, Broadband Grants, h (last visited May 9, 2021), <https://www2.illinois.gov/dceo/ConnectIllinois/Pages/BroadbandGrants.aspx>; Kansas Office of Broadband Development, Broadband Acceleration Grant, <https://www.kansascommerce.gov/wp-content/uploads/2020/11/Broadband-Acceleration-Grant.pdf> (last visited May 9, 2021); New York State Association of Counties, Universal Broadband: Deploying High Speed Internet Access in NYS (Jul. 2017), [https://www.nysac.org/files/BroadbandUpdateReport2017\(1\).pdf](https://www.nysac.org/files/BroadbandUpdateReport2017(1).pdf).

The Interim Final Rule provides that eligible investments in broadband are those that are designed to provide services meeting adequate speeds and are provided to unserved and underserved households and businesses. Understanding that States, territories, localities, and Tribal governments have a wide range of varied broadband infrastructure needs, the Interim Final Rule provides award recipients with flexibility to identify the specific locations within their communities to be served and to otherwise design the project.

Under the Interim Final Rule, eligible projects are expected to be designed to deliver, upon project completion, service that reliably meets or exceeds symmetrical upload and download speeds of 100 Mbps. There may be instances in which it would not be practicable for a project to deliver such service speeds because of the geography, topography, or excessive costs associated with such a project. In these instances, the affected project would be expected to be designed to deliver, upon project completion, service that reliably meets or exceeds 100 Mbps download and between at least 20 Mbps and 100 Mbps upload speeds and be scalable to a minimum of 100 Mbps symmetrical for download and upload speeds.¹⁴⁴ In setting these standards, Treasury identified speeds necessary to ensure that broadband infrastructure is sufficient to enable users to generally meet household needs, including the ability to support the simultaneous use of work, education, and health applications, and also sufficiently robust to meet increasing household demands for bandwidth. Treasury also recognizes that different communities and their members may have a broad range of internet needs and that those needs may change over time.

¹⁴⁴ This scalability threshold is consistent with scalability requirements used in other jurisdictions. *Id.*

In considering the appropriate speed requirements for eligible projects, Treasury considered estimates of typical households demands during the pandemic. Using the Federal Communication Commission's (FCC) Broadband Speed Guide, for example, a household with two telecommuters and two to three remote learners today are estimated to need 100 Mbps download to work simultaneously.¹⁴⁵ In households with more members, the demands may be greater, and in households with fewer members, the demands may be less.

In considering the appropriate speed requirements for eligible projects, Treasury also considered data usage patterns and how bandwidth needs have changed over time for U.S. households and businesses as people's use of technology in their daily lives has evolved. In the few years preceding the pandemic, market research data showed that average upload speeds in the United States surpassed over 10 Mbps in 2017¹⁴⁶ and continued to increase significantly, with the average upload speed as of November, 2019 increasing to 48.41 Mbps,¹⁴⁷ attributable, in part to a shift to using broadband and the internet by individuals and businesses to create and share content using video sharing, video conferencing, and other applications.¹⁴⁸

The increasing use of data accelerated markedly during the pandemic as households across the country became increasingly reliant on tools and applications that require greater

¹⁴⁵ Federal Communications Commission, Broadband Speed Guide, <https://www.fcc.gov/consumers/guides/broadband-speed-guide> (last visited Apr. 30, 2021).

¹⁴⁶ Letter from Lisa R. Youngers, President and CEO of Fiber Broadband Association to FCC, WC Docket No. 19-126 (filed Jan. 3, 2020), including an Appendix with research from RVA LLC, *Data Review Of The Importance of Upload Speeds* (Jan. 2020), and Ookla speed test data, available at <https://ecfsapi.fcc.gov/file/101030085118517/FCC%20RDOF%20Jan%203%20Ex%20Parte.pdf>.

Additional information on historic growth in data usage is provided in Schools, Health & Libraries Broadband Coalition, *Common Sense Solutions for Closing the Digital Divide*, Apr. 29, 2021.

¹⁴⁷ *Id.* See also United States's Mobile and Broadband Internet Speeds - Speedtest Global Index, available at <https://www.speedtest.net/global-index/united-states#fixed>.

¹⁴⁸ *Id.*

internet capacity, both to download data but also to upload data. Sending information became as important as receiving it. A video consultation with a healthcare provider or participation by a child in a live classroom with a teacher and fellow students requires video to be sent and received simultaneously.¹⁴⁹ As an example, some video conferencing technology platforms indicate that download and upload speeds should be roughly equal to support two-way, interactive video meetings.¹⁵⁰ For both work and school, client materials or completed school assignments, which may be in the form of PDF files, videos, or graphic files, also need to be shared with others. This is often done by uploading materials to a collaboration site, and the upload speed available to a user can have a significant impact on the time it takes for the content to be shared with others.¹⁵¹ These activities require significant capacity from home internet connections to both download and upload data, especially when there are multiple individuals in one household engaging in these activities simultaneously.

This need for increased broadband capacity during the pandemic was reflected in increased usage patterns seen over the last year. As OpenVault noted in recent advisories, the pandemic significantly increased the amount of data users consume. Among data users observed by OpenVault, per-subscriber average data usage for the fourth quarter of 2020 was 482.6 gigabytes per month, representing a 40 percent increase over the 344 gigabytes consumed in the fourth quarter of 2019 and a 26 percent increase over the third quarter 2020 average of

¹⁴⁹ One high definition Zoom meeting or class requires approximately 3.8 Mbps/3.0 Mbps (up/down).

¹⁵⁰ See, e.g., Zoom, System Requirements for Windows, macOS, and Linux, https://support.zoom.us/hc/en-us/articles/201362023-System-requirements-for-Windows-macOS-and-Linux#h_d278c327-e03d-4896-b19a-96a8f3c0c69c (last visited May 8, 2021).

¹⁵¹ By one estimate, to upload a one gigabit video file to YouTube would take 15 minutes at an upload speed of 10 Mbps compared with 1 minute, 30 seconds at an upload speed of 100 Mbps, and 30 seconds at an upload speed of 300 Mbps. Reviews.org: What is Symmetrical Internet? (March 2020).

383.8 gigabytes.¹⁵² OpenVault also noted significant increases in upstream usage among the data users it observed, with upstream data usage growing 63 percent – from 19 gigabytes to 31 gigabytes – between December, 2019 and December, 2020.¹⁵³ According to an OECD Broadband statistic from June 2020, the largest percentage of U.S. broadband subscribers have services providing speeds between 100 Mbps and 1 Gbps.¹⁵⁴

Jurisdictions and Federal programs are increasingly responding to the growing demands of their communities for both heightened download and upload speeds. For example, Illinois now requires 100 Mbps symmetrical service as the construction standard for its state broadband grant programs. This standard is also consistent with speed levels, particularly download speed levels, prioritized by other Federal programs supporting broadband projects. Bids submitted as part of the FCC in its Rural Digital Opportunity Fund (RDOF), established to support the construction of broadband networks in rural communities across the country, are given priority if they offer faster service, with the service offerings of 100 Mbps download and

¹⁵² OVBI: Covid-19 Drove 15 percent Increase in Broadband Traffic in 2020, OpenVault, Quarterly Advisory, (Feb. 10, 2021), *available at* <https://openvault.com/ovbi-covid-19-drove-51-increase-in-broadband-traffic-in-2020>; See OpenVault's data set incorporates information on usage by subscribers across multiple continents, including North America and Europe. Additional data and detail on increases in the amount of data users consume and the broadband speeds they are using is provided in *OpenVault Broadband Insights Report Q4*, Quarterly Advisory (Feb. 10, 2021), *available at* <https://openvault.com/complimentary-report-4q20/>.

¹⁵³ OVBI Special Report: 202 Upstream Growth Nearly 4X of Pre-Pandemic Years, OpenVault, Quarterly Advisory, (April 1, 2021), *available at* <https://openvault.com/ovbi-special-report-2020-upstream-growth-rate-nearly-4x-of-pre-pandemic-years/>; Additional data is provided in *OpenVault Broadband Insights Pandemic Impact on Upstream Broadband Usage and Network Capacity*, *available at* <https://openvault.com/upstream-whitepaper/>.

¹⁵⁴ Organisation for Economic Co-operation and Development, Fixed broadband subscriptions per 100 inhabitants, per speed tiers (June 2020), <https://www.oecd.org/sti/broadband/5.1-FixedBB-SpeedTiers-2020-06.xls> www.oecd.org/sti/broadband/broadband-statistics.

20 Mbps upload being included in the “above baseline” performance tier set by the FCC.¹⁵⁵ The Broadband Infrastructure Program (BBIP)¹⁵⁶ of the Department of Commerce, which provides Federal funding to deploy broadband infrastructure to eligible service areas of the country also prioritizes projects designed to provide broadband service with a download speed of not less than 100 Mbps and an upload speed of not less than 20 Mbps.¹⁵⁷

The 100 Mbps upload and download speeds will support the increased and growing needs of households and businesses. Recognizing that, in some instances, 100 Mbps upload speed may be impracticable due to geographical, topographical, or financial constraints, the Interim Final Rule permits upload speeds of between at least 20 Mbps and 100 Mbps in such instances. To provide for investments that will accommodate technologies requiring symmetry in download and upload speeds, as noted above, eligible projects that are not designed to deliver, upon project completion, service that reliably meets or exceeds symmetrical speeds of 100 Mbps because it would be impracticable to do so should be designed so that they can be scalable to such speeds. Recipients are also encouraged to prioritize investments in fiber optic infrastructure where feasible, as such advanced technology enables the next generation of application solutions for all communities.

Under the Interim Final Rule, eligible projects are expected to focus on locations that are unserved or underserved. The Interim Final Rule treats users as being unserved or underserved if they lack access to a wireline connection capable of reliably delivering at least minimum speeds

¹⁵⁵ *Rural Digital Opportunity Fund*, Report and Order, 35 FCC Rcd 686, 690, para. 9 (2020), *available at* <https://www.fcc.gov/document/fcc-launches-20-billion-rural-digital-opportunity-fund-0>.

¹⁵⁶ The BIPP was authorized by the Consolidated Appropriations Act, 2021, Section 905, Public Law 116-260, 134 Stat. 1182 (Dec. 27, 2020).

¹⁵⁷ Section 905(d)(4) of the Consolidated Appropriations Act, 2021.

of 25 Mbps download and 3 Mbps upload as households and businesses lacking this level of access are generally not viewed as being able to originate and receive high-quality voice, data, graphics, and video telecommunications. This threshold is consistent with the FCC’s benchmark for an “advanced telecommunications capability.”¹⁵⁸ This threshold is also consistent with thresholds used in other Federal programs to identify eligible areas to be served by programs to improve broadband services. For example, in the FCC’s RDOF program, eligible areas include those without current (or already funded) access to terrestrial broadband service providing 25 Mbps download and 3 Mbps upload speeds.¹⁵⁹ The Department of Commerce’s BBIP also considers households to be “unserved” generally if they lack access to broadband service with a download speed of not less than 25 Mbps download and 3 Mbps upload, among other conditions. In selecting an area to be served by a project, recipients are encouraged to avoid investing in locations that have existing agreements to build reliable wireline service with minimum speeds of 100 Mbps download and 20 Mbps upload by December 31, 2024, in order to avoid duplication of efforts and resources.

Recipients are also encouraged to consider ways to integrate affordability options into their program design. To meet the immediate needs of unserved and underserved households and businesses, recipients are encouraged to focus on projects that deliver a physical broadband connection by prioritizing projects that achieve last mile-connections. Treasury also encourages recipients to prioritize support for broadband networks owned, operated by, or affiliated with

¹⁵⁸ *Deployment Report*, *supra* note 142.

¹⁵⁹ *Rural Digital Opportunity Fund*, *supra* note 156.

local governments, non-profits, and co-operatives—providers with less pressure to turn profits and with a commitment to serving entire communities.

Under sections 602(c)(1)(A) and 603(c)(1)(A), assistance to households facing negative economic impacts due to COVID-19 is also an eligible use, including internet access or digital literacy assistance. As discussed above, in considering whether a potential use is eligible under this category, a recipient must consider whether, and the extent to which, the household has experienced a negative economic impact from the pandemic.

Question 22: What are the advantages and disadvantages of setting minimum symmetrical download and upload speeds of 100 Mbps? What other minimum standards would be appropriate and why?

Question 23: Would setting such a minimum be impractical for particular types of projects? If so, where and on what basis should those projects be identified? How could such a standard be set while also taking into account the practicality of using this standard in particular types of projects? In addition to topography, geography, and financial factors, what other constraints, if any, are relevant to considering whether an investment is impracticable?

Question 24: What are the advantages and disadvantages of setting a minimum level of service at 100 Mbps download and 20 Mbps upload in projects where it is impracticable to set minimum symmetrical download and upload speeds of 100 Mbps? What are the advantages and disadvantages of setting a scalability requirement in these cases? What other minimum standards would be appropriate and why?

Question 25: What are the advantages and disadvantages of focusing these investments on those without access to a wireline connection that reliably delivers 25 Mbps download by 3 Mbps upload? Would another threshold be appropriate and why?

Question 26: What are the advantages and disadvantages of setting any particular threshold for identifying unserved or underserved areas, minimum speed standards or scalability minimum? Are there other standards that should be set (e.g., latency)? If so, why and how? How can such threshold, standards, or minimum be set in a way that balances the public's interest in making sure that reliable broadband services meeting the daily needs of all Americans are available throughout the country with the providing recipients flexibility to meet the varied needs of their communities?

III. Restrictions on Use

As discussed above, recipients have considerable flexibility to use Fiscal Recovery Funds to address the diverse needs of their communities. To ensure that payments from the Fiscal Recovery Funds are used for these congressionally permitted purposes, the ARPA includes two provisions that further define the boundaries of the statute's eligible uses. Section 602(c)(2)(A) of the Act provides that States and territories may not "use the funds ... to either directly or indirectly offset a reduction in ... net tax revenue ... resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax ... or delays the imposition of any tax or tax increase." In addition, sections 602(c)(2)(B) and 603(c)(2) prohibit any recipient, including cities, nonentitlement units of government, and counties, from using Fiscal Recovery Funds for deposit into any pension fund. These restrictions support the use of funds for the congressionally permitted purposes described in Section II of this Supplementary Information by providing a backstop against the use of funds for purposes outside of the eligible use categories.

These provisions give force to Congress's clear intent that Fiscal Recovery Funds be spent within the four eligible uses identified in the statute—(1) to respond to the public health

emergency and its negative economic impacts, (2) to provide premium pay to essential workers, (3) to provide government services to the extent of eligible governments' revenue losses, and (4) to make necessary water, sewer, and broadband infrastructure investments—and not otherwise. These four eligible uses reflect Congress's judgment that the Fiscal Recovery Funds should be expended in particular ways that support recovery from the COVID-19 public health emergency. The further restrictions reflect Congress's judgment that tax cuts and pension deposits do not fall within these eligible uses. The Interim Final Rule describes how Treasury will identify when such uses have occurred and how it will recoup funds put toward these impermissible uses and, as discussed in Section VIII of this Supplementary Information, establishes a reporting framework for monitoring the use of Fiscal Recovery Funds for eligible uses.

A. Deposit into Pension Funds

The statute provides that recipients may not use Fiscal Recovery Funds for “deposit into any pension fund.” For the reasons discussed below, Treasury interprets “deposit” in this context to refer to an extraordinary payment into a pension fund for the purpose of reducing an accrued, unfunded liability. More specifically, the Interim Final Rule does not permit this assistance to be used to make a payment into a pension fund if both:

1. the payment reduces a liability incurred prior to the start of the COVID-19 public health emergency, and
2. the payment occurs outside the recipient's regular timing for making such payments.

Under this interpretation, a “deposit” is distinct from a “payroll contribution,” which occurs when employers make payments into pension funds on regular intervals, with contribution amounts based on a pre-determined percentage of employees' wages and salaries.

As discussed above, eligible uses for premium pay and responding to the negative economic impacts of the COVID-19 public health emergency include hiring and compensating public sector employees. Interpreting the scope of “deposit” to exclude contributions that are part of payroll contributions is more consistent with these eligible uses and would reduce administrative burden for recipients. Accordingly, if an employee’s wages and salaries are an eligible use of Fiscal Recovery Funds, recipients may treat the employee’s covered benefits as an eligible use of Fiscal Recovery Funds. For purposes of the Fiscal Recovery Funds, covered benefits include costs of all types of leave (vacation, family-related, sick, military, bereavement, sabbatical, jury duty), employee insurance (health, life, dental, vision), retirement (pensions, 401(k)), unemployment benefit plans (Federal and State), workers’ compensation insurance, and Federal Insurance Contributions Act taxes (which includes Social Security and Medicare taxes).

Treasury anticipates that this approach to employees’ covered benefits will be comprehensive and, for employees whose wage and salary costs are eligible expenses, will allow all covered benefits listed in the previous paragraph to be eligible under the Fiscal Recovery Funds. Treasury expects that this will minimize the administrative burden on recipients by treating all the specified covered benefit types as eligible expenses, for employees whose wage and salary costs are eligible expenses.

Question 27: Beyond a “deposit” and a “payroll contribution,” are there other types of payments into a pension fund that Treasury should consider?

B. Offset a Reduction in Net Tax Revenue

For States and territories (recipient governments¹⁶⁰), section 602(c)(2)(A)—the offset provision—prohibits the use of Fiscal Recovery Funds to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation¹⁶¹ during the covered period. If a State or territory uses Fiscal Recovery Funds to offset a reduction in net tax revenue, the ARPA provides that the State or territory must repay to the Treasury an amount equal to the lesser of (i) the amount of the applicable reduction attributable to the impermissible offset and (ii) the amount received by the State or territory under the ARPA. *See* Section IV of this Supplementary Information. As discussed below Section IV of this Supplementary Information, a State or territory that chooses to use Fiscal Recovery Funds to offset a reduction in net tax revenue does not forfeit its entire allocation of Fiscal Recovery Funds (unless it misused the full allocation to offset a reduction in net tax revenue) or any non-ARPA funding received.

The Interim Final Rule implements these conditions by establishing a framework for States and territories to determine the cost of changes in law, regulation, or interpretation that reduce tax revenue and to identify and value the sources of funds that will offset—i.e., cover the cost of—any reduction in net tax revenue resulting from such changes. A recipient government would only be considered to have used Fiscal Recovery Funds to offset a reduction in net tax revenue resulting from changes in law, regulation, or interpretation if, and to the extent that, the

¹⁶⁰ In this sub-section, “recipient governments” refers only to States and territories. In other sections, “recipient governments” refers more broadly to eligible governments receiving funding from the Fiscal Recovery Funds.

¹⁶¹ For brevity, referred to as “changes in law, regulation, or interpretation” for the remainder of this preamble.

recipient government could not identify sufficient funds from sources other than the Fiscal Recovery Funds to offset the reduction in net tax revenue. If sufficient funds from other sources cannot be identified to cover the full cost of the reduction in net tax revenue resulting from changes in law, regulation, or interpretation, the remaining amount not covered by these sources will be considered to have been offset by Fiscal Recovery Funds, in contravention of the offset provision. The Interim Final Rule recognizes three sources of funds that may offset a reduction in net tax revenue other than Fiscal Recovery Funds—organic growth, increases in revenue (e.g., an increase in a tax rate), and certain cuts in spending.

In order to reduce burden, the Interim Final Rule’s approach also incorporates the types of information and modeling already used by States and territories in their own fiscal and budgeting processes. By incorporating existing budgeting processes and capabilities, States and territories will be able to assess and evaluate the relationship of tax and budget decisions to uses of the Fiscal Recovery Funds based on information they likely have or can obtain. This approach ensures that recipient governments have the information they need to understand the implications of their decisions regarding the use of the Fiscal Recovery Funds—and, in particular, whether they are using the funds to directly or indirectly offset a reduction in net tax revenue, making them potentially subject to recoupment.

Reporting on both the eligible uses and on a State’s or territory’s covered tax changes that would reduce tax revenue will enable identification of, and recoupment for, use of Fiscal Recovery Funds to directly offset reductions in tax revenue resulting from tax relief. Moreover, this approach recognizes that, because money is fungible, even if Fiscal Recovery Funds are not explicitly or directly used to cover the costs of changes that reduce net tax revenue, those funds may be used in a manner inconsistent with the statute by indirectly being used to substitute for

the State's or territory's funds that would otherwise have been needed to cover the costs of the reduction. By focusing on the cost of changes that reduce net tax revenue—and how a recipient government is offsetting those reductions in constructing its budget over the covered period—the framework prevents efforts to use Fiscal Recovery Funds to indirectly offset reductions in net tax revenue for which the recipient government has not identified other offsetting sources of funding.

As discussed in greater detail below in this preamble, the framework set forth in the Interim Final Rule establishes a step-by-step process for determining whether, and the extent to which, Fiscal Recovery Funds have been used to offset a reduction in net tax revenue. Based on information reported annually by the recipient government:

- First, each year, each recipient government will identify and value the changes in law, regulation, or interpretation that would result in a reduction in net tax revenue, as it would in the ordinary course of its budgeting process. The sum of these values in the year for which the government is reporting is the amount it needs to “pay for” with sources other than Fiscal Recovery Funds (total value of revenue reducing changes).
- Second, the Interim Final Rule recognizes that it may be difficult to predict how a change would affect net tax revenue in future years and, accordingly, provides that if the total value of the changes in the year for which the recipient government is reporting is below a de minimis level, as discussed below, the recipient government need not identify any sources of funding to pay for revenue reducing changes and will not be subject to recoupment.
- Third, a recipient government will consider the amount of actual tax revenue recorded in the year for which they are reporting. If the recipient government's actual tax revenue is

greater than the amount of tax revenue received by the recipient for the fiscal year ending 2019, adjusted annually for inflation, the recipient government will not be considered to have violated the offset provision because there will not have been a reduction in net tax revenue.

- Fourth, if the recipient government’s actual tax revenue is less than the amount of tax revenue received by the recipient government for the fiscal year ending 2019, adjusted annually for inflation, in the reporting year the recipient government will identify any sources of funds that have been used to permissibly offset the total value of covered tax changes other than Fiscal Recovery Funds. These are:
 - State or territory tax changes that would increase any source of general fund revenue, such as a change that would increase a tax rate; and
 - Spending cuts in areas not being replaced by Fiscal Recovery Funds.

The recipient government will calculate the value of revenue reduction remaining after applying these sources of offsetting funding to the total value of revenue reducing changes—that, is, how much of the tax change has not been paid for. The recipient government will then compare that value to the difference between the baseline and actual tax revenue. A recipient government will not be required to repay to the Treasury an amount that is greater than the recipient government’s actual tax revenue shortfall relative to the baseline (i.e., fiscal year 2019 tax revenue adjusted for inflation). This “revenue reduction cap,” together with Step 3, ensures that recipient governments can use organic revenue growth to offset the cost of revenue reductions.

- Finally, if there are any amounts that could be subject to recoupment, Treasury will provide notice to the recipient government of such amounts. This process is discussed in greater detail in Section IV of this Supplementary Information.

Together, these steps allow Treasury to identify the amount of reduction in net tax revenue that both is attributable to covered changes and has been directly or indirectly offset with Fiscal Recovery Funds. This process ensures Fiscal Recovery Funds are used in a manner consistent with the statute's defined eligible uses and the offset provision's limitation on these eligible uses, while avoiding undue interference with State and territory decisions regarding tax and spending policies.

The Interim Final Rule also implements a process for recouping Fiscal Recovery Funds that were used to offset reductions in net tax revenue, including the calculation of any amounts that may be subject to recoupment, a process for a recipient government to respond to a notice of recoupment, and clarification regarding amounts excluded from recoupment. *See* Section IV of this Supplementary Information.

The Interim Final Rule includes several definitions that are applicable to the implementation of the offset provision.

Covered change. The offset provision is triggered by a reduction in net tax revenue resulting from "a change in law, regulation, or administrative interpretation." A covered change includes any final legislative or regulatory action, a new or changed administrative interpretation, and the phase-in or taking effect of any statute or rule where the phase-in or taking effect was not prescribed prior to the start of the covered period. Changed administrative interpretations would not include corrections to replace prior inaccurate interpretations; such corrections would instead be treated as changes implementing legislation enacted or regulations issued prior to the covered

period; the operative change in those circumstances is the underlying legislation or regulation that occurred prior to the covered period. Moreover, only the changes within the control of the State or territory are considered covered changes. Covered changes do not include a change in rate that is triggered automatically and based on statutory or regulatory criteria in effect prior to the covered period. For example, a state law that sets its earned income tax credit (EITC) at a fixed percentage of the Federal EITC will see its EITC payments automatically increase—and thus its tax revenue reduced—because of the Federal government’s expansion of the EITC in the ARPA.¹⁶² This would not be considered a covered change. In addition, the offset provision applies only to actions for which the change in policy occurs during the covered period; it excludes regulations or other actions that implement a change or law substantively enacted prior to March 3, 2021. Finally, Treasury has determined and previously announced that income tax changes—even those made during the covered period—that simply conform with recent changes in Federal law (including those to conform to recent changes in Federal taxation of unemployment insurance benefits and taxation of loan forgiveness under the Paycheck Protection Program) are permissible under the offset provision.

Baseline. For purposes of measuring a reduction in net tax revenue, the Interim Final Rule measures actual changes in tax revenue relative to a revenue baseline (baseline). The baseline will be calculated as fiscal year 2019 (FY 2019) tax revenue indexed for inflation in

¹⁶² See, e.g., Tax Policy Center, How do state earned income tax credits work?, <https://www.taxpolicycenter.org/briefing-book/how-do-state-earned-income-tax-credits-work/> (last visited May 9, 2021).

each year of the covered period, with inflation calculated using the Bureau of Economic Analysis's Implicit Price Deflator.¹⁶³

FY 2019 was chosen as the starting year for the baseline because it is the last full fiscal year prior to the COVID-19 public health emergency.¹⁶⁴ This baseline year is consistent with the approach directed by the ARPA in sections 602(c)(1)(C) and 603(c)(1)(C), which identify the “most recent full fiscal year of the [State, territory, or Tribal government] prior to the emergency” as the comparator for measuring revenue loss. U.S. gross domestic product is projected to rebound to pre-pandemic levels in 2021,¹⁶⁵ suggesting that an FY 2019 pre-pandemic baseline is a reasonable comparator for future revenue levels. The FY 2019 baseline revenue will be adjusted annually for inflation to allow for direct comparison of actual tax revenue in each year (reported in nominal terms) to baseline revenue in common units of measurement; without inflation adjustment, each dollar of reported actual tax revenue would be worth less than each dollar of baseline revenue expressed in 2019 terms.

Reporting year. The Interim Final Rule defines “reporting year” as a single year within the covered period, aligned to the current fiscal year of the recipient government during the covered period, for which a recipient government reports the value of covered changes and any sources of offsetting revenue increases (“in-year” value), regardless of when those changes were enacted. For the fiscal years ending in 2021 or 2025 (partial years), the term “reporting year”

¹⁶³ U.S. Department of Commerce, Bureau of Economic Analysis, GDP Price Deflator, <https://www.bea.gov/data/prices-inflation/gdp-price-deflator> (last visited May 9, 2021).

¹⁶⁴ Using Fiscal Year 2019 is consistent with section 602 as Congress provided for using that baseline for determining the impact of revenue loss affecting the provision of government services. *See* section 602(c)(1)(C).

¹⁶⁵ Congressional Budget Office, An Overview of the Economic Outlook: 2021 to 2031 (February 1, 2021), *available at* <https://www.cbo.gov/publication/56965>.

refers to the portion of the year falling within the covered period. For example, the reporting year for a fiscal year beginning July 2020 and ending June 2021 would be from March 3, 2021 to July 2021.

Tax revenue. The Interim Final Rule’s definition of “tax revenue” is based on the Census Bureau’s definition of taxes, used for its Annual Survey of State Government Finances.¹⁶⁶ It provides a consistent, well-established definition with which States and territories will be familiar and is consistent with the approach taken in Section II.C of this Supplementary Information describing the implementation of sections 602(c)(1)(C) and 603(c)(1)(C) of the Act, regarding revenue loss. Consistent with the approach described in Section II.C of this Supplementary Information, tax revenue does not include revenue taxed and collected by a different unit of government (e.g., revenue from taxes levied by a local government and transferred to a recipient government).

Framework. The Interim Final Rule provides a step-by-step framework, to be used in each reporting year, to calculate whether the offset provision applies to a State’s or territory’s use of Fiscal Recovery Funds:

(1) *Covered changes that reduce tax revenue.* For each reporting year, a recipient government will identify and value covered changes that the recipient government predicts will have the effect of reducing tax revenue in a given reporting year, similar to the way it would in the ordinary course of its budgeting process. The value of these covered changes may be reported based on estimated values produced by a budget model, incorporating reasonable assumptions, that aligns with the recipient government’s existing approach for measuring the

¹⁶⁶ U.S. Census Bureau, Annual Survey of State and Local Government Finances Glossary, <https://www.census.gov/programs-surveys/state/about/glossary.html> (last visited Apr. 30, 2021).

effects of fiscal policies, and that measures relative to a current law baseline. The covered changes may also be reported based on actual values using a statistical methodology to isolate the change in year-over-year revenue attributable to the covered change(s), relative to the current law baseline prior to the change(s). Further, estimation approaches should not use dynamic methodologies that incorporate the projected effects of macroeconomic growth because macroeconomic growth is accounted for separately in the framework. Relative to these dynamic scoring methodologies, scoring methodologies that do not incorporate projected effects of macroeconomic growth rely on fewer assumptions and thus provide greater consistency among States and territories. Dynamic scoring that incorporates macroeconomic growth may also increase the likelihood of underestimation of the cost of a reduction in tax revenue.

In general and where possible, reporting should be produced by the agency of the recipient government responsible for estimating the costs and effects of fiscal policy changes. This approach offers recipient governments the flexibility to determine their reporting methodology based on their existing budget scoring practices and capabilities. In addition, the approach of using the projected value of changes in law that enact fiscal policies to estimate the net effect of such policies is consistent with the way many States and territories already consider tax changes.¹⁶⁷

(2) *In excess of the de minimis*. The recipient government will next calculate the total value of all covered changes in the reporting year resulting in revenue reductions, identified in Step 1. If the total value of the revenue reductions resulting from these changes is below the de

¹⁶⁷ See, e.g., Megan Randall & Kim Rueben, Tax Policy Center, Sustainable Budgeting in the States: Evidence on State Budget Institutions and Practices (Nov. 2017), *available at* https://www.taxpolicycenter.org/sites/default/files/publication/149186/sustainable-budgeting-in-the-states_1.pdf.

de minimis level, the recipient government will be deemed not to have any revenue-reducing changes for the purpose of determining the recognized net reduction. If the total is above the de minimis level, the recipient government must identify sources of in-year revenue to cover the full costs of changes that reduce tax revenue.

The de minimis level is calculated as 1 percent of the reporting year's baseline. Treasury recognizes that, pursuant to their taxing authority, States and territories may make many small changes to alter the composition of their tax revenues or implement other policies with marginal effects on tax revenues. They may also make changes based on projected revenue effects that turn out to differ from actual effects, unintentionally resulting in minor revenue changes that are not fairly described as "resulting from" tax law changes. The de minimis level recognizes the inherent challenges and uncertainties that recipient governments face, and thus allows relatively small reductions in tax revenue without consequence. Treasury determined the 1 percent level by assessing the historical effects of state-level tax policy changes in state EITCs implemented to effect policy goals other than reducing net tax revenues.¹⁶⁸ The 1 percent de minimis level reflects the historical reductions in revenue due to minor changes in state fiscal policies.

(3) *Safe harbor*. The recipient government will then compare the reporting year's actual tax revenue to the baseline. If actual tax revenue is greater than the baseline, Treasury will deem the recipient government not to have any recognized net reduction for the reporting year, and therefore to be in a safe harbor and outside the ambit of the offset provision. This approach is consistent with the ARPA, which contemplates recoupment of Fiscal Recovery Funds only in the event that such funds are used to offset a reduction in net tax revenue. If net tax revenue has not

¹⁶⁸ Data provided by the Urban-Brookings Tax Policy Center for state-level EITC changes for 2004-2017.

been reduced, this provision does not apply. In the event that actual tax revenue is above the baseline, the organic revenue growth that has occurred, plus any other revenue-raising changes, by definition must have been enough to offset the in-year costs of the covered changes.

(4) *Consideration of other sources of funding.* Next, the recipient government will identify and calculate the total value of changes that could pay for revenue reduction due to covered changes and sum these items. This amount can be used to pay for up to the total value of revenue-reducing changes in the reporting year. These changes consist of two categories:

(a) *Tax and other increases in revenue.* The recipient government must identify and consider covered changes in policy that the recipient government predicts will have the effect of increasing general revenue in a given reporting year. As when identifying and valuing covered changes that reduce tax revenue, the value of revenue-raising changes may be reported based on estimated values produced by a budget model, incorporating reasonable assumptions, aligned with the recipient government's existing approach for measuring the effects of fiscal policies, and measured relative to a current law baseline, or based on actual values using a statistical methodology to isolate the change in year-over-year revenue attributable to the covered change(s). Further, and as discussed above, estimation approaches should not use dynamic scoring methodologies that incorporate the effects of macroeconomic growth because growth is accounted for separately under the Interim Final Rule. In general and where possible, reporting should be produced by the agency of the recipient government responsible for estimating the costs and effects of fiscal policy changes. This approach offers recipient governments the flexibility to determine their reporting methodology based on their existing budget scoring practices and capabilities.

(b) *Covered spending cuts.* A recipient government also may cut spending in certain areas to pay for covered changes that reduce tax revenue, up to the amount of the recipient government's net reduction in total spending as described below. These changes must be reductions in government outlays not in an area where the recipient government has spent Fiscal Recovery Funds. To better align with existing reporting and accounting, the Interim Final Rule considers the department, agency, or authority from which spending has been cut and whether the recipient government has spent Fiscal Recovery Funds on that same department, agency, or authority. This approach was selected to allow recipient governments to report how Fiscal Recovery Funds have been spent using reporting units already incorporated into their budgeting process. If they have not spent Fiscal Recovery Funds in a department, agency, or authority, the full amount of the reduction in spending counts as a covered spending cut, up to the recipient government's net reduction in total spending. If they have, the Fiscal Recovery Funds generally would be deemed to have replaced the amount of spending cut and only reductions in spending above the amount of Fiscal Recovery Funds spent on the department, agency, or authority would count.

To calculate the amount of spending cuts that are available to offset a reduction in tax revenue, the recipient government must first consider whether there has been a reduction in total net spending, excluding Fiscal Recovery Funds (net reduction in total spending). This approach ensures that reported spending cuts actually create fiscal space, rather than simply offsetting other spending increases. A net reduction in total spending is measured as the difference between total spending in each reporting year, excluding Fiscal Recovery Funds spent, relative to total spending for the recipient's fiscal year ending in 2019, adjusted for inflation. Measuring reductions in spending relative to 2019 reflects the fact that the fiscal space created by a

spending cut persists so long as spending remains below its original level, even if it does not decline further, relative to the same amount of revenue. Measuring spending cuts from year to year would, by contrast, not recognize any available funds to offset revenue reductions unless spending continued to decline, failing to reflect the actual availability of funds created by a persistent change and limiting the discretion of States and territories. In general and where possible, reporting should be produced by the agency of the recipient government responsible for estimating the costs and effects of fiscal policy changes. Treasury chose this approach because while many recipient governments may score budget legislation using projections, spending cuts are readily observable using actual values.

This approach—allowing only spending reductions in areas where the recipient government has not spent Fiscal Recovery Funds to be used as an offset for a reduction in net tax revenue—aims to prevent recipient governments from using Fiscal Recovery Funds to supplant State or territory funding in the eligible use areas, and then use those State or territory funds to offset tax cuts. Such an approach helps ensure that Fiscal Recovery Funds are not used to “indirectly” offset revenue reductions due to covered changes.

In order to help ensure recipient governments use Fiscal Recovery Funds in a manner consistent with the prescribed eligible uses and do not use Fiscal Recovery Funds to indirectly offset a reduction in net tax revenue resulting from a covered change, Treasury will monitor changes in spending throughout the covered period. If, over the course of the covered period, a spending cut is subsequently replaced with Fiscal Recovery Funds and used to indirectly offset a reduction in net tax revenue resulting from a covered change, Treasury may consider such change to be an evasion of the restrictions of the offset provision and seek recoupment of such amounts.

(5) *Identification of amounts subject to recoupment.* If a recipient government (i) reports covered changes that reduce tax revenue (Step 1); (ii) to a degree greater than the de minimis (Step 2); (iii) has experienced a reduction in net tax revenue (Step 3); and (iv) lacks sufficient revenue from other, permissible sources to pay for the entirety of the reduction (Step 4), then the recipient government will be considered to have used Fiscal Recovery Funds to offset a reduction in net tax revenue, up to the amount that revenue has actually declined. That is, the maximum value of reduction in revenue due to covered changes which a recipient government must cover is capped at the difference between the baseline and actual tax revenue.¹⁶⁹ In the event that the baseline is above actual tax revenue and the difference between them is less than the sum of revenue reducing changes that are not paid for with other, permissible sources, organic revenue growth has implicitly offset a portion of the reduction. For example, if a recipient government reduces tax revenue by \$1 billion, makes no other changes, and experiences revenue growth driven by organic economic growth worth \$500 million, it need only pay for the remaining \$500 million with sources other than Fiscal Recovery Funds. The revenue reduction cap implements this approach for permitting organic revenue growth to cover the cost of tax cuts.

Finally, as discussed further in Section IV of this Supplementary Information, a recipient government may request reconsideration of any amounts identified as subject to recoupment under this framework. This process ensures that all relevant facts and circumstances, including information regarding planned spending cuts and budgeting assumptions, are considered prior to a determination that an amount must be repaid. Amounts subject to recoupment are calculated

¹⁶⁹ This cap is applied in section 35.8(c) of the Interim Final Rule, calculating the amount of funds used in violation of the tax offset provision.

on an annual basis; amounts recouped in one year cannot be returned if the State or territory subsequently reports an increase in net tax revenue.

To facilitate the implementation of the framework above, and in addition to reporting required on eligible uses, in each year of the reporting period, each State and territory will report to Treasury the following items:

- Actual net tax revenue for the reporting year;
- Each revenue-reducing change made to date during the covered period and the in-year value of each change;
- Each revenue-raising change made to date during the covered period and the in-year value of each change;
- Each covered spending cut made to date during the covered period, the in-year value of each cut, and documentation demonstrating that each spending cut is covered as prescribed under the Interim Final Rule;

Treasury will provide additional guidance and instructions the reporting requirements at a later date.

Question 28: Does the Interim Final Rule's definition of tax revenue accord with existing State and territorial practice and, if not, are there other definitions or elements Treasury should consider? Discuss why or why not.

Question 29: The Interim Final Rule permits certain spending cuts to cover the costs of reductions in tax revenue, including cuts in a department, agency, or authority in which the recipient government is not using Fiscal Recovery Funds. How should Treasury and recipient governments consider the scope of a department, agency, or authority for the use of funds to

ensure spending cuts are not being substituted with Fiscal Recovery Funds while also avoiding an overbroad definition of that captures spending that is, in fact, distinct?

Question 30: Discuss the budget scoring methodologies currently used by States and territories. How should the Interim Final Rule take into consideration differences in approaches? Please discuss the use of practices including but not limited to macrodynamic scoring, microdynamic scoring, and length of budget windows.

Question 31: If a recipient government has a balanced budget requirement, how will that requirement impact its use of Fiscal Recovery Funds and ability to implement this framework?

Question 32: To implement the framework described above, the Interim Final Rule establishes certain reporting requirements. To what extent do recipient governments already produce this information and on what timeline? Discuss ways that Treasury and recipient governments may better rely on information already produced, while ensuring a consistent application of the framework.

Question 33: Discuss States' and territories' ability to produce the figures and numbers required for reporting under the Interim Final Rule. What additional reporting tools, such as a standardized template, would facilitate States' and territories' ability to complete the reporting required under the Interim Final Rule?

C. Other Restrictions on Use

Payments from the Fiscal Recovery Funds are also subject to pre-existing limitations provided in other Federal statutes and regulations and may not be used as non-Federal match for other Federal programs whose statute or regulations bar the use of Federal funds to meet

matching requirements. For example, payments from the Fiscal Recovery Funds may not be used to satisfy the State share of Medicaid.¹⁷⁰

As provided for in the award terms, payments from the Fiscal Recovery Funds as a general matter will be subject to the provisions of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200) (the Uniform Guidance), including the cost principles and restrictions on general provisions for selected items of cost.

D. Timeline for Use of Fiscal Recovery Funds

Section 602(c)(1) and section 603(c)(1) require that payments from the Fiscal Recovery Funds be used only to cover costs incurred by the State, territory, Tribal government, or local government by December 31, 2024. Similarly, the CARES Act provided that payments from the CRF be used to cover costs incurred by December 31, 2021.¹⁷¹ The definition of “incurred” does not have a clear meaning. With respect to the CARES Act, on the understanding that the CRF was intended to be used to meet relatively short-term needs, Treasury interpreted this requirement to mean that, for a cost to be considered to have been incurred, performance of the service or delivery of the goods acquired must occur by December 31, 2021. In contrast, the ARPA, passed at a different stage of the COVID-19 public health emergency, was intended to provide more general fiscal relief over a broader timeline. In addition, the ARPA expressly permits the use of Fiscal Recovery Funds for improvements to water, sewer, and broadband infrastructure, which entail a longer timeframe. In recognition of this, Treasury is interpreting

¹⁷⁰ See 42 CFR 433.51 and 45 CFR 75.306.

¹⁷¹ Section 1001 of Division N of the Consolidated Appropriations Act, 2021 amended section 601(d)(3) of the Act by extending the end of the covered period for CRF expenditures from December 30, 2020 to December 31, 2021.

the requirement in section 602 and section 603 that costs be incurred by December 31, 2024, to require only that recipients have obligated the Fiscal Recovery Funds by such date. The Interim Final Rule adopts a definition of “obligation” that is based on the definition used for purposes of the Uniform Guidance, which will allow for uniform administration of this requirement and is a definition with which most recipients will be familiar.

Payments from the Fiscal Recovery Funds are grants provided to recipients to mitigate the fiscal effects of the COVID-19 public health emergency and to respond to the public health emergency, consistent with the eligible uses enumerated in sections 602(c)(1) and 603(c)(1).¹⁷² As such, these funds are intended to provide economic stimulus in areas still recovering from the economic effects of the pandemic. In implementing and interpreting these provisions, including what it means to “respond to” the COVID-19 public health emergency, Treasury takes into consideration pre-pandemic facts and circumstances (e.g., average revenue growth prior to the pandemic) as well as impact of the pandemic that predate the enactment of the ARPA (e.g., replenishing Unemployment Trust balances drawn during the pandemic). While assessing the effects of the COVID-19 public health emergency necessarily takes into consideration the facts and circumstances that predate the ARPA, use of Fiscal Recovery Funds is forward looking.

As discussed above, recipients are permitted to use payments from the Fiscal Recovery Funds to respond to the public health emergency, to respond to workers performing essential work by providing premium pay or providing grants to eligible employers, and to make necessary investments in water, sewer, or broadband infrastructure, which all relate to prospective uses. In addition, sections 602(c)(1)(C) and 603(c)(1)(C) permit recipients to use

¹⁷² §§ 602(a), 603(a), 602(c)(1) and 603(c)(1) of the Act.

Fiscal Recovery Funds for the provision of government services. This clause provides that the amount of funds that may be used for this purpose is measured by reference to the reduction in revenue due to the public health emergency relative to revenues collected in the most recent full fiscal year, but this reference does not relate to the period during which recipients may use the funds, which instead refers to prospective uses, consistent with the other eligible uses.

Although as discussed above the eligible uses of payments from the Fiscal Recovery Funds are all prospective in nature, Treasury considers the beginning of the covered period for purposes of determining compliance with section 602(c)(2)(A) to be the relevant reference point for this purpose. The Interim Final Rule thus permits funds to be used to cover costs incurred beginning on March 3, 2021. This aligns the period for use of Fiscal Recovery Funds with the period during which these funds may not be used to offset reductions in net tax revenue. Permitting Fiscal Recovery Funds to be used to cover costs incurred beginning on this date will also mean that recipients that began incurring costs in the anticipation of enactment of the ARPA and in advance of the issuance of this rule and receipt of payment from the Fiscal Recovery Funds would be able to cover them using these payments.¹⁷³

As set forth in the award terms, the period of performance will run until December 31, 2026, which will provide recipients a reasonable amount of time to complete projects funded with payments from the Fiscal Recovery Funds.

¹⁷³ Given the nature of this program, recipients will not be permitted to use funds to cover pre-award costs, *i.e.*, those incurred prior to March 3, 2021.

IV. Recoupment Process

Under the ARPA, failure to comply with the restrictions on use contained in sections 602(c) and 603(c) of the Act may result in recoupment of funds.¹⁷⁴ The Interim Final Rule implements these provisions by establishing a process for recoupment.

Identification and Notice of Violations. Failure to comply with the restrictions on use will be identified based on reporting provided by the recipient. As discussed further in Sections III.B and VIII of this Supplementary Information, Treasury will collect information regarding eligible uses on a quarterly basis and on the tax offset provision on an annual basis. Treasury also may consider other information in identifying a violation, such as information provided by members of the public. If Treasury identifies a violation, it will provide written notice to the recipient along with an explanation of such amounts.

Request for Reconsideration. Under the Interim Final Rule, a recipient may submit a request for reconsideration of any amounts identified in the notice provided by Treasury. This reconsideration process provides a recipient the opportunity to submit additional information it believes supports its request in light of the notice of recoupment, including, for example, additional information regarding the recipient's use of Fiscal Recovery Funds or its tax revenues. The process also provides the Secretary with an opportunity to consider all information relevant to whether a violation has occurred, and if so, the appropriate amount for recoupment.

The Interim Final Rule also establishes requirements for the timing of a request for reconsideration. Specifically, if a recipient wishes to request reconsideration of any amounts identified in the notice, the recipient must submit a written request for reconsideration to the

¹⁷⁴ §§ 602(e) and 603(e) of the Act.

Secretary within 60 calendar days of receipt of such notice. The request must include an explanation of why the recipient believes that the finding of a violation or recoupable amount identified in the notice of recoupment should be reconsidered. To facilitate the Secretary's review of a recipient's request for reconsideration, the request should identify all supporting reasons for the request. Within 60 calendar days of receipt of the recipient's request for reconsideration, the recipient will be notified of the Secretary's decision to affirm, withdraw, or modify the notice of recoupment. Such notification will include an explanation of the decision, including responses to the recipient's supporting reasons and consideration of additional information provided.

The process and timeline established by the Interim Final Rule are intended to provide the recipient with an adequate opportunity to fully present any issues or arguments in response to the notice of recoupment.¹⁷⁵ This process will allow the Secretary to respond to the issues and considerations raised in the request for reconsideration taking into account the information and arguments presented by the recipient along with any other relevant information.

Repayment. Finally, the Interim Final Rule provides that any amounts subject to recoupment must be repaid within 120 calendar days of receipt of any final notice of recoupment or, if the recipient has not requested reconsideration, within 120 calendar days of the initial notice provided by the Secretary.

Question 34: Discuss the timeline for requesting reconsideration under the Interim Final Rule. What, if any, challenges does this timeline present?

¹⁷⁵ The Interim Final Rule also provides that Treasury may extend any deadlines.

V. Payments in Tranches to Local Governments and Certain States

Section 603 of the Act provides that the Secretary will make payments to local governments in two tranches, with the second tranche being paid twelve months after the first payment. In addition, section 602(b)(6)(A)(ii) provides that the Secretary may withhold payment of up to 50 percent of the amount allocated to each State and territory for a period of up to twelve months from the date on which the State or territory provides its certification to the Secretary. Any such withholding for a State or territory is required to be based on the unemployment rate in the State or territory as of the date of the certification.

The Secretary has determined to provide in this Interim Final Rule for withholding of 50 percent of the amount of Fiscal Recovery Funds allocated to all States (and the District of Columbia) other than those with an unemployment rate that is 2.0 percentage points or more above its pre-pandemic (i.e., February 2020) level. The Secretary will refer to the latest available monthly data from the Bureau of Labor Statistics as of the date the certification is provided. Based on data available at the time of public release of this Interim Final Rule, this threshold would result in a majority of States being paid in two tranches.

Splitting payments for the majority of States is consistent with the requirement in section 603 of the Act to make payments from the Coronavirus Local Fiscal Recovery Fund to local governments in two tranches.¹⁷⁶ Splitting payments to States into two tranches will help

¹⁷⁶ With respect to Federal financial assistance more generally, States are subject to the requirements of the Cash Management Improvement Act (CMIA), under which Federal funds are drawn upon only on an as needed basis and States are required to remit interest on unused balances to Treasury. Given the statutory requirement for Treasury to make payments to States within a certain period, these requirements of the CMIA and Treasury's implementing regulations at 31 CFR part 205 will not apply to payments from the Fiscal Recovery Funds. Providing funding in two tranches to the majority of States reflects, to the maximum extent permitted by section 602 of the Act, the general principles of Federal cash management and stewardship of federal funding, yet will be much less restrictive than the usual requirements to which States are subject.

encourage recipients to adapt, as necessary, to new developments that could arise over the coming twelve months, including potential changes to the nature of the public health emergency and its negative economic impacts. While the U.S. economy has been recovering and adding jobs in aggregate, there is still considerable uncertainty in the economic outlook and the interaction between the pandemic and the economy.¹⁷⁷ For these reasons, Treasury believes it will be appropriate for a majority of recipients to adapt their plans as the recovery evolves. For example, a faster-than-expected economic recovery in 2021 could lead a recipient to dedicate more Fiscal Recovery Funds to longer-term investments starting in 2022. In contrast, a slower-than-expected economic recovery in 2021 could lead a recipient to use additional funds for near-term stimulus in 2022.

At the same time, the statute contemplates the possibility that elevated unemployment in certain States could justify a single payment. Elevated unemployment is indicative of a greater need to assist unemployed workers and stimulate a faster economic recovery. For this reason, the Interim Final Rule provides that States and territories with an increase in their unemployment rate over a specified threshold may receive a single payment, with the expectation that a single tranche will better enable these States and territories to take additional immediate action to aid the unemployed and strengthen their economies.

Following the initial pandemic-related spike in unemployment in 2020, States' unemployment rates have been trending back towards pre-pandemic levels. However, some States' labor markets are healing more slowly than others. Moreover, States varied widely in

¹⁷⁷ The potential course of the virus, and its impact on the economy, has contributed to a heightened degree of uncertainty relative to prior periods. *See, e.g.,* Dave Altig et al., Economic uncertainty before and during the COVID-19 pandemic, J. of Public Econ. (Nov. 2020), *available at* <https://www.sciencedirect.com/science/article/abs/pii/S0047272720301389>

their pre-pandemic levels of unemployment, and some States remain substantially further from their pre-pandemic starting point. Consequently, Treasury is delineating States with significant remaining elevation in the unemployment rate, based on the net difference to pre-pandemic levels.

Treasury has established that significant remaining elevation in the unemployment rate is a net change in the unemployment rate of 2.0 percentage points or more relative to pre-pandemic levels. In the four previous recessions going back to the early 1980s, the national unemployment rate rose by 3.6, 2.3, 2.0, and 5.0 percentage points, as measured from the start of the recession to the eventual peak during or immediately following the recession.¹⁷⁸ Each of these increases can therefore represent a recession's impact on unemployment. To identify States with significant remaining elevation in unemployment, Treasury took the lowest of these four increases, 2.0 percentage points, to indicate states where, despite improvement in the unemployment rate, current labor market conditions are consistent still with a historical benchmark for a recession.

No U.S. territory will be subject to withholding of its payment from the Fiscal Recovery Funds. For Puerto Rico, the Secretary has determined that the current level of the unemployment rate (8.8 percent, as of March 2021¹⁷⁹) is sufficiently high such that Treasury should not withhold any portion of its payment from the Fiscal Recovery Funds regardless of its change in

¹⁷⁸ Includes the period during and immediately following recessions, as defined by the National Bureau of Economic Research. National Bureau of Economic Research, US Business Cycle Expansions and Contractions, <https://www.nber.org/research/data/us-business-cycle-expansions-and-contractions> (last visited Apr. 27, 2021). Based on data from U.S. Bureau of Labor Statistics, Unemployment Rate [UNRATE], retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/UNRATE> (last visited Apr. 27, 2021).

¹⁷⁹ U.S. Bureau of Labor Statistics, Economic News Release – Table 1. Civilian labor force and unemployment by state and selected area, seasonally adjusted, <https://www.bls.gov/news.release/laus.t01.htm> (last visited Apr. 30, 2021).

unemployment rate relative to its pre-pandemic level. For U.S. territories that are not included in the Bureau of Labor Statistics' monthly unemployment rate data, the Secretary will not exercise the authority to withhold amounts from the Fiscal Recovery Funds.

VI. Transfer

The statute authorizes State, territorial, and Tribal governments; counties; metropolitan cities; and nonentitlement units of local government (counties, metropolitan cities, and nonentitlement units of local government are collectively referred to as “local governments”) to transfer amounts paid from the Fiscal Recovery Funds to a number of specified entities. By permitting these transfers, Congress recognized the importance of providing flexibility to governments seeking to achieve the greatest impact with their funds, including by working with other levels or units of government or private entities to assist recipient governments in carrying out their programs. This includes special-purpose districts that perform specific functions in the community, such as fire, water, sewer, or mosquito abatement districts.

Specifically, under section 602(c)(3), a State, territory, or Tribal government may transfer funds to a “private nonprofit organization . . . a Tribal organization . . . a public benefit corporation involved in the transportation of passengers or cargo, or a special-purpose unit of State or local government.”¹⁸⁰ Similarly, section 603(c)(3) authorizes a local government to transfer funds to the same entities (other than Tribal organizations).

The Interim Final Rule clarifies that the lists of transferees in Sections 602(c)(3) and 603(c)(3) are not exclusive. The Interim Final Rule permits State, territorial, and Tribal governments to transfer Fiscal Recovery Funds to other constituent units of government or

¹⁸⁰ § 602(c)(3) of the Act.

private entities beyond those specified in the statute. Similarly, local governments are authorized to transfer Fiscal Recovery Funds to other constituent units of government (e.g., a county is able to transfer Fiscal Recovery Funds to a city, town, or school district within it) or to private entities. This approach is intended to help provide funding to local governments with needs that may exceed the allocation provided under the statutory formula.

State, local, territorial, and Tribal governments that receive a Federal award directly from a Federal awarding agency, such as Treasury, are “recipients.” A transferee receiving a transfer from a recipient under sections 602(c)(3) and 603(c)(3) will be a subrecipient. Subrecipients are entities that receive a subaward from a recipient to carry out a program or project on behalf of the recipient with the recipient’s Federal award funding. The recipient remains responsible for monitoring and overseeing the subrecipient’s use of Fiscal Recovery Funds and other activities related to the award to ensure that the subrecipient complies with the statutory and regulatory requirements and the terms and conditions of the award. Recipients also remain responsible for reporting to Treasury on their subrecipients’ use of payments from the Fiscal Recovery Funds for the duration of the award.

Transfers under sections 602(c)(3) and 603(c)(3) must qualify as an eligible use of Fiscal Recovery Funds by the transferor. Once Fiscal Recovery Funds are received, the transferee must abide by the restrictions on use applicable to the transferor under the ARPA and other applicable law and program guidance. For example, if a county transferred Fiscal Recovery Funds to a town within its borders to respond to the COVID-19 public health emergency, the town would be bound by the eligible use requirements applicable to the county in carrying out the county’s goal. This also means that county A may not transfer Fiscal Recovery Funds to county B for use in

county B because such a transfer would not, from the perspective of the transferor (county A), be an eligible use in county A.

Section 603(c)(4) separately provides for transfers by a local government to its State or territory. A transfer under section 603(c)(4) will not make the State a subrecipient of the local government, and such Fiscal Recovery Funds may be used by the State for any purpose permitted under section 602(c). A transfer under section 603(c)(4) will result in a cancellation or termination of the award on the part of the transferor local government and a modification of the award to the transferee State or territory. The transferor must provide notice of the transfer to Treasury in a format specified by Treasury. If the local government does not provide such notice, it will remain legally obligated to Treasury under the award and remain responsible for ensuring that the awarded Fiscal Recovery Funds are being used in accordance with the statute and program guidance and for reporting on such uses to Treasury. A State that receives a transfer from a local government under section 603(c)(4) will be bound by all of the use restrictions set forth in section 602(c) with respect to the use of those Fiscal Recovery Funds, including the prohibitions on use of such Fiscal Recovery Funds to offset certain reductions in taxes or to make deposits into pension funds.

Question 35: What are the advantages and disadvantages of treating the list of transferees in sections 602(c)(3) and 603(c)(3) as nonexclusive, allowing States and localities to transfer funds to entities outside of the list?

Question 36: Are there alternative ways of defining “special-purpose unit of State or local government” and “public benefit corporation” that would better further the aims of the Funds?

VII. Nonentitlement Units of Government

The Fiscal Recovery Funds provides for \$19.53 billion in payments to be made to States and territories which will distribute the funds to nonentitlement units of local government (NEUs); local governments which generally have populations below 50,000. These local governments have not yet received direct fiscal relief from the Federal government during the COVID-19 public health emergency, making Fiscal Recovery Funds payments an important source of support for their public health and economic responses. Section 603 requires Treasury to allocate and pay Fiscal Recovery Funds to the States and territories and requires the States and territories to distribute Fiscal Recovery Funds to NEUs based on population within 30 days of receipt unless an extension is granted by the Secretary. The Interim Final Rule clarifies certain aspects regarding the distribution of Fiscal Recovery by States and territories to NEUs, as well as requirements around timely payments from the Fiscal Recovery Funds.

The ARPA requires that States and territories allocate funding to NEUs in an amount that bears the same proportion as the population of the NEU bears to the total population of all NEUs in the State or territory, subject to a cap (described below). Because the statute requires States and territories to make distributions based on population, States and territories may not place additional conditions or requirements on distributions to NEUs, beyond those required by the ARPA and Treasury's implementing regulations and guidance. For example, a State may not impose stricter limitations than permitted by statute or Treasury regulations or guidance on an NEU's use of Fiscal Recovery Funds based on the NEU's proposed spending plan or other policies. States and territories are also not permitted to offset any debt owed by the NEU against the NEU's distribution. Further, States and territories may not provide funding on a reimbursement basis—e.g., requiring NEUs to pay for project costs up front before being

reimbursed with Fiscal Recovery Funds payments—because this funding model would not comport with the statutory requirement that States and territories make distributions to NEUs within the statutory timeframe.

Similarly, States and territories distributing Fiscal Recovery Funds payments to NEUs are responsible for complying with the Fiscal Recovery Funds statutory requirement that distributions to NEUs not exceed 75 percent of the NEU's most recent budget. The most recent budget is defined as the NEU's most recent annual total operating budget, including its general fund and other funds, as of January 27, 2020. Amounts in excess of such cap and therefore not distributed to the NEU must be returned to Treasury by the State or territory. States and territories may rely for this determination on a certified top-line budget total from the NEU.

Under the Interim Final Rule, the total allocation and distribution to an NEU, including the sum of both the first and second tranches of funding, cannot exceed the 75 percent cap. States and territories must permit NEUs without formal budgets as of January 27, 2020 to self-certify their most recent annual expenditures as of January 27, 2020 for the purpose of calculating the cap. This approach will provide an administrable means to implement the cap for small local governments that do not adopt a formal budget.

Section 603(b)(3) of the Social Security Act provides for Treasury to make payments to counties but provides that, in the case of an amount to be paid to a county that is not a unit of general local government, the amount shall instead be paid to the State in which such county is located, and such State shall distribute such amount to each unit of general local government within such county in an amount that bears the same proportion to the amount to be paid to such county as the population of such units of general local government bears to the total population of such county. As with NEUs, States may not place additional conditions or requirements on

distributions to such units of general local government, beyond those required by the ARPA and Treasury's implementing regulations and guidance.

In the case of consolidated governments, section 603(b)(4) allows consolidated governments (e.g., a city-county consolidated government) to receive payments under each allocation based on the respective formulas. In the case of a consolidated government, Treasury interprets the budget cap to apply to the consolidated government's NEU allocation under section 603(b)(2) but not to the consolidated government's county allocation under section 603(b)(3).

If necessary, States and territories may use the Fiscal Recovery Funds under section 602(c)(1)(A) to fund expenses related to administering payments to NEUs and units of general local government, as disbursing these funds itself is a response to the public health emergency and its negative economic impacts. If a State or territory requires more time to disburse Fiscal Recovery Funds to NEUs than the allotted 30 days, Treasury will grant extensions of not more than 30 days for States and territories that submit a certification in writing in accordance with section 603(b)(2)(C)(ii)(I). Additional extensions may be granted at the discretion of the Secretary.

Question 37: What are alternative ways for States and territories to enforce the 75 percent cap while reducing the administrative burden on them?

Question 38: What criteria should Treasury consider in assessing requests for extensions for further time to distribute NEU payments?

VIII. Reporting

States (defined to include the District of Columbia), territories, metropolitan cities, counties, and Tribal governments will be required to submit one interim report and thereafter

quarterly Project and Expenditure reports through the end of the award period on December 31, 2026. The interim report will include a recipient's expenditures by category at the summary level from the date of award to July 31, 2021 and, for States and territories, information related to distributions to nonentitlement units. Recipients must submit their interim report to Treasury by August 31, 2021. Nonentitlement units of local government are not required to submit an interim report.

The quarterly Project and Expenditure reports will include financial data, information on contracts and subawards over \$50,000, types of projects funded, and other information regarding a recipient's utilization of the award funds. The reports will include the same general data (e.g., on obligations, expenditures, contracts, grants, and sub-awards) as those submitted by recipients of the CRF, with some modifications. Modifications will include updates to the expenditure categories and the addition of data elements related to specific eligible uses, including some of the reporting elements described in sections above. The initial quarterly Project and Expenditure report will cover two calendar quarters from the date of award to September 30, 2021, and must be submitted to Treasury by October 31, 2021. The subsequent quarterly reports will cover one calendar quarter and must be submitted to Treasury within 30 days after the end of each calendar quarter.

Nonentitlement units of local government will be required to submit annual Project and Expenditure reports until the end of the award period on December 31, 2026. The initial annual Project and Expenditure report for nonentitlement units of local government will cover activity from the date of award to September 30, 2021 and must be submitted to Treasury by October 31, 2021. The subsequent annual reports must be submitted to Treasury by October 31 each year.

States, territories, metropolitan cities, and counties with a population that exceeds 250,000 residents will also be required to submit an annual Recovery Plan Performance report to Treasury. The Recovery Plan Performance report will provide the public and Treasury information on the projects that recipients are undertaking with program funding and how they are planning to ensure project outcomes are achieved in an effective, efficient, and equitable manner. Each jurisdiction will have some flexibility in terms of the form and content of the Recovery Plan Performance report, as long as it includes the minimum information required by Treasury. The Recovery Plan Performance report will include key performance indicators identified by the recipient and some mandatory indicators identified by Treasury, as well as programmatic data in specific eligible use categories and the specific reporting requirements described in the sections above. The initial Recovery Plan Performance report will cover the period from the date of award to July 31, 2021 and must be submitted to Treasury by August 31, 2021. Thereafter, Recovery Plan Performance reports will cover a 12-month period, and recipients will be required to submit the report to Treasury within 30 days after the end of the 12-month period. The second Recovery Plan Performance report will cover the period from July 1, 2021 to June 30, 2022, and must be submitted to Treasury by July 31, 2022. Each annual Recovery Plan Performance report must be posted on the public-facing website of the recipient. Local governments with fewer than 250,000 residents, Tribal governments, and nonentitlement units of local government are not required to develop a Recovery Plan Performance report.

Treasury will provide additional guidance and instructions on the reporting requirements outlined above for the Fiscal Recovery Funds at a later date.

IX. Comments and Effective Date

This Interim Final Rule is being issued without advance notice and public comment to allow for immediate implementation of this program. As discussed below, the requirements of advance notice and public comment do not apply “to the extent that there is involved . . . a matter relating to agency . . . grants.”¹⁸¹ The Interim Final Rule implements statutory conditions on the eligible uses of the Fiscal Recovery Funds grants, and addresses the payment of those funds, the reporting on uses of funds, and potential consequences of ineligible uses. In addition and as discussed below, the Administrative Procedure Act also provides an exception to ordinary notice-and-comment procedures “when the agency for good cause finds (and incorporates the finding and a brief statement of reasons therefor in the rules issued) that notice and public procedure thereon are impracticable, unnecessary, or contrary to the public interest.”¹⁸² This good cause justification also supports waiver of the 60-day delayed effective date for major rules under the Congressional Review Act at 5 U.S.C. 808(2). Although this Interim Final Rule is effective immediately, comments are solicited from interested members of the public and from recipient governments on all aspects of the Interim Final Rule.

These comments must be submitted on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

¹⁸¹ 5 U.S.C. 553(a)(2).

¹⁸² 5 U.S.C. 553(b)(3)(B); *see also* 5 U.S.C. 553(d)(3) (creating an exception to the requirement of a 30-day delay before the effective date of a rule “for good cause found and published with the rule”).

X. Regulatory Analyses

Executive Orders 12866 and 13563

This Interim Final Rule is economically significant for the purposes of Executive Orders 12866 and 13563. Treasury, however, is proceeding under the emergency provision at Executive Order 12866 section 6(a)(3)(D) based on the need to act expeditiously to mitigate the current economic conditions arising from the COVID-19 public health emergency. The rule has been reviewed by the Office of Management and Budget (OMB) in accordance with Executive Order 12866. This rule is necessary to implement the ARPA in order to provide economic relief to State, local, and Tribal governments adversely impacted by the COVID-19 public health emergency.

Under Executive Order 12866, OMB must determine whether this regulatory action is “significant” and, therefore, subject to the requirements of the Executive Order and subject to review by OMB. Section 3(f) of Executive Order 12866 defines a significant regulatory action as an action likely to result in a rule that may:

- (1) Have an annual effect on the economy of \$100 million or more, or adversely affect a sector of the economy; productivity; competition; jobs; the environment; public health or safety; or State, local, or Tribal governments or communities in a material way (also referred to as “economically significant” regulations);
- (2) Create a serious inconsistency or otherwise interfere with an action taken or planned by another agency;
- (3) Materially alter the budgetary impacts of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or

- (4) Raise novel legal or policy issues arising out of legal mandates, the President's priorities, or the principles stated in the Executive Order.

This regulatory action is an economically significant regulatory action subject to review by OMB under section 3(f) of Executive Order 12866. Treasury has also reviewed these regulations under Executive Order 13563, which supplements and explicitly reaffirms the principles, structures, and definitions governing regulatory review established in Executive Order 12866. To the extent permitted by law, section 1(b) of Executive Order 13563 requires that an agency:

- (1) Propose or adopt regulations only upon a reasoned determination that their benefits justify their costs (recognizing that some benefits and costs are difficult to quantify);
- (2) Tailor its regulations to impose the least burden on society, consistent with obtaining regulatory objectives taking into account, among other things, and to the extent practicable, the costs of cumulative regulations;
- (3) Select, in choosing among alternative regulatory approaches, those approaches that maximize net benefits (including potential economic, environmental, public health and safety, and other advantages; distributive impacts; and equity);
- (4) To the extent feasible, specify performance objectives, rather than the behavior or manner of compliance a regulated entity must adopt; and
- (5) Identify and assess available alternatives to direct regulation, including providing economic incentives—such as user fees or marketable permits—to encourage the desired behavior, or providing information that enables the public to make choices.

Executive Order 13563 also requires an agency “to use the best available techniques to quantify anticipated present and future benefits and costs as accurately as possible.” OMB's Office of Information and Regulatory Affairs (OIRA) has emphasized that these techniques may

include “identifying changing future compliance costs that might result from technological innovation or anticipated behavioral changes.”

Treasury has assessed the potential costs and benefits, both quantitative and qualitative, of this regulatory action, and is issuing this Interim Final Rule only on a reasoned determination that the benefits exceed the costs. In choosing among alternative regulatory approaches, Treasury selected those approaches that would maximize net benefits. Based on the analysis that follows and the reasons stated elsewhere in this document, Treasury believes that this Interim Final Rule is consistent with the principles set forth in Executive Order 13563.

Treasury also has determined that this regulatory action does not unduly interfere with States, territories, Tribal governments, and localities in the exercise of their governmental functions.

This Regulatory Impact Analysis discusses the need for regulatory action, the potential benefits, and the potential costs.

Need for Regulatory Action. This Interim Final Rule implements the \$350 billion Fiscal Recovery Funds of the ARPA, which Congress passed to help States, territories, Tribal governments, and localities respond to the ongoing COVID-19 public health emergency and its economic impacts. As the agency charged with execution of these programs, Treasury has concluded that this Interim Final Rule is needed to ensure that recipients of Fiscal Recovery Funds fully understand the requirements and parameters of the program as set forth in the statute and deploy funds in a manner that best reflects Congress’ mandate for targeted fiscal relief. This Interim Final Rule is primarily a transfer rule: it transfers \$350 billion in aid from the Federal government to states, territories, Tribal governments, and localities, generating a significant macroeconomic effect on the U.S. economy. In making this transfer, Treasury has sought to implement the program in ways that maximize its potential benefits while minimizing

its costs. It has done so by aiming to target relief in key areas according to the congressional mandate; offering clarity to States, territories, Tribal governments, and localities while maintaining their flexibility to respond to local needs; and limiting administrative burdens.

Analysis of Benefits. Relative to a pre-statutory baseline, the Fiscal Recovery Funds provide a combined \$350 billion to State, local, and Tribal governments for fiscal relief and support for costs incurred responding to the COVID-19 pandemic. Treasury believes that this transfer will generate substantial additional economic activity, although given the flexibility accorded to recipients in the use of funds, it is not possible to precisely estimate the extent to which this will occur and the timing with which it will occur. Economic research has demonstrated that state fiscal relief is an efficient and effective way to mitigate declines in jobs and output during an economic downturn.¹⁸³ Absent such fiscal relief, fiscal austerity among State, local, and Tribal governments could exert a prolonged drag on the overall economic recovery, as occurred following the 2007-09 recession.¹⁸⁴

This Interim Final Rule provides benefits across several areas by implementing the four eligible funding uses, as defined in statute: strengthening the response to the COVID-19 public health emergency and its economic impacts; easing fiscal pressure on State, local, and Tribal governments that might otherwise lead to harmful cutbacks in employment or government

¹⁸³ Gabriel Chodorow-Reich et al., Does State Fiscal Relief during Recessions Increase Employment? Evidence from the American Recovery and Reinvestment Act, *American Econ. J.: Econ. Policy*, 4:3 118-45 (Aug. 2012), available at <https://www.aeaweb.org/articles?id=10.1257/pol.4.3.118>

¹⁸⁴ See, e.g., Fitzpatrick, Haughwout & Setren, Fiscal Drag from the State and Local Sector?, Liberty Street Economics Blog, Federal Reserve Bank of New York (June 27, 2012), <https://www.libertystreeteconomics.newyorkfed.org/2012/06/fiscal-drag-from-the-state-and-local-sector.html>; Jiri Jonas, Great Recession and Fiscal Squeeze at U.S. Subnational Government Level, IMF Working Paper 12/184, (July 2012), available at <https://www.imf.org/external/pubs/ft/wp/2012/wp12184.pdf>; Gordon, *supra* note 9.

services; providing premium pay to essential workers; and making necessary investments in certain types of infrastructure. In implementing the ARPA, Treasury also sought to support disadvantaged communities that have been disproportionately impacted by the pandemic. The Fiscal Recovery Funds as implemented by the Interim Final Rule can be expected to channel resources toward these uses in order to achieve substantial near-term economic and public health benefits, as well as longer-term benefits arising from the allowable investments in water, sewer, and broadband infrastructure and aid to families.

These benefits are achieved in the Interim Final Rule through a broadly flexible approach that sets clear guidelines on eligible uses of Fiscal Recovery Funds and provides State, local, and Tribal government officials discretion within those eligible uses to direct Fiscal Recovery Funds to areas of greatest need within their jurisdiction. While preserving recipients' overall flexibility, the Interim Final Rule includes several provisions that implement statutory requirements and will help support use of Fiscal Recovery Funds to achieve the intended benefits. The remainder of this section clarifies how Treasury's approach to key provisions in the Interim Final Rule will contribute to greater realization of benefits from the program.

- Revenue Loss: Recipients will compute the extent of reduction in revenue by comparing actual revenue to a counterfactual trend representing what could have plausibly been expected to occur in the absence of the pandemic. The counterfactual trend begins with the last full fiscal year prior to the public health emergency (as required by statute) and projects forward with an annualized growth adjustment. Treasury's decision to incorporate a growth adjustment into the calculation of revenue loss ensures that the formula more fully captures revenue shortfalls relative to recipients' pre-pandemic expectations. Moreover, recipients will have the opportunity to re-calculate revenue loss

at several points throughout the program, recognizing that some recipients may experience revenue effects with a lag. This option to re-calculate revenue loss on an ongoing basis should result in more support for recipients to avoid harmful cutbacks in future years. In calculating revenue loss, recipients will look at general revenue in the aggregate, rather than on a source-by-source basis. Given that recipients may have experienced offsetting changes in revenues across sources, Treasury's approach provides a more accurate representation of the effect of the pandemic on overall revenues.

- Premium Pay: Per the statute, recipients have broad latitude to designate critical infrastructure sectors and make grants to third-party employers for the purpose of providing premium pay or otherwise respond to essential workers. While the Interim Final Rule generally preserves the flexibility in the statute, it does add a requirement that recipients give written justification in the case that premium pay would increase a worker's annual pay above a certain threshold. To set this threshold, Treasury analyzed data from the Bureau of Labor Statistics to determine a level that would not require further justification for premium pay to the vast majority of essential workers, while requiring higher scrutiny for provision of premium pay to higher-earners who, even without premium pay, would likely have greater personal financial resources to cope with the effects of the pandemic. Treasury believes the threshold in the Interim Final Rule strikes the appropriate balance between preserving flexibility and helping encourage use of these resources to help those in greatest need. The Interim Final Rule also requires that eligible workers have regular in-person interactions or regular physical handling of items that were also handled by others. This requirement will also help encourage use of

financial resources for those who have endured the heightened risk of performing essential work.

- Withholding of Payments to Recipients: Treasury believes that for the vast majority of recipient entities, it will be appropriate to receive funds in two separate payments. As discussed above, withholding of payments ensures that recipients can adapt spending plans to evolving economic conditions and that at least some of the economic benefits will be realized in 2022 or later. However, consistent with authorities granted to Treasury in the statute, Treasury recognizes that a subset of States with significant remaining elevation in the unemployment rate could face heightened additional near-term needs to aid unemployed workers and stimulate the recovery. Therefore, for a subset of State governments, Treasury will not withhold any funds from the first payment. Treasury believes that this approach strikes the appropriate balance between the general reasons to provide funds in two payments and the heightened additional near-term needs in specific States. As discussed above, Treasury set a threshold based on historical analysis of unemployment rates in recessions.
- Hiring Public Sector Employees: The Interim Final Rule states explicitly that recipients may use funds to restore their workforces up to pre-pandemic levels. Treasury believes that this statement is beneficial because it eliminates any uncertainty that could cause delays or otherwise negatively impact restoring public sector workforces (which, at time of publication, remain significantly below pre-pandemic levels).

Finally, the Interim Final Rule aims to promote and streamline the provision of assistance to individuals and communities in greatest need, particularly communities that have been historically disadvantaged and have experienced disproportionate impacts of the COVID-19

crisis. Targeting relief is in line with Executive Order 13985 On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government, which laid out an Administration-wide priority to support “equity for all, including people of color and others who have been historically underserved, marginalized, and adversely affected by persistent poverty and inequality.”¹⁸⁵ To this end, the Interim Final Rule enumerates a list of services that may be provided using Fiscal Recovery Funds in low-income areas to address the disproportionate impacts of the pandemic in these communities; establishes the characteristics of essential workers eligible for premium pay and encouragement to serve workers based on financial need; provides that recipients may use Fiscal Recovery Funds to restore (to pre-pandemic levels) state and local workforces, where women and people of color are disproportionately represented;¹⁸⁶ and targets investments in broadband infrastructure to unserved and underserved areas. Collectively, these provisions will promote use of resources to facilitate the provision of assistance to individuals and communities with the greatest need.

Analysis of Costs. This regulatory action will generate administrative costs relative to a pre-statutory baseline. This includes, chiefly, costs required to administer Fiscal Recovery Funds, oversee subrecipients and beneficiaries, and file periodic reports with Treasury. It also requires States to allocate Fiscal Recovery Funds to nonentitlement units, which are smaller units of local government that are statutorily required to receive their funds through States.

¹⁸⁵ Executive Order on Advancing Racial Equity and Support for Underserved Communities through the Federal Government (Jan. 20, 2021), <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-advancing-racial-equity-and-support-for-underserved-communities-through-the-federal-government/> (last visited May 9, 2021).

¹⁸⁶ David Cooper, Mary Gable & Algernon Austin, Economic Policy Institute Briefing Paper, The Public-Sector Jobs Crisis: Women and African Americans hit hardest by job losses in state and local governments, <https://www.epi.org/publication/bp339-public-sector-jobs-crisis> (last visited May 9, 2021).

Treasury expects that the administrative burden associated with this program will be moderate for a grant program of its size. Treasury expects that most recipients receive direct or indirect funding from Federal government programs and that many have familiarity with how to administer and report on Federal funds or grant funding provided by other entities. In particular, States, territories, and large localities will have received funds from the CRF and Treasury expects them to rely heavily on established processes developed last year or through prior grant funding, mitigating burden on these governments.

Treasury expects to provide technical assistance to defray the costs of administration of Fiscal Recovery Funds to further mitigate burden. In making implementation choices, Treasury has hosted numerous consultations with a diverse range of direct recipients—States, small cities, counties, and Tribal governments —along with various communities across the United States, including those that are underserved. Treasury lacks data to estimate the precise extent to which this Interim Final Rule generates administrative burden for State, local, and Tribal governments, but seeks comment to better estimate and account for these costs, as well as on ways to lessen administrative burdens.

Executive Order 13132

Executive Order 13132 (entitled Federalism) prohibits an agency from publishing any rule that has federalism implications if the rule either imposes substantial, direct compliance costs on State, local, and Tribal governments, and is not required by statute, or preempts state law, unless the agency meets the consultation and funding requirements of section 6 of the Executive Order. This Interim Final Rule does not have federalism implications within the meaning of the Executive Order and does not impose substantial, direct compliance costs on State, local, and Tribal governments or preempt state law within the meaning of the Executive Order. The

compliance costs are imposed on State, local, and Tribal governments by sections 602 and 603 of the Social Security Act, as enacted by the ARPA. Notwithstanding the above, Treasury has engaged in efforts to consult and work cooperatively with affected State, local, and Tribal government officials and associations in the process of developing the Interim Final Rule. Pursuant to the requirements set forth in section 8(a) of Executive Order 13132, Treasury certifies that it has complied with the requirements of Executive Order 13132.

Administrative Procedure Act

The Administrative Procedure Act (APA), 5 U.S.C. 551 et seq., generally requires public notice and an opportunity for comment before a rule becomes effective. However, the APA provides that the requirements of 5 U.S.C. 553 do not apply “to the extent that there is involved . . . a matter relating to agency . . . grants.” The Interim Final Rule implements statutory conditions on the eligible uses of the Fiscal Recovery Funds grants, and addresses the payment of those funds, the reporting on uses of funds, and potential consequences of ineligible uses. The rule is thus “both clearly and directly related to a federal grant program.” *National Wildlife Federation v. Snow*, 561 F.2d 227, 232 (D.C. Cir. 1976). The rule sets forth the “process necessary to maintain state . . . eligibility for federal funds,” *id.*, as well as the “method[s] by which states can . . . qualify for federal aid,” and other “integral part[s] of the grant program,” *Center for Auto Safety v. Tiemann*, 414 F. Supp. 215, 222 (D.D.C. 1976). As a result, the requirements of 5 U.S.C. 553 do not apply.

The APA also provides an exception to ordinary notice-and-comment procedures “when the agency for good cause finds (and incorporates the finding and a brief statement of reasons therefor in the rules issued) that notice and public procedure thereon are impracticable, unnecessary, or contrary to the public interest.” 5 U.S.C. 553(b)(3)(B); *see also* 5 U.S.C.

553(d)(3) (creating an exception to the requirement of a 30-day delay before the effective date of a rule “for good cause found and published with the rule”). Assuming 5 U.S.C. 553 applied, Treasury would still have good cause under sections 553(b)(3)(B) and 553(d)(3) for not undertaking section 553’s requirements. The ARPA is a law responding to a historic economic and public health emergency; it is “extraordinary” legislation about which “both Congress and the President articulated a profound sense of ‘urgency.’” *Petry v. Block*, 737 F.2d 1193, 1200 (D.C. Cir. 1984). Indeed, several provisions implemented by this Interim Final Rule (sections 602(c)(1)(A) and 603(c)(1)(A)) explicitly provide funds to “respond to the public health emergency,” and the urgency is further exemplified by Congress’s command (in sections 602(b)(6)(B) and 603(b)(7)(A)) that, “[t]o the extent practicable,” funds must be provided to Tribes and cities “not later than 60 days after the date of enactment.” See *Philadelphia Citizens in Action v. Schweiker*, 669 F.2d 877, 884 (3d Cir. 1982) (finding good cause under circumstances, including statutory time limits, where APA procedures would have been “virtually impossible”). Finally, there is an urgent need for States to undertake the planning necessary for sound fiscal policymaking, which requires an understanding of how funds provided under the ARPA will augment and interact with existing budgetary resources and tax policies. Treasury understands that many states require immediate rules on which they can rely, especially in light of the fact that the ARPA “covered period” began on March 3, 2021. The statutory urgency and practical necessity are good cause to forego the ordinary requirements of notice-and-comment rulemaking.

Congressional Review Act

The Administrator of OIRA has determined that this is a major rule for purposes of Subtitle E of the Small Business Regulatory Enforcement and Fairness Act of 1996 (also known as the

Congressional Review Act or CRA) (5 U.S.C. 804(2) et seq.). Under the CRA, a major rule takes effect 60 days after the rule is published in the Federal Register. 5 U.S.C. 801(a)(3). Notwithstanding this requirement, the CRA allows agencies to dispense with the requirements of section 801 when the agency for good cause finds that such procedure would be impracticable, unnecessary, or contrary to the public interest and the rule shall take effect at such time as the agency promulgating the rule determines. 5 U.S.C. 808(2). Pursuant to section 808(2), for the reasons discussed above, Treasury for good cause finds that a 60-day delay to provide public notice is impracticable and contrary to the public interest.

Paperwork Reduction Act

The information collections associated with State, territory, local, and Tribal government applications materials necessary to receive Fiscal Recovery Funds (e.g., payment information collection and acceptance of award terms) have been reviewed and approved by OMB pursuant to the Paperwork Reduction Act (44 U.S.C. Chapter 35) (PRA) emergency processing procedures and assigned control number 1505-0271. The information collections related to ongoing reporting requirements, as discussed in this Interim Final Rule, will be submitted to OMB for emergency processing in the near future. Under the PRA, an agency may not conduct or sponsor and a respondent is not required to respond to, an information collection unless it displays a valid OMB control number.

Estimates of hourly burden under this program are set forth in the table below. Burden estimates below are preliminary.

Reporting	# Respondents (Estimated)	# Responses Per Respondent	Total Responses	Hours per response	Total Burden in Hours	Cost to Respondent (\$48.80 per hour*)
Recipient Payment Form	5,050	1	5,050	.25 (15 minutes)	1,262.5	\$61,610
Acceptance of Award Terms	5,050	1	5,050	.25 (15 minutes)	1,262.5	\$61,610
Title VI Assurances	5,050	1	5,050	.50 (30 minutes)	2,525	\$123,220
Quarterly Project and Expenditure Report	5,050	4 per year after first year	20,200	25	505,000	\$24,644,000
Annual Project and Expenditure Report from NEUs	TBD	1 per year	20,000-40,000 (Estimate only)	15	300,000 – 600,000	\$14,640,000 - \$29,280,000
Annual Recovery Plan Performance report	418	1 per year	418	100	41,800	\$2,039,840
Total	5,050 – TBD	N/A	55,768 - 75,768	141	851,850 - 1,151,850	\$41,570,280 - \$56,210,280

* Bureau of Labor Statistics, U.S. Department of Labor, Occupational Outlook Handbook, Accountants and Auditors, on the Internet at <https://www.bls.gov/ooh/business-and-financial/accountants-and-auditors.htm> (visited March 28, 2020). Base wage of \$33.89/hour increased by 44 percent to account for fully loaded employer cost of employee compensation (benefits, etc.) for a fully loaded wage rate of \$48.80.

Periodic reporting is required by section 602(c) of Section VI of the Social Security Act and under the Interim Final Rule.

As discussed in Section VIII of this Supplementary Information, recipients of Fiscal Recovery Funds will be required to submit one interim report and thereafter quarterly Project and Expenditure reports until the end of the award period. Recipients must submit interim reports to Treasury by August 31, 2021. The quarterly Project and Expenditure reports will include financial data, information on contracts and subawards over \$50,000, types of projects funded, and other information regarding a recipient's utilization of the award funds.

Nonentitlement unit recipients will be required to submit annual Project and Expenditure reports until the end of the award period. The initial annual Project and Expenditure report for Nonentitlement unit recipients must be submitted to Treasury by October 31, 2021. The subsequent annual reports must be submitted to Treasury by October 31 each year.

States, territories, metropolitan cities, and counties with a population that exceeds 250,000 residents will also be required to submit an annual Recovery Plan Performance report to Treasury. The Recovery Plan Performance report will include descriptions of the projects funded and information on the performance indicators and objectives of the award. Each annual Recovery Plan Performance report must be posted on the public-facing website of the recipient. Treasury will provide additional guidance and instructions on all the reporting requirements outlined above for the Fiscal Recovery Funds program at a later date.

These and related periodic reporting requirements are under consideration and will be submitted to OMB for approval under the PRA emergency provisions in the near future.

Treasury invites comments on all aspects of the reporting and recordkeeping requirements including: (a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information has practical utility; (b) the accuracy of the estimate of the burden of the collection of information; (c) ways to enhance the

quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information; and (e) estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information. Comments should be sent by the comment deadline to the www.regulations.gov docket with a copy to the Office of Information and Regulatory Affairs, U.S. Office of Management and Budget, 725 17th Street NW, Washington, DC 20503; or email to oira_submission@omb.eop.gov.

Regulatory Flexibility Analysis

The Regulatory Flexibility Act (RFA) generally requires that when an agency issues a proposed rule, or a final rule pursuant to section 553(b) of the Administrative Procedure Act or another law, the agency must prepare a regulatory flexibility analysis that meets the requirements of the RFA and publish such analysis in the Federal Register. 5 U.S.C. 603, 604.

Rules that are exempt from notice and comment under the APA are also exempt from the RFA requirements, including the requirement to conduct a regulatory flexibility analysis, when among other things the agency for good cause finds that notice and public procedure are impracticable, unnecessary, or contrary to the public interest. Since this rule is exempt from the notice and comment requirements of the APA, Treasury is not required to conduct a regulatory flexibility analysis.

RULE TEXT

List of Subjects in 31 CFR Part 35

Executive compensation, State and Local Governments, Tribal Governments, Public health emergency.

Title 31—Money and Finance: Treasury

Part 35 - PANDEMIC RELIEF PROGRAMS

1. The authority citation for Part 35 is revised to read as follows:

Authority: 42 U.S.C. 802(f); 42 U.S.C. 803(f); 31 U.S.C. 321; Consolidated Appropriations Act, 2021 (Pub. L. 116-260), Division N, Title V, Subtitle B; Community Development Banking and Financial Institutions Act of 1994 (enacted as part of the Riegle Community and Regulatory Improvement Act of 1994 (Pub. L. 103-325)), as amended (12 U.S.C. 4701 et seq.), Section 104A; Pub. L. 117-2.

2. Revise the part heading as shown above.

3. Add Subpart A to read as follows:

Subpart A— CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

Sec.

35.1 Purpose.

35.2 Applicability.

35.3 Definitions.

35.4 Reservation of Authority, Reporting.

35.5 Use of Funds.

35.6 Eligible Uses.

35.7 Pensions.

35.8 Tax.

35.9. Compliance with Applicable Laws.

35.10. Recoupment.

35.11 Payments to States.

35.12. Distributions to Nonentitlement Units of Local Government and Units of General Local Government.

Authority: 42 U.S.C. 802(f); 42 U.S.C. 803(f)

§ 35.1 Purpose.

This part implements section 9901 of the American Rescue Plan Act (Subtitle M of Title IX of Public Law 117-2), which amends Title VI of the Social Security Act (42 U.S.C. 801 et seq.) by adding sections 602 and 603 to establish the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund.

§ 35.2 Applicability.

This part applies to States, territories, Tribal governments, metropolitan cities, nonentitlement units of local government, counties, and units of general local government that accept a payment or transfer of funds made under section 602 or 603 of the Social Security Act.

§ 35.3 Definitions.

Baseline means tax revenue of the recipient for its fiscal year ending in 2019, adjusted for inflation in each reporting year using the Bureau of Economic Analysis's Implicit Price Deflator for the gross domestic product of the United States.

County means a county, parish, or other equivalent county division (as defined by the Census Bureau).

Covered benefits include, but are not limited to, the costs of all types of leave (vacation, family-related, sick, military, bereavement, sabbatical, jury duty), employee insurance (health, life, dental, vision), retirement (pensions, 401(k)), unemployment benefit plans (Federal and State), workers' compensation insurance, and Federal Insurance Contributions Act taxes (which includes Social Security and Medicare taxes).

Covered change means a change in law, regulation, or administrative interpretation. A change in law includes any final legislative or regulatory action, a new or changed administrative

interpretation, and the phase-in or taking effect of any statute or rule if the phase-in or taking effect was not prescribed prior to the start of the covered period.

Covered period means, with respect to a State, Territory, or Tribal government, the period that:

(1) Begins on March 3, 2021; and

(2) Ends on the last day of the fiscal year of such State, Territory, or Tribal government in which all funds received by the State, Territory, or Tribal government from a payment made under section 602 or 603 of the Social Security Act have been expended or returned to, or recovered by, the Secretary.

COVID-19 means the Coronavirus Disease 2019.

COVID-19 public health emergency means the period beginning on January 27, 2020 and until the termination of the national emergency concerning the COVID-19 outbreak declared pursuant to the National Emergencies Act (50 U.S.C. 1601 et. seq.).

Deposit means an extraordinary payment of an accrued, unfunded liability. The term deposit does not refer to routine contributions made by an employer to pension funds as part of the employer's obligations related to payroll, such as either a pension contribution consisting of a normal cost component related to current employees or a component addressing the amortization of unfunded liabilities calculated by reference to the employer's payroll costs.

Eligible employer means an employer of an eligible worker who performs essential work.

Eligible workers means workers needed to maintain continuity of operations of essential critical infrastructure sectors, including health care; emergency response; sanitation, disinfection, and cleaning work; maintenance work; grocery stores, restaurants, food production, and food delivery; pharmacy; biomedical research; behavioral health work; medical testing and

diagnostics; home- and community-based health care or assistance with activities of daily living; family or child care; social services work; public health work; vital services to Tribes; any work performed by an employee of a State, local, or Tribal government; educational work, school nutrition work, and other work required to operate a school facility; laundry work; elections work; solid waste or hazardous materials management, response, and cleanup work; work requiring physical interaction with patients; dental care work; transportation and warehousing; work at hotel and commercial lodging facilities that are used for COVID-19 mitigation and containment; work in a mortuary; work in critical clinical research, development, and testing necessary for COVID-19 response.

(1) With respect to a recipient that is a metropolitan city, nonentitlement unit of local government, or county, workers in any additional sectors as each chief executive officer of such recipient may designate as critical to protect the health and well-being of the residents of their metropolitan city, nonentitlement unit of local government, or county; or

(2) With respect to a State, Territory, or Tribal government, workers in any additional sectors as each Governor of a State or Territory, or each Tribal government, may designate as critical to protect the health and well-being of the residents of their State, Territory, or Tribal government.

Essential work means work that:

(1) Is not performed while teleworking from a residence; and

(2) Involves:

(i) Regular in-person interactions with patients, the public, or coworkers of the individual that is performing the work; or

(ii) Regular physical handling of items that were handled by, or are to be handled by patients, the public, or coworkers of the individual that is performing the work.

Funds means, with respect to a recipient, amounts provided to the recipient pursuant to a payment made under section 602(b) or 603(b) of the Social Security Act or transferred to the recipient pursuant to section 603(c)(4) of the Social Security Act.

General revenue means money that is received from tax revenue, current charges, and miscellaneous general revenue, excluding refunds and other correcting transactions, proceeds from issuance of debt or the sale of investments, agency or private trust transactions, and intergovernmental transfers from the Federal government, including transfers made pursuant to section 9901 of the American Rescue Plan Act. General revenue does not include revenues from utilities. Revenue from Tribal business enterprises must be included in general revenue.

Intergovernmental transfers means money received from other governments, including grants and shared taxes.

Metropolitan city has the meaning given that term in section 102(a)(4) of the Housing and Community Development Act of 1974 (42 U.S.C. 5302(a)(4)) and includes cities that relinquish or defer their status as a metropolitan city for purposes of receiving allocations under section 106 of such Act (42 U.S.C. 5306) for fiscal year 2021.

Net reduction in total spending is measured as the State or Territory's total spending for a given reporting year excluding its spending of funds, subtracted from its total spending for its fiscal year ending in 2019, adjusted for inflation using the Bureau of Economic Analysis's Implicit Price Deflator for the gross domestic product of the United States.

Nonentitlement unit of local government means a “city,” as that term is defined in section 102(a)(5) of the Housing and Community Development Act of 1974 (42 U.S.C. 5302(a)(5)), that is not a metropolitan city.

Nonprofit means a nonprofit organization that is exempt from Federal income taxation and that is described in section 501(c)(3) of the Internal Revenue Code.

Obligation means an order placed for property and services and entering into contracts, subawards, and similar transactions that require payment.

Pension fund means a defined benefit plan and does not include a defined contribution plan.

Premium pay means an amount of up to \$13 per hour that is paid to an eligible worker, in addition to wages or remuneration the eligible worker otherwise receives, for all work performed by the eligible worker during the COVID-19 public health emergency. Such amount may not exceed \$25,000 with respect to any single eligible worker. Premium pay will be considered to be in addition to wages or remuneration the eligible worker otherwise receives if, as measured on an hourly rate, the premium pay is:

(1) With regard to work that the eligible worker previously performed, pay and remuneration equal to the sum of all wages and remuneration previously received plus up to \$13 per hour with no reduction, substitution, offset, or other diminishment of the eligible worker’s previous, current, or prospective wages or remuneration; or

(2) With regard to work that the eligible worker continues to perform, pay of up to \$13 that is in addition to the eligible worker’s regular rate of wages or remuneration, with no reduction, substitution, offset, or other diminishment of the workers’ current and prospective wages or remuneration.

Qualified census tract has the same meaning given in 26 U.S.C. 42(d)(5)(B)(ii)(I).

Recipient means a State, Territory, Tribal government, metropolitan city, nonentitlement unit of local government, county, or unit of general local government that receives a payment made under section 602(b) or 603(b) of the Social Security Act or transfer pursuant to section 603(c)(4) of the Social Security Act.

Reporting year means a single year or partial year within the covered period, aligned to the current fiscal year of the State or Territory during the covered period.

Secretary means the Secretary of the Treasury.

State means each of the 50 States and the District of Columbia

Small business means a business concern or other organization that:

(1) Has no more than 500 employees, or if applicable, the size standard in number of employees established by the Administrator of the Small Business Administration for the industry in which the business concern or organization operates, and

(2) Is a small business concern as defined in section 3 of the Small Business Act (15 U.S.C. 632).

Tax Revenue means revenue received from a compulsory contribution that is exacted by a government for public purposes excluding refunds and corrections and, for purposes of § 35.8, intergovernmental transfers. Tax revenue does not include payments for a special privilege granted or service rendered, employee or employer assessments and contributions to finance retirement and social insurance trust systems, or special assessments to pay for capital improvements.

Territory means the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, or American Samoa.

Tribal enterprise means a business concern:

(1) That is wholly owned by one or more Tribal governments, or by a corporation that is wholly owned by one or more Tribal governments; or

(2) That is owned in part by one or more Tribal governments, or by a corporation that is wholly owned by one or more Tribal governments, if all other owners are either United States citizens or small business concerns, as these terms are used and consistent with the definitions in 15 U.S.C. 657a(b)(2)(D).

Tribal government means the recognized governing body of any Indian or Alaska Native tribe, band, nation, pueblo, village, community, component band, or component reservation, individually identified (including parenthetically) in the list published on January 29, 2021, pursuant to section 104 of the Federally Recognized Indian Tribe List Act of 1994 (25 U.S.C. 5131).

Unemployment rate means the U-3 unemployment rate provided by the Bureau of Labor Statistics as part of the Local Area Unemployment Statistics program, measured as total unemployment as a percentage of the civilian labor force.

Unemployment trust fund means an unemployment trust fund established under section 904 of the Social Security Act (42 U.S.C. 1104).

Unit of general local government has the meaning given to that term in section 102(a)(1) of the Housing and Community Development Act of 1974 (42 U.S.C. 5302(a)(1)).

Unserved and underserved households or businesses means one or more households or businesses that are not currently served by a wireline connection that reliably delivers at least 25 Mbps download speed and 3 Mbps of upload speed.

§ 35.4 Reservation of Authority, Reporting.

(a) *Reservation of authority.* Nothing in this part shall limit the authority of the Secretary to take action to enforce conditions or violations of law, including actions necessary to prevent evasions of this subpart.

(b) *Extensions or accelerations of timing.* The Secretary may extend or accelerate any deadline or compliance date of this part, including reporting requirements that implement this subpart, if the Secretary determines that such extension or acceleration is appropriate. In determining whether an extension or acceleration is appropriate, the Secretary will consider the period of time that would be extended or accelerated and how the modified timeline would facilitate compliance with this subpart.

(c) *Reporting and requests for other information.* During the covered period, recipients shall provide to the Secretary periodic reports providing detailed accounting of the uses of funds, all modifications to a State or Territory's tax revenue sources, and such other information as the Secretary may require for the administration of this section. In addition to regular reporting requirements, the Secretary may request other additional information as may be necessary or appropriate, including as may be necessary to prevent evasions of the requirements of this subpart. False statements or claims made to the Secretary may result in criminal, civil, or administrative sanctions, including fines, imprisonment, civil damages and penalties, debarment from participating in Federal awards or contracts, and/or any other remedy available by law.

§ 35.5 Use of funds.

(a) *In General.* A recipient may only use funds to cover costs incurred during the period beginning March 3, 2021, and ending December 31, 2024, for one or more of the purposes enumerated in sections 602(c)(1) and 603(c)(1) of the Social Security Act, as applicable,

including those enumerated in section § 35.6 of this subpart, subject to the restrictions set forth in sections 602(c)(2) and 603(c)(2) of the Social Security Act, as applicable.

(b) *Costs incurred.* A cost shall be considered to have been incurred for purposes of paragraph (a) of this section if the recipient has incurred an obligation with respect to such cost by December 31, 2024.

(c) *Return of funds.* A recipient must return any funds not obligated by December 31, 2024, and any funds not expended to cover such obligations by December 31, 2026.

§ 35.6 Eligible uses.

(a) *In General.* Subject to §§ 35.7 and 35.8 of this subpart, a recipient may use funds for one or more of the purposes described in paragraphs (b)-(e) of this section

(b) *Responding to the public health emergency or its negative economic impacts.* A recipient may use funds to respond to the public health emergency or its negative economic impacts, including for one or more of the following purposes:

(1) *COVID-19 response and prevention.* Expenditures for the mitigation and prevention of COVID-19, including:

(i) Expenses related to COVID-19 vaccination programs and sites, including staffing, acquisition of equipment or supplies, facilities costs, and information technology or other administrative expenses;

(ii) COVID-19-related expenses of public hospitals, clinics, and similar facilities;

(iii) COVID-19 related expenses in congregate living facilities, including skilled nursing facilities, long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities;

(iv) Expenses of establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs and other capital investments in public facilities to meet COVID-19-related operational needs;

(v) Expenses of establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs and other capital investments in public facilities to meet COVID-19-related operational needs;

(vi) Costs of providing COVID-19 testing and monitoring, contact tracing, and monitoring of case trends and genomic sequencing for variants;

(vii) Emergency medical response expenses, including emergency medical transportation, related to COVID-19;

(viii) Expenses for establishing and operating public telemedicine capabilities for COVID-19-related treatment;

(ix) Expenses for communication related to COVID-19 vaccination programs and communication or enforcement by recipients of public health orders related to COVID-19;

(x) Expenses for acquisition and distribution of medical and protective supplies, including sanitizing products and personal protective equipment;

(xi) Expenses for disinfection of public areas and other facilities in response to the COVID-19 public health emergency;

(xii) Expenses for technical assistance to local authorities or other entities on mitigation of COVID-19-related threats to public health and safety;

(xiii) Expenses for quarantining or isolation of individuals;

(xiv) Expenses of providing paid sick and paid family and medical leave to public employees to enable compliance with COVID-19 public health precautions;

(xv) Expenses for treatment of the long-term symptoms or effects of COVID-19, including post-intensive care syndrome;

(xvi) Expenses for the improvement of ventilation systems in congregate settings, public health facilities, or other public facilities;

(xvii) Expenses related to establishing or enhancing public health data systems; and

(xviii) Mental health treatment, substance misuse treatment, and other behavioral health services.

(2) *Public Health and Safety Staff.* Payroll and covered benefit expenses for public safety, public health, health care, human services, and similar employees to the extent that the employee's time is spent mitigating or responding to the COVID-19 public health emergency.

(3) *Hiring State and Local Government Staff.* Payroll, covered benefit, and other costs associated with the recipient increasing the number of its employees up to the number of employees that it employed on January 27, 2020.

(4) *Assistance to Unemployed Workers.* Assistance, including job training, for individuals who want and are available for work, including those who have looked for work sometime in the past 12 months or who are employed part time but who want and are available for full-time work;

(5) *Contributions to State Unemployment Insurance Trust Funds.* Contributions to an Unemployment Trust Fund up to the level required to restore the Unemployment Trust Fund to its balance on January 27, 2020 or to pay back advances received under Title XII of the Social Security Act (42 U.S.C. 1321) for the payment of benefits between January 27, 2020 and [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER];

(6) *Small Businesses*. Assistance to small businesses, including loans, grants, in-kind assistance, technical assistance or other services, that responds to the negative economic impacts of the COVID-19 public health emergency;

(7) *Nonprofits*. Assistance to nonprofit organizations, including loans, grants, in-kind assistance, technical assistance or other services, that responds to the negative economic impacts of the COVID-19 public health emergency;

(8) *Assistance to Households*. Assistance programs, including cash assistance programs, that respond to the COVID-19 public health emergency;

(9) *Aid to Impacted Industries*. Aid to tourism, travel, hospitality, and other impacted industries that responds to the negative economic impacts of the COVID-19 public health emergency;

(10) *Expenses to Improve Efficacy of Public Health or Economic Relief Programs*. Administrative costs associated with the recipient's COVID-19 public health emergency assistance programs, including services responding to the COVID-19 public health emergency or its negative economic impacts, that are not federally funded.

(11) *Survivor's Benefits*. Benefits for the surviving family members of individuals who have died from COVID-19, including cash assistance to widows, widowers, or dependents of individuals who died of COVID-19;

(12) *Disproportionately Impacted Populations and Communities*. A program, service, or other assistance that is provided in a Qualified Census Tract, that is provided to households and populations living in a Qualified Census Tract, that is provided by a Tribal government, or that is provided to other households, businesses, or populations disproportionately impacted by the COVID-19 public health emergency, such as:

- (i) Programs or services that facilitate access to health and social services, including:
 - (A) Assistance accessing or applying for public benefits or services;
 - (B) Remediation of lead paint or other lead hazards; and
 - (C) Community violence intervention programs;
- (ii) Programs or services that address housing insecurity, lack of affordable housing, or homelessness, including:
 - (A) Supportive housing or other programs or services to improve access to stable, affordable housing among individuals who are homeless;
 - (B) Development of affordable housing to increase supply of affordable and high-quality living units; and
 - (C) Housing vouchers and assistance relocating to neighborhoods with higher levels of economic opportunity and to reduce concentrated areas of low economic opportunity;
- (iii) Programs or services that address or mitigate the impacts of the COVID-19 public health emergency on education, including:
 - (A) New or expanded early learning services;
 - (B) Assistance to high-poverty school districts to advance equitable funding across districts and geographies; and
 - (C) Educational and evidence-based services to address the academic, social, emotional, and mental health needs of students;
- (iv) Programs or services that address or mitigate the impacts of the COVID-19 public health emergency on childhood health or welfare, including:
 - (A) New or expanded childcare;

(B) Programs to provide home visits by health professionals, parent educators, and social service professionals to individuals with young children to provide education and assistance for economic support, health needs, or child development; and

(C) Services for child welfare-involved families and foster youth to provide support and education on child development, positive parenting, coping skills, or recovery for mental health and substance use.

(c) *Providing Premium Pay to Eligible Workers.* A recipient may use funds to provide premium pay to eligible workers of the recipient who perform essential work or to provide grants to eligible employers, provided that any premium pay or grants provided under this paragraph (c) must respond to eligible workers performing essential work during the COVID-19 public health emergency. A recipient uses premium pay or grants provided under this paragraph (c) to respond to eligible workers performing essential work during the COVID-19 public health emergency if it prioritizes low- and moderate-income persons. The recipient must provide, whether for themselves or on behalf of a grantee, a written justification to the Secretary of how the premium pay or grant provided under this paragraph (c) responds to eligible workers performing essential work if the premium pay or grant would increase an eligible worker's total wages and remuneration above 150 percent of such eligible worker's residing State's average annual wage for all occupations or their residing county's average annual wage, whichever is higher.

(d) *Providing Government Services.* For the provision of government services to the extent of a reduction in the recipient's general revenue, calculated according to paragraphs (d)(1) and (d)(2).

(1) *Frequency.* A recipient must calculate the reduction in its general revenue using information as-of December 31, 2020, December 31, 2021, December 31, 2022, and December 31, 2023 (each, a calculation date) and following each calculation date.

(2) *Calculation.* A reduction in a recipient's general revenue equals:

$$\text{Max} \{ [\text{Base Year Revenue} * (1 + \text{Growth Adjustment})^{\left(\frac{n_t}{12}\right)}] - \text{Actual General Revenue}_t; 0 \}$$

Where:

(i) Base Year Revenue is the recipient's general revenue for the most recent full fiscal year prior to the COVID-19 public health emergency;

(ii) 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.

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

(iv) Actual General Revenue is a recipient's actual general revenue collected during 12-month period ending on each calculation date;

(v) Subscript t denotes the specific calculation date.

(e) *To Make Necessary Investments in Infrastructure.* A recipient may use funds to make investments in:

(1) *Clean Water State Revolving Fund and Drinking Water State Revolving Fund investments.* Projects or activities of the type that would be eligible under section 603(c) of the Federal Water Pollution Control Act (33 U.S.C. 1383(c)) or section 1452 of the Safe Drinking Water Act (42 U.S.C. 300j-12); or,

(2) *Broadband.* Broadband infrastructure that is designed to provide service to unserved or underserved households and businesses and that is designed to, upon completion:

(A) Reliably meet or exceed symmetrical 100 Mbps download speed and upload speeds;
or

(B) In cases where it is not practicable, because of the excessive cost of the project or geography or topography of the area to be served by the project, to provide service meeting the standards set forth in paragraph (e)(2)(A) of this section:

(i) Reliably meet or exceed 100 Mbps download speed and between at least 20 Mbps and 100 Mbps upload speed; and

(ii) Be scalable to a minimum of 100 Mbps download speed and 100 Mbps upload speed.

§ 35.7 Pensions.

A recipient may not use funds for deposit into any pension fund.

§ 35.8 Tax.

(a) *Restriction.* A State or Territory shall not use funds to either directly or indirectly offset a reduction in the net tax revenue of the State or Territory resulting from a covered change during the covered period.

(b) *Violation.* Treasury will consider a State or Territory to have used funds to offset a reduction in net tax revenue if, during a reporting year:

(1) *Covered Change.* The State or Territory has made a covered change that, either based on a reasonable statistical methodology to isolate the impact of the covered change in actual revenue or based on projections that use reasonable assumptions and do not incorporate the effects of macroeconomic growth to reduce or increase the projected impact of the covered

change, the State or Territory assesses has had or predicts to have the effect of reducing tax revenue relative to current law;

(2) *Exceeds the De Minimis Threshold.* The aggregate amount of the measured or predicted reductions in tax revenue caused by covered changes identified under paragraph (b)(1) of this section, in the aggregate, exceeds 1 percent of the State's or Territory's baseline;

(3) *Reduction in Net Tax Revenue.* The State or Territory reports a reduction in net tax revenue, measured as the difference between actual tax revenue and the State's or Territory's baseline, each measured as of the end of the reporting year; and

(4) *Consideration of Other Changes.* The aggregate amount of measured or predicted reductions in tax revenue caused by covered changes is greater than the sum of the following, in each case, as calculated for the reporting year:

(i) The aggregate amount of the expected increases in tax revenue caused by one or more covered changes that, either based on a reasonable statistical methodology to isolate the impact of the covered change in actual revenue or based on projections that use reasonable assumptions and do not incorporate the effects of macroeconomic growth to reduce or increase the projected impact of the covered change, the State or Territory assesses has had or predicts to have the effect of increasing tax revenue; and

(ii) Reductions in spending, up to the amount of the State's or Territory's net reduction in total spending, that are in:

(A) Departments, agencies, or authorities in which the State or Territory is not using funds; and

(B) Departments, agencies, or authorities in which the State or Territory is using funds, in an amount equal to the value of the spending cuts in those departments, agencies, or authorities, minus funds used.

(c) *Amount and Revenue Reduction Cap.* If a State or Territory is considered to be in violation pursuant to paragraph (b) of this section, the amount used in violation of paragraph (a) of this section is equal to the lesser of:

(1) The reduction in net tax revenue of the State or Territory for the reporting year, measured as the difference between the State's or Territory's baseline and its actual tax revenue, each measured as of the end of the reporting year; and,

(2) The aggregate amount of the reductions in tax revenues caused by covered changes identified in paragraph (b)(1) of this section, minus the sum of the amounts in identified in paragraphs (b)(4)(i)-(ii).

§ 35.9. Compliance with Applicable Laws.

A recipient must comply with all other applicable Federal statutes, regulations, and executive orders, and a recipient shall provide for compliance with the American Rescue Plan Act, this Subpart, and any interpretive guidance by other parties in any agreements it enters into with other parties relating to these funds.

§ 35.10. Recoupment.

(a) *Identification of Violations – (1) In general.* Any amount used in violation of §§ 35.6 or 35.7 of this subpart may be identified at any time prior to December 31, 2026.

(2) *Annual Reporting of Amounts of Violations.* On an annual basis, a recipient that is a State or Territory must calculate and report any amounts used in violation of § 35.8 of this subpart.

(b) *Calculation of Amounts Subject to Recoupment – (1) In general.* Except as provided in paragraph (b)(2), Treasury will calculate any amounts subject to recoupment resulting from a violation of §§ 35.6 or 35.7 of this subpart as the amounts used in violation of such restrictions.

(2) *Violations of Section 35.8.* Treasury will calculate any amounts subject to recoupment resulting from a violation of § 35.8 of this subpart, equal to the lesser of:

- (i) The amount set forth in § 35.8(c) of this subpart; and,
- (ii) The amount of funds received by such recipient.

(c) *Notice.* If Treasury calculates an amount subject to recoupment under paragraph (b) of this section, Treasury will provide the recipient a written notice of the amount subject to recoupment along with an explanation of such amounts.

(d) *Request for Reconsideration.* Unless Treasury extends the time period, within 60 calendar days of receipt of a notice of recoupment provided under paragraph (c) of this section, a recipient may submit a written request to Treasury requesting reconsideration of any amounts subject to recoupment under paragraph (b) of this section. To request reconsideration of any amounts subject to recoupment, a recipient must submit to Treasury a written request that includes:

- (i) An explanation of why the recipient believes all or some of the amount should not be subject to recoupment; and
- (ii) A discussion of supporting reasons, along with any additional information.

(e) *Final Amount Subject to Recoupment.* Unless Treasury extends the time period, within 60 calendar days of receipt of the recipient's request for reconsideration provided pursuant to paragraph (d) of this section, the recipient will be notified of the Secretary's decision to affirm, withdraw, or modify the notice of recoupment. Such notification will include an

explanation of the decision, including responses to the recipient's supporting reasons and consideration of additional information provided.

(f) *Repayment of Funds.* Unless Treasury extends the time period, a recipient shall repay to the Secretary any amounts subject to recoupment in accordance with instructions provided by Treasury:

(i) Within 120 calendar days of receipt of the notice of recoupment provided under paragraph (c) of this section, in the case of a recipient that does not submit a request for reconsideration in accordance with the requirements of paragraph (d) of this section, or

(ii) Within 120 calendar days of receipt of the Secretary's decision under paragraph (e) of this section, in the case of a recipient that submits a request for reconsideration in accordance with the requirements of paragraph (d) of this section.

§ 35.11 Payments to States.

(a) *In General.* With respect to any State or Territory that has an unemployment rate as of the date that it submits an initial certification for payment of funds pursuant to section 602(d)(1) of the Social Security Act that is less than two percentage points above its unemployment rate in February 2020, the Secretary will withhold 50 percent of the amount of funds allocated under section 602(b) of the Social Security Act to such State or territory until the date that is twelve months from the date such initial certification is provided to the Secretary.

(b) *Payment of Withheld Amount.* In order to receive the amount withheld under paragraph (a) of this section, the State or Territory must submit to the Secretary at least 30 days prior to the date referenced in paragraph (a) the following information:

(i) A certification, in the form provided by the Secretary, that such State or Territory requires the payment to carry out the activities specified in section 602(c) of the Social Security Act and will use the payment in compliance with section 602(c) of the Social Security Act; and,

(ii) Any reports required to be filed by that date pursuant to this part that have not yet been filed.

§ 35.12. Distributions to Nonentitlement Units of Local Government and Units of General Local Government.

(a) *Nonentitlement Units of Local Government.* Each State or Territory that receives a payment from Treasury pursuant to section 603(b)(2)(B) of the Social Security Act shall distribute the amount of the payment to nonentitlement units of government in such State or Territory in accordance with the requirements set forth in section 603(b)(2)(C) of the Social Security Act and without offsetting any debt owed by such nonentitlement units of local governments against such payments.

(b) *Budget Cap.* A State or Territory may not make a payment to a nonentitlement unit of local government pursuant to section 603(b)(2)(C) of the Social Security Act and paragraph (a) of this section in excess of the amount equal to 75 percent of the most recent budget for the nonentitlement unit of local government as of January 27, 2020. A State or Territory shall permit a nonentitlement unit of local government without a formal budget as of January 27, 2020, to provide a certification from an authorized officer of the nonentitlement unit of local government of its most recent annual expenditures as of January 27, 2020, and a State or Territory may rely on such certification for purposes of complying with this subsection.

(c) *Units of General Local Government.* Each State or Territory that receives a payment from Treasury pursuant to section 603(b)(3)(B)(ii) of the Social Security Act, in the case of an

(d) *Additional Conditions.* A State or Territory may not place additional conditions or requirements on distributions to nonentitlement units of local government or units of general local government beyond those required by section 603 of the Social Security Act or this subpart.

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Board of Trustees Meeting

Date: October 26, 2021
Submitted By: Judy Tippetts, Finance Director
Subject: Treasurer's Report

EXECUTIVE SUMMARY

Third Quarter Treasurer's Report

BACKGROUND / DISCUSSION

Review of revenues and expenditures through the third quarter of 2021.

STAFF RECOMMENDATION

ATTACHMENTS

1. treas3Q
2. Treasurer's report 3Q21

Treasurer Financial Report
July 1, 2021 to September 30, 2021



TOWN OF
WELLINGTON

Town of Wellington
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund

The new quarterly Town's Treasurer Report uses the existing monthly financial report prepared by the Finance Department and provides a budget comparison based on the annual total budget amount for the revenues, expenditures, and the monthly amount.

(All figures Unaudited)

	9/30/2021 ACTUAL	12/31/2021 BUDGET	9/30/2021 YTD	YTD % Change
Revenues				
Taxes and Impact Fees	284,946	4,139,525	3,347,189	81%
Licenses and Permits	25,617	101,660	336,883	331%
Intergovernmental	1,175	4,000	5,088	127%
Charges for Services	7,427	125,200	84,413	67%
Fines and Forfeitures	162	8,000	3,254	41%
Earnings and Investments	212	63,000	4,774	8%
Miscellaneous	4,708	14,000	1,427,820	10199%
Total Revenue	324,247	4,455,385	5,209,420	117%
Transfers In				
General Fund	267,175	3,206,100	2,404,575	75%
Total Transfers In	267,175	3,206,100	2,404,575	75%
Expenditures				
Current:				
General Government	185,469	3,181,111	2,034,766	64%
Public Safety	6,391	1,611,986	769,197	48%
Public Works	126,784	1,931,521	1,030,445	53%
Parks and Recreation	714	77,910	54,223	70%
Economic Development	-	75,000	11,710	16%
Library	18,835	243,035	193,508	80%
Capital Outlay	109,749	1,952,178	521,494	27%
Total Expenditures	447,942	9,072,741	4,615,342	51%
Excess of Revenue over Expenditures	143,480	(1,411,256)	2,998,653	
Fund Balance at Beg (Estimated)	7,078,957	7,078,957	7,078,957	
Fund Balance at End (Estimated)	7,222,437	5,667,701	10,077,610	178%

Town of Wellington
Statement of Revenues, Expenditures and Changes in Fund Balance
Streets Fund

(All figures Unaudited)	9/30/2021	12/31/2021	9/30/2021	YTD
	ACTUAL	BUDGET	YTD	% Change
Revenues				
Taxes and Impact Fees	231,662	1,426,000	1,514,002	106%
Licenses and Permits	-	58,000	21,900	38%
Earnings and Investments	26	15,000	711	5%
Miscellaneous	19	1,000	9,492	949%
Total Revenue	231,707	1,500,000	1,546,104	103%
Expenditures				
Current:				
Public Works	27,049	335,592	260,695	78%
Capital Outlay	-	2,251,567	294,209	13%
Total Expenditures	27,049	2,587,159	554,904	21%
Transfers Out				
Transfer to General Fund	45,590	547,077	410,308	75%
Total Transfers Out	45,590	547,077	410,308	75%
Excess of Revenue over				
Expenditures	159,069	(1,634,236)	580,893	
Fund Balance at Beg (Estimated)	3,000,853	3,000,853	3,000,853	
Fund Balance at End (Estimated)	3,159,922	1,366,617	3,581,747	262%

Town of Wellington
Statement of Revenues, Expenditures and Changes in Fund Balance
Parks Fund

(All figures Unaudited)

	9/30/2021	12/31/2021	9/30/2021	YTD
	ACTUAL	BUDGET	YTD	% Change
Revenues				
Taxes and Impact Fees	104,892	1,160,840	904,162	78%
Charges for Services	3,294	32,000	10,043	31%
Earnings and Investments	47	20,000	1,031	5%
Miscellaneous	-	-	286	0%

Total Revenue	108,233	1,212,840	915,523	75%
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Transfers In

Conservation Trust	-	200,000	-	0%
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Total Transfers In	-	200,000	-	0%
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Expenditures

Current:

Parks and Recreation	79,329	1,125,025	489,195	43%
Capital Outlay	54,719	266,000	57,754	22%
Debt Service:				
Principal	20,247	242,304	181,055	75%
Interest	2,208	27,156	21,040	77%

Total Expenditures	156,503	1,660,485	749,043	45%
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Transfers Out

Transfer to General Fund	44,557	534,679	401,009	75%
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Total Transfers Out	44,557	534,679	401,009	75%
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Town of Wellington
Statement of Revenues, Expenditures and Changes in Fund Balance
Conservation Trust Fund

(All figures Unaudited)				
	9/30/2021	12/31/2021	9/30/2021	YTD
	ACTUAL	BUDGET	YTD	% Change
Revenues				
Intergovernmental	27,857	92,000	92,445	100%
Earnings and Investments	12	9,500	279	3%
Total Revenue	27,869	101,500	92,723	91%
Transfers Out				
Transfer to Park Fund	-	-	-	0%
Total Transfers Out	-	-	-	0%
Excess of Revenue over				
Expenditures	27,869	101,500	92,723	
Fund Balance at Beg (Estimated)	585,807	585,807	585,807	
Fund Balance at End (Estimated)	613,676	687,307	678,531	99%

Town of Wellington
Statement of Revenues, Expenditures and Changes in Fund Balance
Water Fund

(All figures Unaudited)	9/30/2021 ACTUAL	12/31/2021 BUDGET	9/30/2021 YTD	% Change
Operating Revenues				
Charges for Services	472,170	5,135,866	3,536,825	69%
Miscellaneous	-	-	-	0%
Total Operating Revenue	472,170	5,135,866	3,536,825	69%
Operating Expenses				
Administrative	101,858	1,222,301	916,726	75%
Operating	83,626	3,512,442	923,180	26%
Depreciation	-	-	-	0%
Total Operating Expenses	185,484	4,734,743	1,839,906	39%
Operating Income (Loss)	286,686	401,123	1,696,919	423%
Non - Operating Revenues (Expenses)				
Property Taxes and Impact Fees	-	85,593	85,593	100%
Earnings on Investments	236	150,000	6,382	4%
Interest Expense	-	(449,906)	(270,155)	60%
Other Non-Operating Revenue	-	-	-	0%
Total Non-Operating Revenues (Expenses)	236	(214,313)	(178,180)	83%
Income (Loss) Before Transfers & Contributions	286,922	186,810	1,518,740	
Capital Contributions	37,630	3,441,072	1,576,926	46%
Changes in Net Position	324,552	3,627,882	3,095,666	85%
Net Position Beg (Estimated)	35,744,566	35,744,566	35,744,566	100%
Net Position End (Estimated)	36,069,118	39,372,448	38,840,232	99%
Fund Balance Beg (Estimated)*	17,961,226	17,961,226	17,961,226	
Change**	303,527	(1,329,075)	1,780,435	
Fund Balance End (Estimated)	18,264,753	16,632,151	19,741,661	

*Fund Balance is broken out into two categories:

Tap Fees \$9,533,296

Raw Water Fees \$8,427,929

**Adds in non cash items and loan principal payments

Town of Wellington
Statement of Revenues, Expenditures and Changes in Fund Balance
Sewer Fund

(All figures Unaudited)	9/30/2021 ACTUAL	12/31/2021 BUDGET	9/30/2021 YTD	% Change
Operating Revenues				
Charges for Services	120,906	1,442,295	1,084,321	75%
Total Operating Revenue	120,906	1,442,295	1,084,321	75%
Operating Expenses				
Administrative	63,762	765,145	573,859	75%
Operating	58,719	832,535	535,089	64%
Depreciation	-	-	-	0%
Total Operating Expenses	122,481	1,597,680	1,108,948	69%
Operating Income (Loss)	(1,574)	(155,385)	(24,627)	16%
Non - Operating Revenues (Expenses)				
Earnings on Investments	142	166,000	3,847	2%
Interest Expense	-	(83,584)	(69,328)	83%
Other Non-Operating Revenue	-	-	-	0%
Total Non-Operating Revenues (Expenses)	142	82,416	(65,481)	-79%
Income (Loss) Before Transfers & Contributions	(1,432)	(72,969)	(90,108)	
Capital Contributions	7,872	750,000	441,622	59%
Changes in Net Position	6,440	677,031	351,514	52%
Net Position Beg (Estimated)	21,901,894	21,901,894	21,901,894	100%
Net Position End (Estimated)	21,908,334	22,578,925	22,253,408	99%
Fund Balance Beg (Estimated)	10,936,894	10,936,894	10,936,894	
Change*	(607,630)	(4,571,720)	(2,663,540)	
Fund Balance End (Estimated)	10,329,263	6,365,174	8,273,354	

*Adds in non cash items and loan principal payments

Town of Wellington
Statement of Revenues, Expenditures and Changes in Fund Balance
Storm Drainage Fund

(All figures Unaudited)

	9/30/2021 ACTUAL	12/31/2021 BUDGET	9/30/2021 YTD	YTD % Change
Operating Revenues				
Charges for Services	56,324	625,000	489,006	78%
Total Operating Revenue	56,324	625,000	489,006	78%
Operating Expenses				
Administrative	11,408	136,898	102,674	75%
Operating	868	385,500	7,448	2%
Depreciaton	-	-	-	0%
Total Operating Expenses	12,276	522,398	110,121	21%
Operating Income (Loss)	44,048	102,602	378,885	369%
Non - Operating Revenues (Expenses)				
Property Taxes and Impact Fees	3,850	100,400	99,651	99%
Earnings on Investments	14	10,000	389	4%
Total Non-Operating Revenues (Expenses)	3,865	110,400	100,040	91%
Income (Loss) Before Transfers & Cont	47,913	213,002	478,924	
Capital Contributions	-	-	-	0%
Changes in Net Position	47,913	213,002	478,924	225%
Net Position Beg (Estimated)	3,913,099	3,913,099	3,913,099	100%
Net Position End (Estimated)	3,961,012	4,126,101	4,392,023	106%
Fund Balance Beg (Estimated)	2,123,630	2,123,630	2,123,630	
Change*	60,427	(522,518)	52,633	
Fund Balance End (Estimated)	2,184,057	1,601,112	2,176,263	

*Adds in non cash items and loan principal payments

Town of Wellington
Statement of Revenues, Expenditures and Changes in Fund Balance
Capital Projects Fund

(All figures Unaudited)	9/30/2021	12/31/2021	9/30/2021	YTD
	ACTUAL	BUDGET	YTD % Change	
Transfers				
Transfers In	1,031,483	21,241,090	4,421,912	21%
Total Transfers In	1,031,483	21,241,090	4,421,912	21%

Capital Projects

Down Town Master Plan	-	75,000	-	0%
3749 Harrison Exp & Prop Acq	109,749	1,300,000	468,952	36%
Comprehensive Plan/Land Use Up	-	132,613	48,553	37%
Town Hall Space Needs Assessme	-	20,000	720	4%
Economic Development Study	-	80,000	-	0%
Recreation Center feasibility	-	50,000	-	0%
Old Town Street Repairs	-	449,440	-	0%
Newer Subdivison Seal Coat	-	71,461	-	0%
I-25 Interchange at Cleveland	-	666,666	-	0%
Water Plant Expansion Construc	218,326	7,850,000	722,789	9%
Wilson Well Improvements	-	75,000	4,683	6%
Improved Carbon Feed System	-	79,500	-	0%
Buffalo Creek Booster Station	-	25,000	-	0%
Distribution System Improv	-	100,000	-	0%
Nano Plant Expansion	-	37,947	-	0%
Clearwell HS Pump Upgrade	-	25,000	-	0%
Water Source Development	-	2,691,072	-	0%
WWTP Pumps	-	19,000	20,613	108%
Clarifier Rehabilitaion Projec	-	193,726	91,093	47%
WWTP Masterplan	449	132,856	50,998	38%
WWTP Clarifier 3&4 rehabilitat	-	110,000	70,762	64%
Old Town Street Rehab	-	59,551	-	0%
Storm Drain & Pan Replacements	-	31,800	-	0%
Stormwater Masterplan	12,514	140,000	13,596	10%
Parks Master Plan Update	-	40,000	-	0%
Pedestrian Access over Windsor	-	80,000	-	0%
Design at State Highway at	-	64,565	3,269	5%
Tract F	-	230,000	-	0%
Disinfection byproduct rule complianc	-	50,000	-	0%
RRA and ERP (EPA Mandates)	8,540	120,000	45,483	38%
SCADA Improvements	-	70,000	75,957	109%
Valve Actuator Replacements	-	25,000	4,508	18%
Filter Media Replacement	-	220,000	-	0%

Redundant Nano/RO motors	-	45,000	7,978	18%
WWTP Expansion Design	613,620	2,750,000	1,802,076	66%
WW Line Improvement Projects and C	-	200,000	-	0%
Selenium Removal Projecdt	-	800,000	788	0%
SCADA Upgrades	-	25,000	75,576	302%
B-Dams Improvements	-	80,000	-	0%
Outer Canopy Net for Batting Cages	-	20,000	-	0%
Pitching Machine at Batting Cages	-	19,000	-	0%
Replace Soft Trails	3,574	20,000	10,214	51%
Winnick Park Playground Resurfacing	47,540	67,000	47,540	71%
Highway 1 Intersection Improvements	-	750,000	-	0%
Vehicle Replacement	-	30,000	-	0%
Membranes for Nano	-	28,891	-	0%
Street Sweeper	-	244,000	242,330	99%
Mower (2)	-	40,000	34,969	87%
John Deere Gator	-	30,000	12,782	43%
Zero Turn Mower	-	18,000	-	0%
Water Efficiency Program Equipment	12,485	160,000	12,582	8%

Town of Wellington
Statement of Revenues, Expenditures and Changes in Fund Balance
Capital Projects Fund

(All figures Unaudited)	9/30/2021	12/31/2020	9/30/2021	YTD
	ACTUAL	BUDGET	YTD	% Change
John Deere Gator	-	15,000	12,782	85%
Vacuum Truck	-	540,000	490,453	91%
Skid Steer Aeration	-	24,000	-	0%
John Deere Gator	-	20,000	-	0%
Total Capital Expenses	1,026,796	21,241,088	4,372,044	21%
Changes in Net Position	-	2	-	0%
Fund Balance End (Estimated)	-	2	-	0%

Treasurer's Report

Third Quarter 2021





General Fund

General Fund, 3Q 2021

- Overview - We are three quarters through the year with revenues at 82%. Financial report, page 1, General Fund shows revenues at 117% however, this includes the American Recovery funds. Pending board direction these funds may be transferred to another fund.
- Sales tax is the single largest source of revenue for the Town. The sales tax rate for the Town of Wellington is 3.0% and includes food for home consumption. Currently, the general fund receives 2% of the funds collected and the remaining 1% is split between the streets and parks departments.
- Sales tax collection year to date is \$1,593,720. Year to date we are up \$291,602 compared to same time last year. Total sales tax budget in the general fund \$1,894,029.
- | | | |
|--------------------|-------------|------------------------|
| Budgeted 2021 | \$1,894,029 | 18% increase over 2020 |
| Projected Year End | \$2,072,000 | 24.7% increase |
| Projected 2022 | \$2,134,069 | 3% increase over 2021 |



General Fund

General Fund, 3Q 2021 continued

- Building use tax is currently at \$283,845 or 58.8% of budget. Building use tax is directly tied to the number of building permits.
- Total expenditures in general fund are currently at 51%; this does not include the 3Q LSCO payment. If we added the payment of \$347,104 this would increase our expenditures to 62%.
- Salary savings are expected be \$328,000 for the year due to open positions hired after the first of the year but budgeted for a full year. This also translates to benefit savings of \$125,000 for a total saving \$450,000 related to personnel.



Street Fund

Street Fund 3Q, 2021

- Street Fund Revenues are at 103% of budget due to sales tax and large one-time payments of impact fees for the Dorsey development and Blue Sky properties. In addition, motor vehicle use tax monthly deposits have increased. Factors include price of vehicle and consumer behavior.
- Identifying the one-time payments and understanding other revenues is helpful for forecasting the 2022 budget. We do not want to budget an increase on top of one-time payments.



Water Fund

Water Fund 3Q, 2021

- Budgeted Water Sales Revenues: \$5,095,866 Actual: \$3,536,825 or 69%
- Estimating October – December usage year-end projections show a shortfall of \$640,000.
- Highest consumption months include June, July, August and September. 54% of total water consumption.
- Raw water usage still tracking lower than 2020 and interest rates holding we could see a North Poudre payment below the \$2,058,854 budgeted number.
- Raw water payment to North Poudre at the end of the year is calculated on acre-feet usage, Agricultural Loan interest rate and the average price per share.



Water Fund

Water Fund 2021

- Snapshot of usage and share price.

	Water Use Ac-ft	Share Price
2020	1158.25	\$190,600.00
2019	726.85	\$131,129.00
2018	964	\$102,604.00
2017	726.9	\$85,063.00
2016	720.31	\$84,500.00
2015	668.12	\$74,600.00

- 2021 tracking at 1044 ac-ft.



Sewer Fund

Sewer Fund 3Q, 2021

- Budgeted Sewer User Fees: \$1,442,295 Actual: \$1,084,321 or 75%
- Operations is currently at 69% of budget.
- Comparing water production to wastewater hydraulic loading indicates that a substantial amount of treated water was used for outdoor purposes in June-September. We will continue to educate and encourage outreach programs.
- Use of non-potable watering lessens the stress on both the water and wastewater systems.



2021 Factors to Watch

- Sales Tax
Post COVID consumer behavior, impacts of election
- Water consumption, interest rates and North Poudre share prices.



Board of Trustees Meeting

Date: October 26, 2021

Submitted By:

Subject: Minutes of the October 12, 2021 Board of Trustees Regular meeting

EXECUTIVE SUMMARY

BACKGROUND / DISCUSSION

STAFF RECOMMENDATION

ATTACHMENTS

1. 10.12.21 BOT Draft Minutes



BOARD OF TRUSTEES
October 12, 2021
6:30 PM

Leeper Center, 3800 Wilson Avenue, Wellington, CO

MINUTES

A. CALL TO ORDER

1. Pledge of Allegiance
Mayor Hamman asked that all rise for the pledge of allegiance.

2. Roll Call
Mayor Troy Hamman
Mayor Pro Tem Wyatt Knutson – Absent
Trustee Jon Gaiter
Trustee John Jerome
Trustee Rebekka Kinney
Trustee Ashley Macdonald
Trustee Tim Whitehouse

Also Present:

Patti Garcia, Town Administrator
Brad March, March & Olive, LLC, Town Attorney
Cody Bird, Director of Planning
Bob Gowing, Director of Planning
Hallie Sheldon, Management Analyst
Krystal Eucker, Town Clerk
Judi Tippetts, Finance Director
Mahalia Henschel, Communications Specialist
Kelly Houghteling, Deputy Town Administrator
Meagan Smith, Deputy Public Works Director
DJ Jones, Water Treatment Superintendent
Dave Myer, Engineer
Stephanie Anderson, Human Resource Manager
Nathan Ewert, Engineer

3. Amendments to Agenda
Mayor Hamman asked if there were any amendments to the agenda this evening to which there was none.
4. Conflict of Interest
Mayor Hamman asked if there were any conflicts of interest this evening to which there was none.

B. COMMUNITY PARTICIPATION

1. Public Comment

Mayor Hamman opened the meeting for public comment.

Melanie Murphy provided a public comment.

2. Presentation

a. 60 Percent Cost Estimate for Wastewater Treatment Plant Expansion

Mr. Myer presented an overview of the 60% cost estimate for the wastewater treatment plant expansion. Mr. Jon Tucker from Moltz construction gave an update on construction material costs and Mr. Kyle Snider from Jacobs gave an update on the project timeline.

b. Draft 2022 Budget Presentation

Ms. Tippetts provided a high-level overview of the proposed 2022 Draft budget.

C. CONSENT AGENDA

1. Minutes of the September 28, 2021 regular Board of Trustees meeting

Trustee Macdonald moved to approve the consent calendar; Trustee Jerome seconded the motion. Roll call on the vote resulted as follows:

Yeas – Gaiter, Jerome, Macdonald, Kinney, Whitehouse, Hamman

Nays – None

Motion carried.

D. ACTION ITEMS

1. Second Amendment to Development Agreement for Sage Meadows Subdivision

Mr. Bird reviewed the components of the development agreement for the Sage Meadows Subdivision. The final plat for Sage Meadows Second Subdivision was approved by the Town Board in November 2020. The subdivision was contemplated as an extension of the already approved, and now mostly built out, Sage Meadows Subdivision. The Sage Meadows Second Subdivision development is proposed to be incorporated into and subject to the agreements and covenants for the Sage Meadows development, including the Sage Meadows HOA. In addition to existing agreements and covenants, the proposed Second Amendment to the existing development agreement includes Town and Developer cost sharing for required oversizing of sanitary sewer lines in accordance with the Town's wastewater collection system master plan, cost sharing on future traffic signalization on State Highway 1, Developer providing a fee-in-lieu of park land dedication, and Developer providing escrow funds to be used for future undergrounding of existing overhead electric utility lines.

Darin Roberson with Sage Homes addressed the Board briefly regarding the Development Agreement.

Mayor Hamman opened the meeting for public comment to which there was none.

Trustee Kinney moved to approve the Second Amendment to the Development Agreement for Sage Meadows Subdivision; Trustee Whitehouse seconded the motion. Roll call on the vote resulted as follows:

Yeas – Gaiter, Jerome, Kinney, Whitehouse, Hamman

Nays – None

Abstain – Macdonald

Motion carried.

2. Resolution No 28-2021 - A Resolution Authorizing the Temporary Closure of Roads for the Parade of Lights

Ms. Sheldon informed the Board that the Town of Wellington Community Activities Commission holds an annual winter holiday celebration that includes a parade of lights. These road closures will provide protection for the large attendance of pedestrians down Cleveland Avenue for the night of the parade.

Mayor Hamman opened the meeting for public comment to which there was none.

Trustee Jerome moved to approve Resolution No. 28-2021, Authorizing the Temporary Closure of Roads for the Parade of Lights; Trustee Gaiter seconded the motion. Roll call on the vote resulted as follows:

Yeas – Gaiter, Jerome, Macdonald, Kinney, Whitehouse, Hamman

Nays – None

Motion carried.

3. Resolution No. 30-2021 - A Resolution Making an Appointment to the Wellington Parks Advisory Board

Ms. Eucker informed the Board that pursuant to an interview conducted for the Wellington Parks Advisory Board vacant position, Kallie Cooper is being recommended to fill the vacancy.

Mayor Hamman opened the meeting for public comment.

Melissa Whitehouse provided a public comment.

Trustee Gaiter moved to approve Resolution No. 30-2021, Making an Appointment to the Wellington Parks Advisory Board; Trustee Macdonald seconded the motion. Roll call on the vote resulted as follows:

Yeas – Gaiter, Jerome, Macdonald, Kinney, Whitehouse, Hamman

Nays – None

Motion carried.

E. REPORTS

1. Town Attorney

Mr. March informed the Board that Mr. Sapienza should be back next week.

2. Town Administrator

None.

3. Staff Communications

a. Emergency Declaration - Quarterly Verbal Review

Ms. Garcia informed the Board that staff would prefer keeping the Emergency Declaration in place until the ARA funding guidelines are finalized and it will be brought before the Board again after the first of the year to review.

After discussion, the general consensus of the Board is to keep the Emergency Declaration in place

b. Larimer County Sheriff's Office Monthly Report - August 2021

c. Report of Bills - September 2021

4. Board Reports

Mayor Hamman commented that there is a possibility of the Veterans Traveling Wall coming to Wellington.

a. Report out on Colorado Municipal League Annual Conference

Trustee Kinney and Trustee Gaiter gave feedback from the CML Annual Conference and shared some of their experiences and takeaways from the Conference.

F. ADJOURN

Upon a motion duly made, the meeting was adjourned at 7:49 p.m.

Krystal Eucker, Town Clerk

Board of Trustees Meeting

Date: October 26, 2021
Submitted By: Cody Bird, Planning Director
Subject: Annexation Agreement for Country Lane Acres Annexation

- **Presentation: Cody Bird, Planning Director**

EXECUTIVE SUMMARY

Ordinance 1-2020 was adopted conditionally annexing Country Lane Acres into the Town, conditioned upon entering into an annexation agreement. An extension to the conditions of the ordinance was extended by adoption of Resolution 27-2020, Resolution 46-2020 and again by Resolution 17-2021. A draft annexation agreement is attached. Town staff recommends approval of the annexation agreement. Approval of the annexation agreement is the last approval needed to record the annexation and officially bring the property into the Town.

BACKGROUND / DISCUSSION

- The owners of property approximately 35.6 acres in size and located south of G.W. Bush Ave. and east of I-25 desire to annex the property into the Town of Wellington. There are currently two homes on the property. The existing use is primarily residential and agricultural.
- The property is within the Town's Growth Management Area (GMA) and is within the identified 3-mile plan adopted by the Town. Land within the GMA and 3-mile plan are areas which are likely to be incorporated into the Town and urban services provided.
- The property is identified on the Future Land Use Map as "Low Density Residential." The concept plan for development of the property contemplates approximately 41 single-family detached dwellings on lots 1/2 acre or larger. The concept plan for development is generally consistent with the Future Land Use component of the Comprehensive Plan.
- Urban services including Town water and sanitary sewer are available to be extended to serve the property. Utilities necessary to serve the site are required to be designed and installed prior to issuance of building permits. A condition of the annexation agreement requires adequate public facilities, including water and wastewater treatment capacity, must be available prior to issuing building permits.
- There are adequate public roads to provide access to the property. Additional right-of-way for G.W. Bush Ave. is required to be annexed and must be dedicated upon annexation. Roads adjacent to and within the subdivision are required to be designed and constructed in accordance with Town standards.
- The concept plan proposes to dedicate approximately 5.2 acres of public open space along Boxelder Creek. The open space along Boxelder Creek has been identified as a desirable location for an extension of the Town's trail system in the future. Dedication of open space is required to be dedicated at the time the property is subdivided, or upon written notice and request by the Town for the owner to sooner dedicate the open space along Boxelder Creek.
- If the annexation agreement is approved, the annexation will become official and the property will be incorporated into the Town limits. Upon recording the annexation documents, the property will be zoned R-2 Single-family Residential, Medium Density in accordance with Ordinance No. 1-2020 that annexes the property.

STAFF RECOMMENDATION

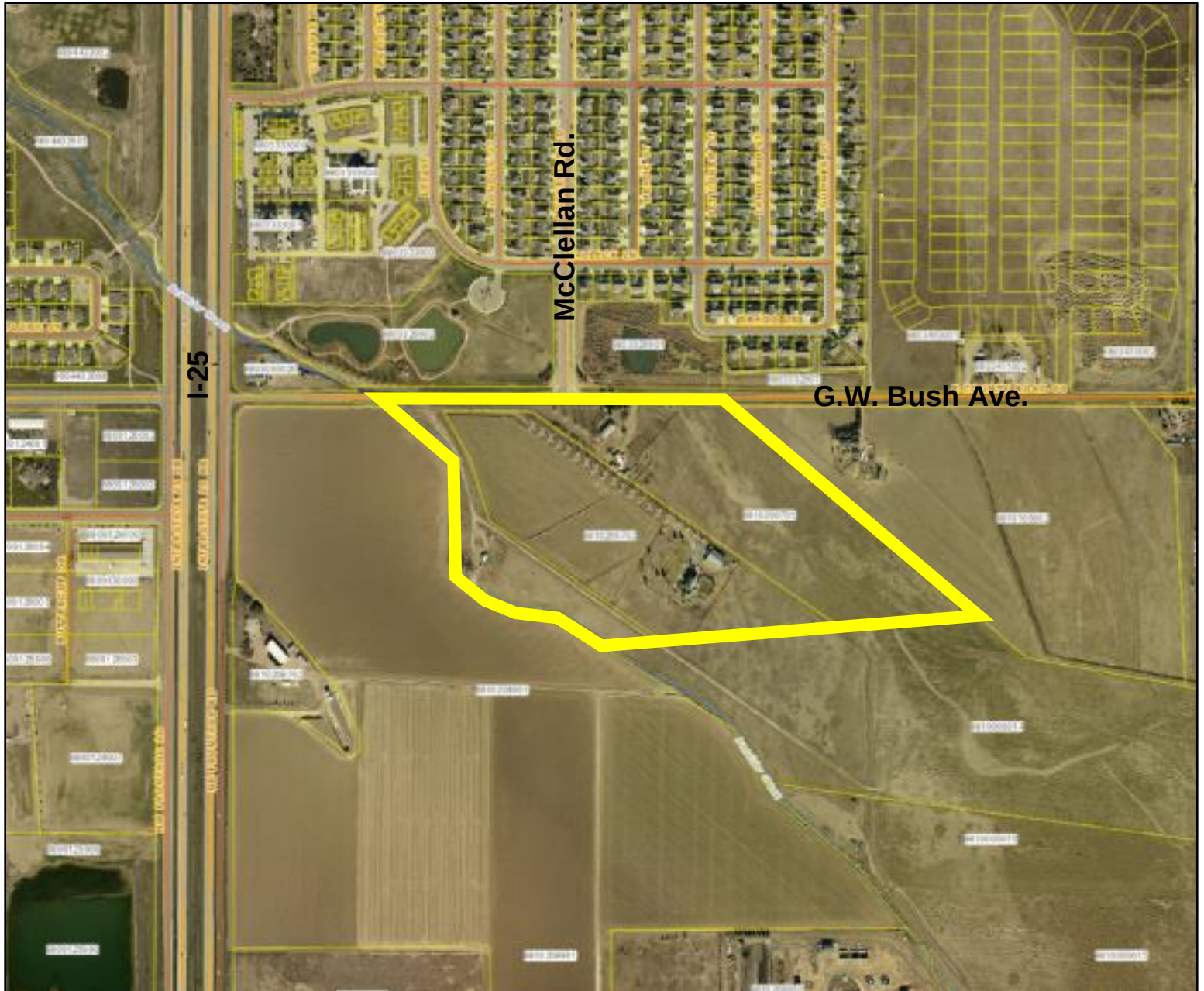
- Move to approve the Annexation Agreement for Country Lane Acres Annexation, authorize the Mayor to execute the agreement, and instruct staff to record the annexation ordinance, annexation map, and annexation agreement.

ATTACHMENTS

1. Location Map
2. Draft Annexation Agreement
3. Annexation Map
4. Concept Master Plan
5. Presentation

Location Map

Country Lane Acres Annexation



ANNEXATION AGREEMENT

Country Lane Acres Annexation

THIS ANNEXATION AGREEMENT is made and entered into this _____ day of _____, 2021, between the TOWN OF WELLINGTON, COLORADO, a Colorado municipal corporation, hereinafter referred to as the “Town”, and Stephen and Michele Lane, hereinafter referred to as the “Owner.”

WITNESSETH:

WHEREAS, Owners are the owners of property more fully described on Exhibit A attached hereto and incorporated herein by reference (the “Property”); and

WHEREAS, Owners have filed a petition to annex the Property to the Town; and

WHEREAS, the Town has passed a resolution pursuant to C.R.S. § 31-12-108(1) finding that the proposed annexation complies with C.R.S. § 31-12-104 and 31-12-105; and

WHEREAS, an annexation impact report has been prepared pursuant to §31-12-108.5, C.R.S., and copies have been distributed in accordance with the statutory requirements; and

WHEREAS, Colorado’s Courts have recognized that the Municipal Annexation Act of 1965 contemplates annexation agreements as a routine step in the annexation process; and

WHEREAS, the parties are desirous of entering into an annexation agreement to set forth various obligations of the parties including obligations for development and use of the property in the future;

NOW, THEREFORE, the parties agree as follows:

1. Adequate Public Facilities. At the time of this agreement, the Town is in the process of designing and constructing capital expansion projects of the water treatment plant and wastewater treatment plant. Owner understands and agrees that no building permits for new construction on the Property will be released unless and until adequate public facilities for treatment of water and wastewater are available.
2. Zoning. Pursuant to C.R.S. § 31-12-115, the property shall be zoned within ninety (90) days of the effective date of the annexation ordinance.
3. Existing Legal Uses. Any uses on the Property that are legally existing at the time of annexation are allowed to continue provided that such uses are not otherwise in conflict with rules and regulations of the Town. Such existing uses will become nonconforming uses and subject to the nonconforming use standards of the Town.
4. Dedications. Owners agree to dedicate or have dedicated property necessary to install public improvements as defined in this agreement, on the annexation map and any subsequent subdivisions or other plat and warrant title to the same subject only to

those exceptions accepted by the Town. In addition to property to be dedicated pursuant to development agreement or subdivision plat, Owners agree as follows:

- A. Within 90 days following recordation of the annexation map, owner will dedicate south 20 feet road right-of-way adjacent to property for CR 60 (G.W. Bush Ave.)
 - B. Owner agrees to dedicate property along the west side of the property and adjacent to Boxelder Creek to the Town for public park and open space. The Owner shall retain ownership of the land until such time the Town requests dedication, or until the land is otherwise subdivided in accordance with the Town's subdivision regulations, whichever comes first. Upon written notification from the Town for Owner to dedicate such park and open space, Owner will vacate the property within 90 days. Owner shall be responsible for maintaining weeds at Owner's expense until otherwise dedicated to the Town.
5. Infrastructure. Owner agrees to install all infrastructure improvements necessary for the development of the Property and make all dedications as set forth in this agreement and a development agreement in conjunction with a subdivision plat. Such improvements shall include but not necessarily be limited to:
 - A. Street and traffic improvements
 - B. Water system improvements
 - C. Sewer system improvements
 - D. Storm drainage improvements
 - E. Park/trail improvements

All such infrastructure improvements installed by Owner shall be installed in accordance with the direction of the Town Engineer and Public Works Department and the Town's Standard Design Criteria and Standard Construction Requirements as adopted by the Town dated March 10, 2015 and which may from time to time be amended (the "Standards"). Owner agrees to pay all costs to underground utility lines that have been installed in order to extend service to the Property at the time the Property, or any part of the Property, is subdivided or otherwise developed.
6. Landscaping. Owners shall install street trees and landscaping which complies with a landscaping plan to be submitted and approved by the Town at the time of subdivision plat or development plan. Owner shall maintain street trees and landscaping in good and live condition, including proper watering, fertilization, pest control, pruning and mowing necessary for the health and structural integrity of trees and vegetation, and shall replace any dead trees or vegetation no later than the following planting season.
7. Development Impact Fees and Review Expenses. Owner agrees to pay development impact fees imposed by the Town including but not limited to building inspection, parks, water and sewer tap, road impact, administration, library and similar fees. Owner understands that these fees are (A) normally payable at the time of building permit request and (B) that these fees may be modified by the Town over the course of time. Owners acknowledge the obligation to pay all review fees and other expenses as required by the D-5 agreement for Payment of Review Expenses.

8. Water Contributions.

Raw water: The Town's Land Use Code requires developers to contribute Raw Water at the time of issuance of a building permit or allows the Town in its sole discretion and according to the Town's rate schedule to accept cash-in-lieu of payments. Unless otherwise modified by mutual agreement at the time of subdivision/development, Owners shall contribute water shares to satisfy the raw water requirement.

- A. Water Wells: If any agricultural, irrigation or other water well is located on the Property, Owner agrees that upon development of the Property Owner shall upon request of the Town convey the Owners' ownership interest in any well to the Town. The Town and Owners may agree to the installation of a landscape irrigation system to serve areas including the Property and shall be defined in a development agreement associated with an approved subdivision plat or development plan.

If the Owners have agreed to the installation of a landscape irrigation system the Owners agree to adopt covenants providing the Town sufficient assurances that properties served by such irrigation system shall not connect to the Town's domestic water supply.

9. Development agreement. Prior to the development of the Property, a memorandum of agreement for public improvements or similar development agreement shall be in place which shall further address the dedication and improvement of roads including sidewalks, signage and traffic control, the installation and maintenance of water and sewer services including lift stations and related facilities, the installation and maintenance of storm drainage facilities and, if applicable, provisions for the construction and maintenance of bridges and similar structures. Such development agreement may provide for the dedication of reasonable amounts of land for public purposes including schools, parks, and open space, or may provide for the payment of fees in lieu of such dedication. The development agreement shall include the following restrictions on the subdivision of the property:

- A) No Final Subdivision Plat will be recorded prior to removing all residential lots from the floodplain.
- B) A requirement for proof of disclosure to prospective buyers that the properties are near a wastewater treatment plant and odors may be noticeable from time to time.

10. Road construction and dedication. No Owners shall be entitled to develop any portion of the Property without first entering into agreements with the Town providing for the construction and ongoing maintenance of any necessary roads and road improvements (including sidewalks), whether public or private, to serve the Property. Unless it otherwise consents, the Town shall have no obligation at any time to construct or maintain roads serving the Property. All roads and road improvements shall be constructed by the Owners in accordance with all applicable Town ordinances, rules, regulations, and engineering specifications in effect at the time that the Owners'

property is developed. Owners shall be solely responsible for the cost to install any roads or road improvements subject to the right to any repayments based upon oversizing of arterial and other non-local streets.

11. Water/Sewer improvements. As a condition of any development, Owners shall install water and sewer improvements including lift stations and related facilities as may be necessary to serve the Property. All water and sewer service shall be constructed in accordance with applicable Town ordinances, rules, regulations, Standards and engineering specifications as may be in effect at the time of development. Each Owner shall pay all costs associated with obtaining water and sewer service for its portion of the Property and will obtain all necessary easements for construction and maintenance of any sewer or water improvements.

NOTWITHSTANDING ANY PROVISIONS TO THE CONTRARY, OWNERS ACKNOWLEDGE THAT THEY HAVE BEEN ADVISED THAT AS A RESULT OF SETTLEMENT STIPULATION ENTERED INTO BETWEEN THE TOWN AND THE NORTHERN COLORADO WATER ASSOCIATION THE TOWN IS PRECLUDED FROM PROVIDING DOMESTIC WATER SERVICE TO CERTAIN AREAS IN AND SURROUNDING THE TOWN.

In those areas that the Town is unable to serve, Owners must receive service from the Water Association or must obtain the Water Association's consent for the Town to provide service.

- A. There is one (1) existing home on the Property that is currently supplied water by Northern Colorado Water Association. Town agrees that the existing water service may remain until such time as the owner requests water service from the Town, or until such time as the home is connected to Town sewer, whichever occurs first.
 - B. There are two (2) existing homes on the property that are on private septic systems. The private septic systems will be allowed to remain until the Property is developed and public sewer is available within 400 feet of the property in accordance with C.R.S. § 31-15-709. The Owner has a certificate for one (1) sewer tap at no cost to the Owner by agreement with the Town in exchange for public utility easement dedication. The Town will honor such certificate upon Owner producing the official and original certificate at the time a connection to the Town sewer is requested or required.
12. Non-municipal Dedications. Owners agree to provide appropriate easements or rights-of-way for non-municipal utilities as recommended by the Town Engineer including but not limited to easements for gas, electric, cable TV and irrigation water service.
13. Storm Drainage Improvements. Owners shall construct and maintain such storm drainage improvements as are required by any applicable Town ordinances, rules, regulations and engineering specifications in effect at the time the development occurs and shall further dedicate all necessary rights-of-way for storm sewers to serve property being developed and to serve impacted surrounding properties. Unless it

otherwise consents, the Town shall not be obligated to provide storm drainage improvements for any portion of the Property.

14. Districts. In order to facilitate construction of improvements and subject to the Town's rights of review and approval under the law of the state of Colorado, the Town will consider the creation of one or more districts, including but not limited to, special districts, general improvement districts, and metropolitan districts. Owners shall bear all costs, including attorney's fees, which the Town may incur in the formation or consideration of any district. No district so established may levy or collect sales tax nor shall any district apply for Colorado Conservation Trust Funds and supplemented by the Colorado State Lottery without the Town's consent.
15. Agricultural use. As of the date of this Agreement, portions of the Property are being used for agricultural purposes. The Property may continue agricultural uses legally existing at the time of annexation, including grazing livestock, hay production and maintenance of fences (including barbed wire fences) until a development plan or subdivision plat has been approved. Thereafter, the Owner shall discontinue existing agricultural uses of the Property unless allowed by Town code or otherwise agreed to by the Town. The Town and other governmental authorities have adopted certain weed control, dust control, and other nuisance standards. If the Property is not farmed or Owner does not otherwise ensure the sources of weed, dust, and nuisance violations are addressed, the Town shall have the right to address the sources of such violations and shall have the right to address the sources of such violations and Owner shall reimburse any costs the Town reasonably incurs in addressing such violations
16. Initiative/Referendum. If the annexation of the Property, or any portion thereof, is challenged by a referendum, all provisions of this Agreement, together with the duties and obligation of each party (including payment of all taxes imposed by the Town and enforcement of any Town ordinances on the Property), shall be suspended pending the outcome of the referendum election. If the referendum challenge results in disconnection of the Property from the Town, then this Annexation Agreement and all provisions contained herein shall be null and void and have no further effect. If the referendum challenge fails, then Owners and the Town shall continue to be bound by all terms and conditions of this Annexation Agreement. Upon such disconnection, the Town shall have no further obligations or responsibilities as to such disconnected property, and Owners shall have no further obligation to the Town, other than such obligations that may exist by statute or this agreement.

If any citizen-initiated ordinance becomes effective in the Town within eleven (11) months after the effective date of the annexation ordinance, which substantially alters or limits Owners' right to use its portion of the Property as contemplated by this Agreement, then the Town, upon the written request of Owners, will proceed to take all necessary action to disconnect the Owners' Property from the Town.

17. Disconnection. Owners may not petition the Town to disconnect any portion of the Property if the effect of that disconnection would be that any other property in the Town would no longer have the contiguity to the Town. Absent approval by Town, Owners waive any right to disconnect the Property for failure on the part of the Town to provide services as would otherwise be allowed by C.R.S. §31-12-119. If Owners

properly disconnect any portion of the Property as provided for herein, this Agreement shall continue to bind the Owners and Property to the extent that the Town has incurred obligations in reliance on this Agreement and the annexation petition.

18. Court action. If the annexation of all or any portion of the Property is voided by action of any court (excluding any action arising as a result of an initiative or referendum) the Town and Owners shall cooperate to cure any legal defect which resulted in disconnection and upon cure this Agreement shall be deemed an agreement to annex such property to the Town as provided for by C.R.S. §31-12-121. Owners shall reapply for annexation when the Property becomes eligible for annexation as determined by the Town.
19. Town's ordinances. Development of the Property shall be governed by the Town's ordinances, resolutions, standards, fees and policies currently in effect and as may be adopted or amended in the future. Except as set forth in this Agreement, land use issues remain subject to the police power and legislative authority of the Town.
20. Enforcement. This Agreement shall be specifically enforceable by a court of competent jurisdiction. In the event of a material breach of any material provision of this Agreement, the nonbreaching party may ask a court of competent jurisdiction to enter a writ of mandamus, temporary or permanent restraining orders, temporary or permanent injunctions, or orders of specific performance to compel the breaching party to perform its duties under this Agreement and to grant such other relief as may be afforded by law, it being the intent of this provision to supplement the law of remedies.
21. Further agreements. The parties agree to sign any further documents reasonably required by Owners or the Town to carry out the terms of this Agreement.
22. Recordation. This Agreement and any amendments to this Agreement may be recorded with the Larimer County Clerk and Recorder and shall be binding upon and inure to the benefit of the heirs, transferees, successors, and assigns of the Owners. Upon conveyance of any interest in the Property, the previous Owners shall be released of any future obligation hereunder as the portion of the Property conveyed. This Agreement shall constitute a covenant running with the Property.
23. Approval. This Agreement shall be null and void if the Town Board fails to approve the annexation of the Property. Approval for purposes of this paragraph shall not require compliance with the recordation or other requirements of C.R.S. §31-12-113.
24. Entire agreement. Subject to the Town code and other properly adopted authority, this Agreement represents the entire agreement between the parties. Any amendments to this Agreement to be affective shall be in writing.
25. Indemnification. Owners, jointly and severally, agree to indemnify and hold the Town and its officers, employees, agents, and contractors harmless from and against all liability, claims, and demands, including petitions for judicial review, pursuant to §31-12-116, C.R.S., made by any person or entity other than the Town, its elected, appointed or employed representatives which arise of or are in any manner connected with the annexation of the property, including court costs and reasonable attorney fees.

26. Vesting. The towns ordinance 16-1999 defines site specific development plans and provides that vested property rights are only created if properly requested at the time of approval of a Development Agreement of Final Subdivision Plat. This Annexation agreement does not give rise to any claim of vested rights related to the Property.
27. Counterparts. This Agreement may be executed by any number of counterparts and by any number of counterpart signature pages, each of which shall be an original with the same effect as if each of the signatures were affixed to the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this annexation agreement the day and year first written above.

DRAFT

[Signature Page of Town]

TOWN OF WELLINGTON

Troy Hamman, Mayor

ATTEST:

Krystal Eucker, Town Clerk

(SEAL)

Approved as to form:

March & Olive, LLC
Town Attorney

By: _____
Dan Sapienza

[Signature Page of Owner]

OWNER

By: _____
Stephen Lane

STATE OF COLORADO)
) ss.
COUNTY OF LARIMER)

The foregoing instrument was acknowledged before me this ____ day of _____, 2021
by Stephen Lane as _____ of _____.

WITNESS MY HAND AND OFFICIAL SEAL.

Notary Public
My commission expires: _____

By: _____
Michele Lane

STATE OF COLORADO)
) ss.
COUNTY OF LARIMER)

The foregoing instrument was acknowledged before me this ____ day of _____, 2021
by Michele Lane as _____ of _____.

WITNESS MY HAND AND OFFICIAL SEAL.

Notary Public
My commission expires: _____

Exhibit A
Legal Description
Country Lane Acres Annexation

Lots 1 and 2 of Country Lane Farms Minor Land Division
Located in the North Half of Section 10, Township 8 North,
Range 68 West, 6th Principal Meridian,
County of Larimer, State of Colorado.
35.61 Acres Plus or Minus

DRAFT

LOCATED IN THE NORTH HALF OF SECTION 10,
TOWNSHIP 8 NORTH, RANGE 68 WEST, 6TH PRINCIPAL MERIDIAN
COUNTY OF LARIMER, STATE OF COLORADO



A PARCEL OF LAND SITUATE IN SECTION 10, TOWNSHIP 8 NORTH, RANGE 68 WEST, OF THE 6TH PRINCIPAL MERIDIAN, LARIMER COUNTY, COLORADO, BEING MORE PARTICULARLY DESCRIBED AS FOLLOW:

[illegible]

1. THE BASIS OF BEARING BEING THE NORTH LINE OF SECTION 20, TOWNSHIP 8 NORTH, RANGE 68 WEST OF THE 6TH PRINCIPAL MERIDIAN, BETWEEN THE FOUND COOT MONUMENT AT THE NORTHWEST CORNER AND A FOUND 1 1/2" ALUMINUM CAP, PLS 23519 AT THE NORTH QUARTER CORNER BEARS SOUTH 89°50'44" EAST.

2. APPLICANT: COUNTRY LAKE ACRES
STEPHEN LAKE
ADDRESS: 4237 E LARIMER COUNTY ROAD 60, WELLINGTON, CO. 80540
PHONE: 970-214-8979

TOTAL NUMBER OF LINEAR FEET CONTIGUOUS TO THE TOWN OF WILLINGTON:	1,390.49
TOTAL NUMBER OF LINEAR FEET OF PROPERTY TO BE ANNEXED:	5,651.28
TOTAL NUMBER OF LINEAR FEET OF LANE PARCEL:	5,651.28
TOTAL NUMBER OF LINEAR FEET PREVIOUSLY ANNEXED:	2,877.22
TOTAL NUMBER OF LINEAR FEET OF PROPERTY REMAINING IN THE COUNTY:	0.00

_____ PROPERTY LINE
 _____ PROPOSED ANNEXATION LINE
 _____ EASEMENT LINE
 _____ CENTER LINE
 _____ EXISTING ANNEXATION LINE

MEAS. REC. MEASURED RECORD
 _____ BOUNDARY OF AREA OF PROPOSED ANNEX

FOUND MONUMENT
 FOUND FLEETABLE YELLOW PLASTIC CAP ON #5 REBAR
 FOUND ORANGE PLASTIC ON #5 REBAR, PLS 37599

APPROVED THIS _____ DAY OF _____ A.D. 2019, BY THE BOARD OF TRUSTEES,
WILLINGTON, COLORADO. THIS APPROVAL IS CONDITIONED UPON ALL EXPENSE INVOLVING NECESSARY
IMPROVEMENTS FOR ALL UTILITY SERVICES, PAVING, GRADING, LANDSCAPING, CURBS, GUTTERS,
STREET LIGHTS, STREET SIGNS, AND SIDEWALKS SHALL BE FINANCED BY OTHERS AND NOT THE TOWN.

ATTEST:

APPROVED THIS _____ DAY OF _____, A.D. 2018, BY THE TOWN OF WELLINGTON

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I, DAVE SWANSON, A REGISTERED PROFESSIONAL LAND SURVEYOR IN THE STATE OF COLORADO, DO HEREBY CERTIFY THAT THIS MAP OF LAND INTERESTS PROPOSED TO BE ADDED TO THE TOWN OF WELLINGTON, COUNTY OF LARIMER, STATE OF COLORADO, I FURTHER CERTIFY THAT I HAVE SURVEYED THIS PROPERTY AND THIS PLAT ACCURATELY AND PROPERLY SHOW SAID PROPERTY, AND THAT ALL MONUMENTS EXIST AS SHOWN HEREON, THIS LAND SURVEY PLAT COMPLIES WITH SECTION 38-51-106, COLORADO REVISED STATUTES.

DAVE SWANSON
COLORADO REGISTERED PROFESSIONAL LAND SURVEYOR _____

NOTICE: ACCORDING TO COLORADO LAW, YOU MUST COMMENCE ANY LEGAL ACTION BASED UPON ANY DEFECT IN THIS SURVEY WITHIN THREE YEARS AFTER YOU FIRST DISCOVER SUCH DEFECT. IN NO EVENT MAY ANY ACTION BASED UPON ANY DEFECT IN THIS SURVEY BE COMMENCED MORE THAN TEN YEARS FROM THE DATE OF CERTIFICATION SHOWN HEREON.

COUNTRY LANE ACRES ANNEXATION MAP
/2 SEC 10, T8N, R68W, 6TH P.M.

Permit Seal

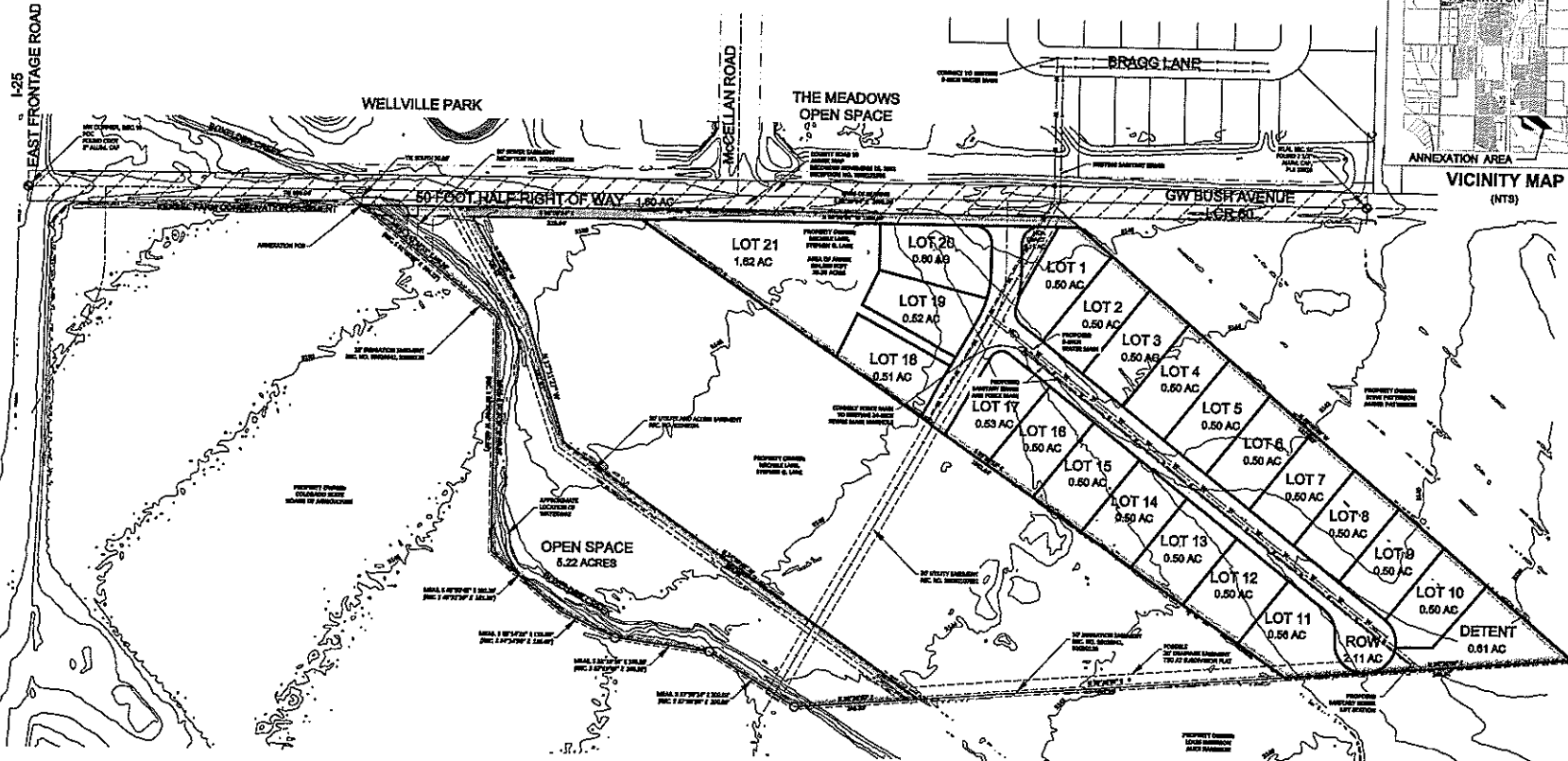
Project Number: 2019429	
Drawn By:	TY-MM-DO
Check By:	19-04-27
Revision:	Sheet 1 of 1

COUNTRY LANE FARMS ANNEXATION MASTER PLAN

LOCATED IN THE NORTH HALF OF SECTION 15,
TOWNSHIP 8 NORTH, RANGE 68 WEST, 8TH PRINCIPAL MERIDIAN
COUNTY OF LARIMER, STATE OF COLORADO

LEGEND

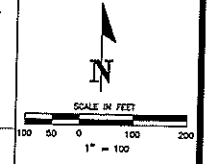
PROPERTY BOUNDARY	---
ANNEXATION BOUNDARY	---
PROPOSED LOT LINES	---
PROPOSED DRAINAGE LINE	---
EXISTING DRAINAGE	---
PROPOSED POWER LINE	---
PROPOSED WATER LINE	---
PROPOSED SEWER LINE & MAN	---
PROPOSED FORCE MAIN	---
EXISTING SURF CONTOUR	---



Les Crawford PE
SITE DEVELOPMENT SOLUTIONS
COLORADO • KANSAS • MONTANA • NEBRASKA
NORTH DAKOTA • OKLAHOMA • UTAH • WYOMING
242 LINDEN ST FORT COLLINS CO. 970.773.0610

COUNTRY LANE FARMS

4349 EAST LARIMER COUNTY ROAD 60
WELLINGTON, COLORADO



ANNEXATION MASTER PLAN

PROPERTY OWNERS
Steve and Michele Lane
4349 East County Road 60
Wellington, CO 80547

APPLICANT/DEVELOPER
Michele Lane,
Managing Member
Country Lane Developers LLC
4349 East County Road 60
Wellington, CO 80547

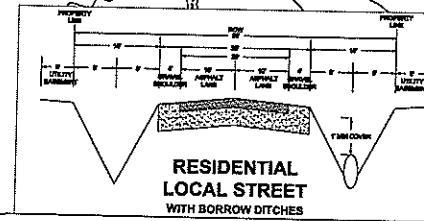
GEOTECHNICAL ENGINEER
Sologic
3050 87th Avenue, Suite 200
Greeley, CO 80634

ENVIRONMENTAL ENGINEER
Widland Consultants, Inc
1001 Jefferson Drive
Berthoud, CO 80513

CIVIL ENGINEER
Les Crawford PE
242 Linden St.
Fort Collins, CO 80524

SURVEYOR
William H. Smith & Assoc, Inc.
508 West 69th St
Loveland, CO 80538

FLOODPLAIN ENGINEER
Anderson
Consulting Engineers
375 East Horseshoe Road,
Bldg 5, Ste. 100
Fort Collins, Colorado 80525



Annexation Agreement

Country Lane Acres Annexation

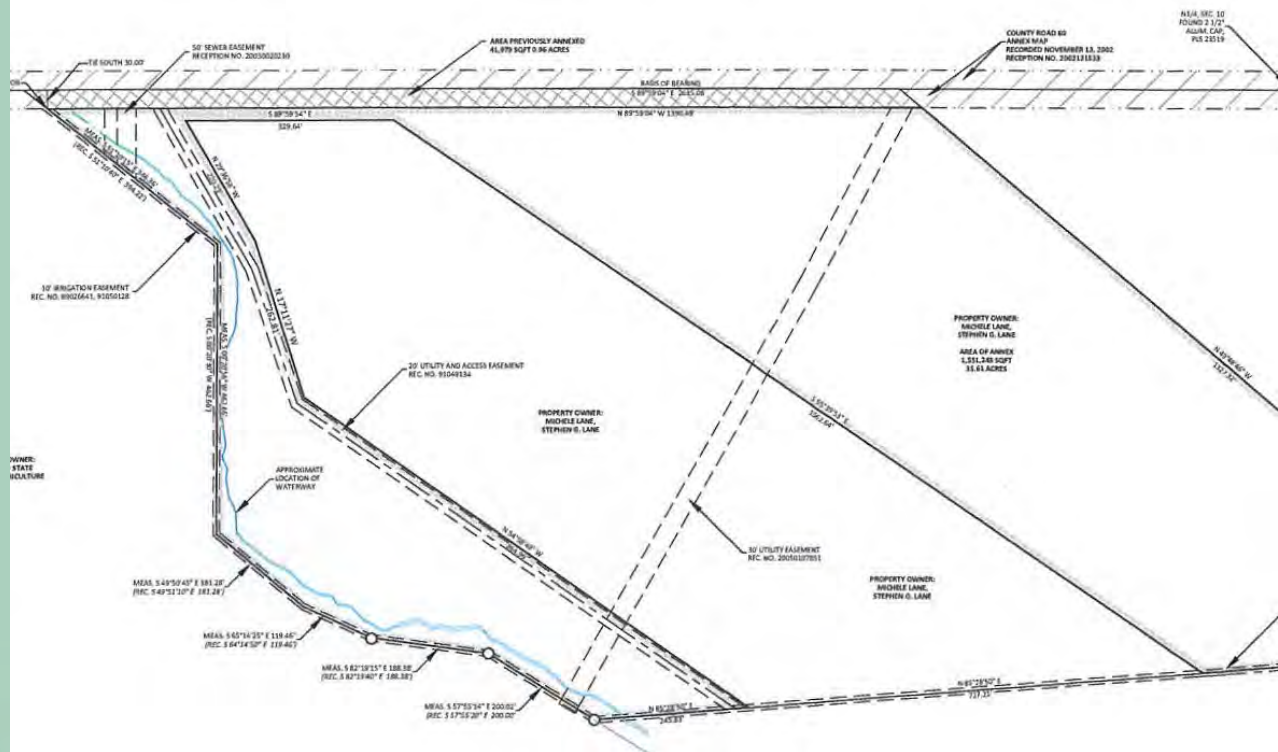


Country Lane Acres Annexation



TOWN OF WELLINGTON

LOCATED IN THE NORTH HALF OF SECTION 10,
TOWNSHIP 8 NORTH, RANGE 68 WEST, 6TH PRINCIPAL MERIDIAN
COUNTY OF LARIMER, STATE OF COLORADO



General Location

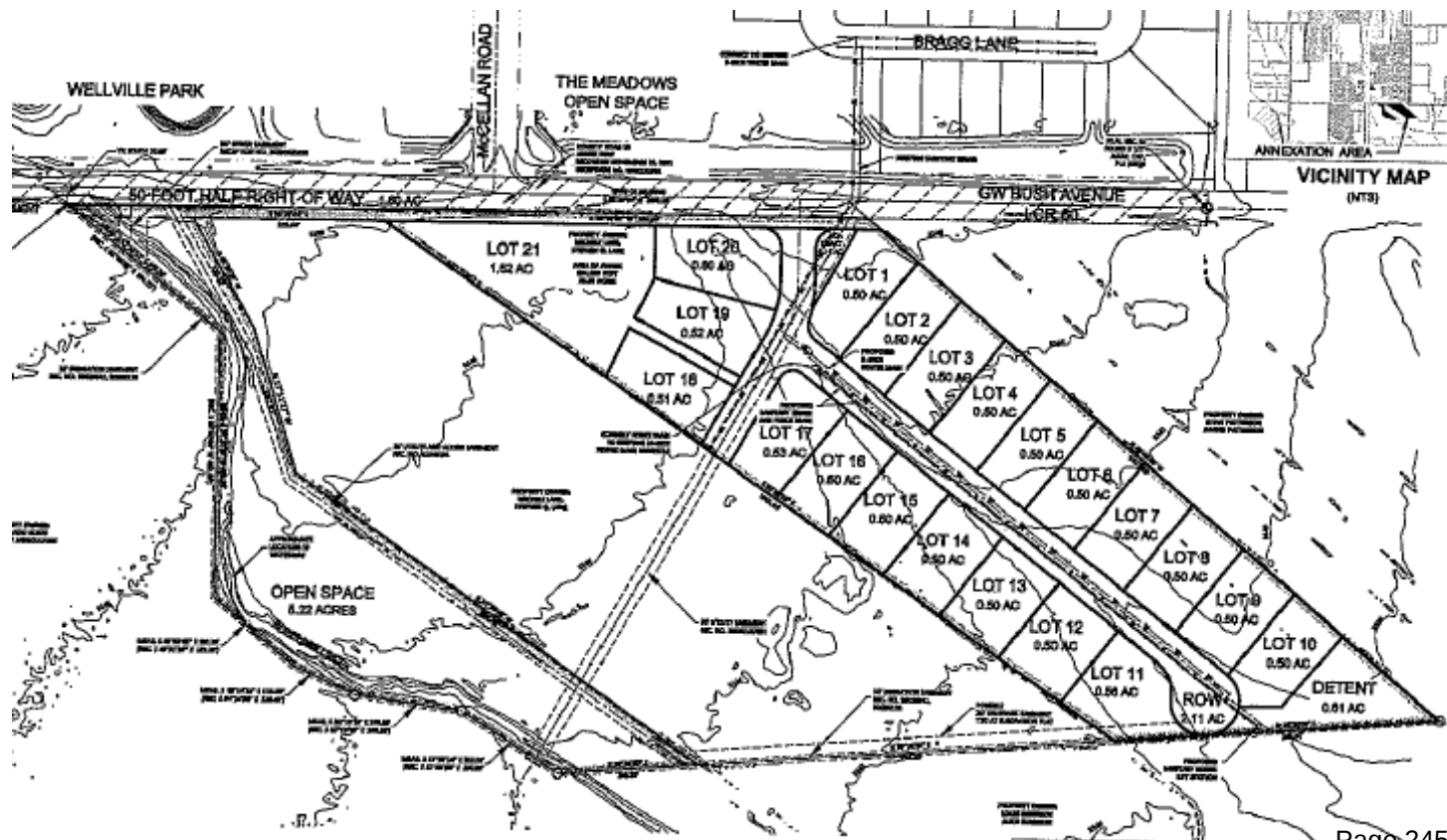




Background Information

- 35.6 acres property
- Within Growth Management Area (GMA) and 3-mile Plan
- Consistent with Comprehensive Plan
 - Future Land Use Map – Low Density Residential
 - Lots 1/2 acre or larger
- Approved by Ordinance No. 1-2020
 - Extensions were approved to allow coordination

Concept Master Plan



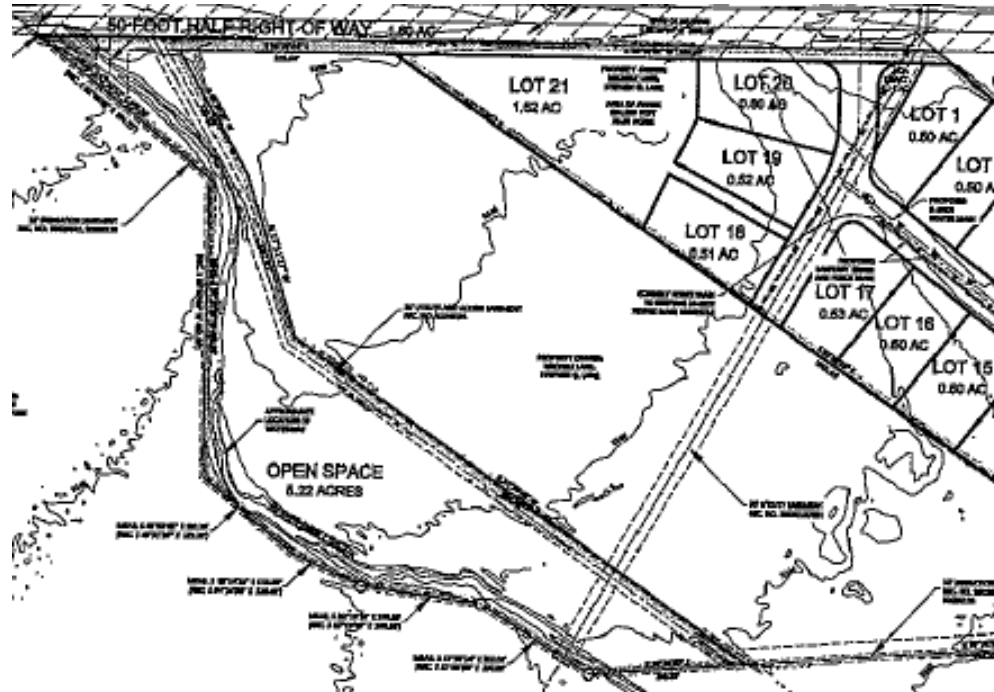


Agreement Considerations

- Existing legal uses are allowed to continue
 - Nonconforming uses/structures
- Subdivision plat and development agreement are required before development of the property
- Existing sewer tap and timing
- Adequate public facilities required for issuance of building permits

Agreement Considerations

- Dedicate road right-of-way for CR 60
- Dedicate open space along Boxelder Creek upon request





Staff Recommendation

- Approve the annexation agreement
- Authorize the Mayor to execute the agreement
- Record the annexation ordinance, annexation map, and annexation agreement



Board of Trustees Meeting

Date: October 26, 2021
Submitted By: Patti Garcia, Town Administrator
Subject: Resolution No. 31-2021 - A Resolution Establishing Non-Residential Water Charges for Wellington Water Enterprise Water Utility Use

- **Presentation: Patti Garcia, Town Administrator**

EXECUTIVE SUMMARY

Water rate adjustments have been ongoing since January, 2021. The rates currently being addressed are related to businesses in Wellington; meter sizes range from 3/4" to 3" with correlating base rates. At the August 17, 2021 Trustee work session, staff provided options for non-residential rate increases. The Trustees requested that staff reach out to non-residential customers and request feedback on the proposed rates.

BACKGROUND / DISCUSSION

Wellington is in the process of expanding their water treatment plant and wastewater treatment plant. This is required due to current water capacity issues and to stay in compliance with Colorado Department of Health and Environment requirements. In order to pay for the expansion of the water treatment plant the Board of Trustees approved an increase in residential base rates to \$66 and tiers were increased to \$4.56 for the first 15,000 gallons of water, \$5.70 for over 15,000 and \$7.72 for over 30,000 gallons.

At this time, there have been no increases to non-residential rates. The Town currently has 137 non-residential accounts; 101 have 3/4" meters, 25 have 1" meters, 4 have 1.5" meters and there are 7-2" meters. Commercial users consume 12% of the total water consumption and contribute 10% of the total billed revenues.

On August 17, 2021 the Trustees received a presentation outlining options for increases to those rates to bring them in line with the current residential base rate of \$66. There are currently no tiers for non-residential customers and the current rates are as follows:

Meter size	Monthly base fee	1st Tier Usage per 1,000 gal	1st Tier Threshold gal/month	2nd Tier Usage per 1,000 gal	2nd Tier Threshold gal/month	3rd Tier Usage per 1,000 gal	3rd Tier Threshold gal/month
Non-residential 3/4" Tap	\$18.86	\$3.65					
Non-Residential 1" Tap	\$45.07	\$3.65					
Non-Residential 1.5" Tap	\$118.73	\$3.65					
Non-Residential 2" Tap	\$126.03	\$3.65					

Four rate options were provided to non-residential account holders and are listed below. Letters to all non-residential users were mailed out in September with responses or questions requested to be provided to the town administrator no later than October 18, 2021.



Option 1 - Increase only the non-residential rates that are below the \$66 residential base rate. The 3/4" and 1" tap rates are similar to the residential rates that are in place; there would be no change to the 1.5" or the 2" rates and no usage tiers added.

Meter size	Monthly base fee	1st Tier Usage	1st Tier Threshold	2nd Tier Usage	2nd Tier Threshold	3rd Tier Usage	3rd Tier Threshold
		per 1,000 gal	gal/month	per 1,000 gal	gal/month	per 1,000 gal	gal/month
Non-residential 3/4" Tap	\$66.00	\$4.56					
Non-Residential 1" Tap	\$103.62	\$4.56					
Non-Residential 1.5" Tap	\$118.73	\$4.56					
Non-Residential 2" Tap	\$126.03	\$4.56					

Option 2 - Increase only those established non-residential rates that are below the \$66 residential base rate and expand the tiers for non-residential customers.

Meter size	Monthly base fee	1st Tier Usage	1st Tier Threshold	2nd Tier Usage	2nd Tier Threshold	3rd Tier Usage	3rd Tier Threshold
		per 1,000 gal	gal/month	per 1,000 gal	gal/month	per 1,000 gal	gal/month
Non-residential 3/4" Tap	\$66.00	\$4.56	15,000	\$5.70	30,000	\$7.72	>30,000
Non-Residential 1" Tap	\$103.62	\$4.56	15,000	\$5.70	30,000	\$7.72	>30,000
Non-Residential 1.5" Tap	\$118.73	\$4.56	15,000	\$5.70	30,000	\$7.72	>30,000
Non-Residential 2" Tap	\$126.03	\$4.56	15,000	\$5.70	30,000	\$7.72	>30,000

Option 3 - Keep the base rate at \$66 for all tap sizes and include the residential tiers.

Meter size	Monthly base fee	1st Tier Usage	1st Tier Threshold	2nd Tier Usage	2nd Tier Threshold	3rd Tier Usage	3rd Tier Threshold
		per 1,000 gal	gal/month	per 1,000 gal	gal/month	per 1,000 gal	gal/month
Non-residential 3/4" Tap	\$66.00	\$4.56	15,000	\$5.70	30,000	\$7.72	>30,000
Non-Residential 1" Tap	\$66.00	\$4.56	15,000	\$5.70	30,000	\$7.72	>30,000
Non-Residential 1.5" Tap	\$66.00	\$4.56	15,000	\$5.70	30,000	\$7.72	>30,000
Non-Residential 2" Tap	\$66.00	\$4.56	15,000	\$5.70	30,000	\$7.72	>30,000

Option 4 - Beginning with a base rate of \$66, establish rates using flow rate and meter size with no tiers.

Meter size	Monthly base fee
Non-residential 3/4" tap	\$66.00
Non-residential 1" tap	\$103.62
Non-residential 1.5" tap	\$301.62
Non-residential 2" tap	\$376.86
Non-residential 3" tap	\$943.14

One response was received from a business requesting that if increased rates were to be adopted that inactive taps not be included with increased base rates.

Staff will be recommending Option 1 to increase only the non-residential rates that are below the \$66 residential base rate assuming that an increase is the will of the Trustees. One option that was not provided is to leave the rates as they are. With Option 1, the 3/4" and 1" tap rates are similar to the residential rates that are in place; there would be no change to the 1.5" or the 2" rates and no usage tiers added. The goal would be to address non-residential tiers the next time a water study is commenced. The proposed option will bring all customers within the same base fee billing structure.

STAFF RECOMMENDATION

Move to approve Resolution No. 31-2021, A Resolution Establishing Non-Residential Water Charges for Wellington Water Enterprise Water Utility Use.

ATTACHMENTS

1. 31-2021 Water Resolution - Non-residential

RESOLUTION NO. 31-2021

A RESOLUTION ESTABLISHING NON-RESIDENTIAL WATER CHARGES FOR WELLINGTON WATER ENTERPRISE WATER UTILITY USE

WHEREAS, the Town Code (the “Town Code”) of the Town of Wellington, Colorado (the “Town”) provides that the Board of Trustees (the “Board”) of the Town shall set fees for various services provided by the Town by ordinance or resolution; and

WHEREAS, the Board set water fees, including by Resolution 12-2008, Resolution 8-2016, Ordinance 6-2017, and Resolution 34-2020; and

WHEREAS, pursuant to Resolution 34-2020, the Town’s residential water charges were increased to account for significant increases in the annual cost of water for the Town paid pursuant to the 1983 Agreement (the NPIC Agreement”) entered into between the Town and North Poudre Irrigation Company (“NPIC”); and,

WHEREAS, the non-residential water rates were not changed concurrently with the 2020 increase in residential water rates and the Town Board of Trustees of the Town of Wellington desires that non-residential water rates be comparable to the rates paid by residential customers.

NOW, THEREFORE, BE IT RESOLVED, by the Town Board of Trustees of the Town of Wellington, Colorado, that non-residential water users shall be charged beginning December 1, 2020, based on a monthly base charge to be assessed against each Town water tap and a charge for metered water consumption at each tap, based on the following schedule:

Section 1. Water charges:

Meter size	Monthly base fee	Usage
		per 1,000 gal
Non-residential 3/4" Tap	\$66.00	\$4.56
Non-Residential 1" Tap	\$103.62	\$4.56
Non-Residential 1.5" Tap	\$118.73	\$4.56
Non-Residential 2" Tap	\$126.03	\$4.56

Section 2. Annual review of water rates. The Board shall review water rate charges and costs on at least an annual basis, no later than September 1 of each year along with residential rates, to ascertain whether further rate adjustments may be necessary. If water costs diminish, including by modifications to the NPIC Agreement, or cost savings are otherwise realized the Board shall, at the time of the annual review evaluate whether water rates can be reduced.

PASSED AND ADOPTED BY THE BOARD OF TRUSTEES OF THE TOWN OF WELLINGTON
THIS 26th DAY OF OCTOBER, 2021.

TOWN OF WELLINGTON, COLORADO

By: _____
Troy Hamman, Mayor

ATTEST:

Krystal Eucker, Town Clerk



Board of Trustees Meeting

Date: October 26, 2021
Submitted By: Patti Garcia, Town Administrator
Subject: Wellington Main Street Sign and Awning Grant Program - Request to Waive Planning Department Fees

- **Presentation: Patti Garcia, Town Administrator**

EXECUTIVE SUMMARY

Through the Sign and Awning Grant Program, the Wellington Main Street Program is working to help improve the image of downtown Wellington by encouraging sign and awning improvements to commercial buildings located in the Main Street program area. As a partner to the Main Street program, the Town of Wellington is requesting to waive specific planning fees for applicants to this grant program.

BACKGROUND / DISCUSSION

As an economic incentive, the Wellington Main Street Program has developed a grant fund to assist with the purchase of new signs and awnings installed on downtown buildings. The Wellington Main Street Program is offering a 50/50 match grant up to \$1,000 per project towards the purchase of new signs and awnings for commercial properties in downtown Wellington (\$2,000 if the sign is for a multi-tenant building). This grant will be ongoing with funding being provided through Main Street into 2022. Currently there is \$12,000 dedicated to this grant fund with two applications received at the Main Street October 2021 meeting.

The Planning Department fees that are being requested to be waived for each applicant are as follows:

Permit Issuance \$25

Sign Permit \$30

The goal is for staff to waive these fees administratively for this program; updates as to how many businesses take advantage of this grant program would be provided in the weekly update.

Fees not being requested to be waived are the County Tax and Building Use Tax; both are based on valuation. There should be no fees generated by SAFEbuilt unless the sign has a free-standing base or if electrical is proposed. SAFEbuilt fees would be paid by the applicant. Based on a \$2,500 valuation on a sign that does not require SAFEbuilt inspection, the estimated cost for an applicant without waiving Planning fees would be \$102.50. If the waiving of fees is approved the cost would be \$47.50 for a project with a valuation of \$2,500.

The grant application is attached which includes the map of the program area.

STAFF RECOMMENDATION

Move to approve the waiver of Planning Department Permit Issuance and Sign Permit fees for Wellington Main Street Sign and Awning Grant Program applicants.

ATTACHMENTS

1. Exterior-Sign-and-Awning-Grant-Application-2021



EXTERIOR SIGN AND AWNING GRANT

WELLINGTON, CO MAIN STREETS PROGRAM

The Wellington, CO Main Street Program seeks to improve the image of downtown Wellington by encouraging sign and awning improvements to commercial buildings located in the Main Street program area. As an economic incentive, the Wellington Main Street Program has developed a grant fund to assist with the purchase of new signs and awnings installed on downtown buildings.

ABOUT THE GRANT

The Wellington, CO Main Street Program (WCMSP) is offering a 50/50 match grant up to \$1,000 per project towards the purchase of new signs and awnings for commercial properties in downtown Wellington.

Interested applicants must be the owner or tenant of a commercial property within the WCMSP program area (see map on page 5) Leased buildings must have written consent from the property owner before receiving grant funds.

ELIGIBLE PROJECTS

- Sign - Sandwich Board/A-frame Signs, Hanging Signs, Wall-Mounted signs (must not damage historical structures), Exterior-lit Signs, and Window Clings are eligible.
- Awning - entryway or over window awning used for printed advertising made of various awning materials: canvas, metal, or vinyl.
- Lighting - Exterior lighting fixtures that illuminate signs or awnings are eligible.

IN-ELIGIBLE PROJECTS

- Neon signs
- Cabinet or box signs
- Pole signs or free-standing signs not in compliance with municipal code
- Electronic message boards
- Illuminated vacuum formed panel awnings

GUIDELINES FOR SIGNS AND AWNINGS

- Front lit and exterior lit signage are encouraged. The goal is to deter back lit or internally lit box signs. Neon signs and electronic message boards are not eligible.
- All awnings and signs are required to be professionally produced and installed.
- All signs or awnings must comply with the Town of Wellington municipal code.
- Applicant must obtain approval from the Town of Wellington Planning Department and all designs must be reviewed by the WCMSP Design Committee.
- A building permit must be obtained and the cost for the permit may be included in the contractor's bid.
- Signs consisting of carved or raised letters or painted signs may be considered if lit from the front or above.
- Contact information shall not exceed 50% of the business name lettering or logo size.
- Awnings and signs must remain within the proper scale of the building and not obscure architectural features. Contrasting letters painted or sewn on the fascia only.
- Rear entrance, alleyway, decorative canopies and awnings, and auxiliary signs may be considered part of the program.
- Repair or improvement to existing sign or awning may be considered at the discretion of the WCMSP Design Committee as long as they are compliant with current municipal code.
- Lighting costs are considered eligible if used to light sign at the front.
- Labor, construction, and installation are eligible expenses.
- Building directory signs are considered eligible if they comply with municipal code.

IN-ELIBIGLE ACTIVITES

- Exclusively residential and non commercial properties.
- Property in litigation, mediation, condemnation, or receivership.
- Property with outstanding code violation orders.
- Property with any special assessments, delinquent real estate taxes, or delinquent personal property taxes.
- Work completed before an application is submitted is not eligible.
- Signs that depict "for lease" or "for sale" information.
- Roof top, off premise, or interior store signs.

GRANT PROCESS

- The WCMSP Design Committee will meet to review the application and the applicant is highly encouraged to attend the meeting when scheduled. If approved, the application is

forwarded to the WCMSP Board of Director's for final approval. The Board of Directors meet monthly on the third Monday at 8:00 am.

- A written approval or denial letter will be issued to the applicant within 14 days of the WCMSP Board of Director's decision. A copy of the letter will also be sent to the Town of Wellington Planning Department.
- Owner/applicant must contact the Town of Wellington regarding regulations and permits that are required for signs or awnings. A permit is required for signs and awnings and Town of Wellington approval must be obtained prior to the start of any work.
- Go online to <https://www.wellingtoncolorado.gov/191/Building-and-Planning> or contact the Town of Wellington Planning Department for permit information. Failure to comply with the Village permit process may result in the denial of WCMSP grant funds.

Town of Wellington Planning Department

8129 Third Street; P.O. Box 127

Wellington, CO 80549

Phone: 970-568-3554

Email: building@wellingtoncolorado.gov

- Upon obtaining all approvals, the owner/applicant and the WCMSP execute an agreement in which the owner/applicant agrees to complete the project within one year from the approval date. In return, the WCMSP agrees to reimburse the owner/applicant for 50% of the cost of the project, up to \$1,000, upon completion of the pre-approved, applicant-paid work.
- Upon approval, the applicant has 90 days to initiate the work, unless an extension is approved in writing.
- As necessary, confer with WCMSP staff during course of work to ensure project's compliance as originally submitted.
- Notify the Town of Wellington Building Inspector upon completion to schedule a final inspection.
- Notify the WCMSP upon completion of project to schedule an inspection by the WCMSP Design Committee for compliance to the program.
- Submit paid receipts for the completed project to the WCMSP office (Wellington CO Main Streets Program, PO Box 1021, Wellington, CO 80549) along with a copy of the finalized building permit.
- The applicant must agree to complete, sign, and submit a W-9 in order for disbursement of grant funds.
- The awarded grant will be reimbursed with a check made payable to the applicant after all the work is done, the invoices have been paid in full by the applicant, and the inspections are complete.

RULES AND GUIDELINES

- Funding is limited and the amount awarded for a project is on a first-come, first-served basis.
- Owners, tenants, or owner/tenant joint ventures may submit application.
- Applicant must comply with the program standards.
- A completed application must be submitted to determine eligibility for the program. Applicant may apply more than once at the same address as long as the applicant does

not exceed the maximum sign grant of \$1,000 during a three-year time frame.

- Grants will only be provided for projects that conform to all Town of Wellington zoning, permitting, and licensing requirements, along with any necessary WCMSP approvals.
- A property owner with three or more tenants must submit a building sign plan to be eligible for a grant.
- The WCMSP Design Committee must give approval for any changes and will be signed, dated, and attached to the original application.
- Any alterations or deviations to the project will result in denial of grant funds.
- Applicants are highly encouraged to attend the Design Committee meeting to review the project.
- The application may be denied if the existing condition of the building requires significant repairs or restoration.
- Approved work must be initiated within 90 days from the date the approval letter is signed. All work must be completed within one year of approval letter.
- Extensions must be requested in writing and may be denied.
- No applicant has the proprietary right to receive grant funds.

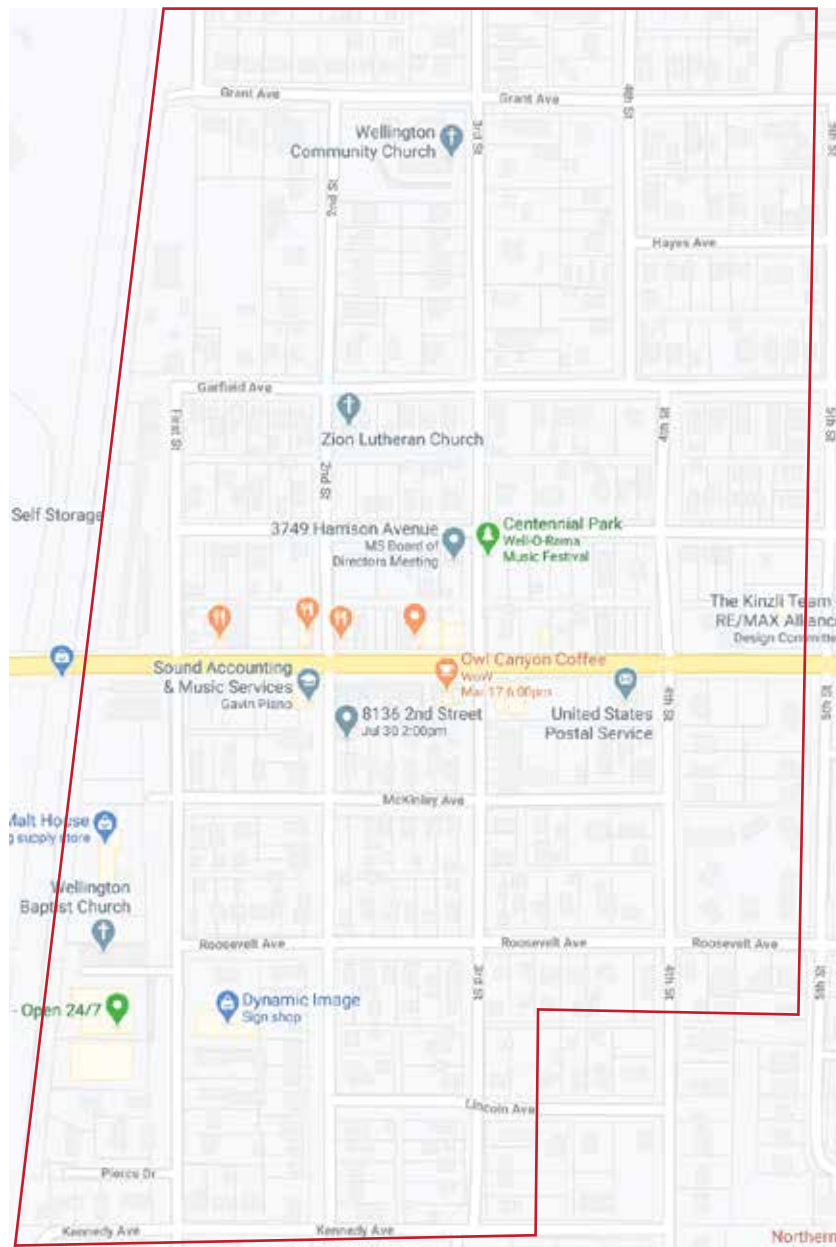
APPLICATION PROCESS

- Complete the application and submit to wmsp.designcommittee@gmail.com.
- The WCMSP Design Committee will review the application and meet with the owner/applicant to discuss the project.
- Two professional contractor estimates with separate costs for signs, support structures, lighting fixtures, electrical, hardware, installation, etc. Contractor proposals or bids must be current and dated no earlier than 60 days prior to the application.
- Applicant submits the following:
 - Rendering or sketch with dimensions showing placement of sign and/or awning on building, mounting height, and clearance from sidewalk to bottom of sign and/or awning.
 - Overall dimensions of sign/and or awning, color of background, size of letters in inches, color of letters, construction materials of sign/and or awning.
 - Wording to appear on all signage.
 - Colors and material type specifications with samples, when applicable.
 - Two or more photographs of the existing building, all sides.
 - Total project cost estimate, including installation and permit fee.
 - Lighting details to include type, location, number, and wattage of fixtures, when applicable.
 - Proof that real and personal property tax payments are up to date for the property and the business applying for the grant.
 - Proof that sales tax payments are up to date for existing business only.
 - Written approval of the project from building owner, if leasing.
- Return completed application with all the required information and two proposals to: wmsp.designcommittee@gmail.com
- WCMSP staff will determine if the application is complete for the WCMSP Design Committee approval meeting.
- The WCMSP Design Committee will review applications on a rolling basis on the second Wednesday of month at 8:30 am at the Kinzli Real Estate Office, or when scheduled,

and the applicant's presence at the Design Committee meeting is highly encouraged to help expedite the application review process.

- A permit is required for all signs and awnings and Town of Wellington approval must be obtained prior installation. Permit information can be found online at <https://www.wellingtoncolorado.gov/191/Building-and-Planning>

PROGRAM AREA MAP





2021 EXTERIOR SIGN AND AWNING GRANT APPLICATION

Accepted through November 1st, 2021

Applicant Name: _____

Business Name: _____

Physical address where sign/awning will be installed: _____

Mailing Address: _____

Phone: _____ Email: _____

Legal Entity of the Applicant (Please Check One):

- ☐ Sole Proprietorship
- ☐ Partnership
- ☐ Corporation
- ☐ LLC
- ☐ Other: _____

Status of the Applicant:

- ☐ Property Owner
- ☐ Tenant: Building Owner Name: _____
Building Owner Phone: _____

Give a Brief Description of the project and any other future building improvements:

Cost of the Project:

Sign: _____ Awning: _____

Lighting: _____ Installation: _____

Permit: _____ Total Estimated Cost: _____

Proposed State Date: _____

Expected Completion Date: _____

Affirmations: I have read and understand the process and rules to receive the Wellington CO Main Street Program Exterior Sign and Awning Grant funds. I understand that failure to abide by the outline process and rules will result in denial of the funds. I understand the project may be inspected by representatives of the WCMSP for compliance to the project as submitted with the application. I understand that should the project be found not in compliance with the original application and proposal as submitted and approved, I may be denied issuance of the WCMSP grant funds. The undersigned applicant(s) affirms that the information submitted herein is true and accurate to the best of my knowledge. I have read and understand the conditions of the Hartland B.I.D. Sign and Awning Grant Program and agree to by the conditions and guidelines. Thank you for submitting your application to the Hartland Business Improvement District.

Applicant Signature: _____ Date: _____

Property Owner Signature, if not applicant: _____ Date: _____

Please return completed application to wmsp.designcommittee@gmail.com.

AGENDA ITEM SUMMARY SHEET

Wellington Town Trustee Meeting- October 2021

ITEM#: _____

SUBJECT: Wellington Main Streets Program presentation to the Town Trustees and Mayor from Wellington Main Streets Program Executive Director Kallie Cooper

Summary:

The Wellington Main Streets Program provides quarterly updates to the Town Trustees regarding on-going projects, organizational updates, events, and future plans. **This update is for the months of July, August and September 2021.**

Item 1: Current projects

- *Publications* - <https://wellingtonmainstreet.org/blog>
- *Exterior Sign and Awning Grant*
 - The Main Street Program has allocated \$12,000 in fundraising dollars from the 2021 Wellington Brewfest towards the Exterior Sign and Awning Grant program. This grant will provide 50/50 matching funds up to \$1,000 per project for businesses in the Main Street program area to purchase new signs and awnings for their buildings.
 - To date we have received two applications and will be working with these individual businesses and the Town of Wellington to review their projects and begin distributing funds.
- *Crosswalk Project*
 - We would like to thank the Town of Wellington for working so diligently to complete the crosswalk project, especially the units installed in downtown Wellington. We have already seen their use and the difference they have made on pedestrian safety downtown.

Item 2: Upcoming Events

- *Trick or Treat Down Main Street*
 - The Annual Trick or Treat Down Main Street event will be held on Sunday, October 31st from 3-5 pm on Cleveland Ave.
 - The road will be closed during this event and we have purchased 1,000 reusable trick or treat bags, sponsored by our generous local businesses, to hand out at the event.
- *Wellington Main Street Annual Meeting*
 - The Wellington Main Street Annual Meeting will be held in person and online on Thursday, November 18th at 6:45 pm.
 - Seating at the event is by reservation only, however, we will be live-streaming the event on our Facebook page for anyone who would like to watch the meeting online and learn more about our program, our 2021 accomplishments, and our plans for the upcoming year!
 - Elections for the 2022 Board of Directors will be held at this event. Ballots will be sent on October 18th for residents and businesses in the Main Street program area to send in their votes if they are unable to attend the event in person.
- *Shop Small Saturday and Elf Hunt*
 - The Main Street Program will be registering as a Community Partner for this year's American Express Shop Small Saturday event on Saturday, November 27th. We will be encouraging the public to purchase our new #ShopWellington Community Gift Card to give as gifts during the holiday season!
 - Our Annual Elf Hunt will also kick off on this day and we will be giving away a \$100 #ShopWellington Gift Card to one lucky winner who finds all 10 of our elves in downtown shop windows.

- **Item 3: Other:**
 - *Main Street: Open for Business Façade and Energy Efficiency Grant*
 - The Town of Wellington was awarded \$569,626.98 through the Main Street: Open for Business Grant. This funding will go directly to 11 of our downtown businesses to support façade and energy efficiency improvement projects.
 - Projects will be completed by June 30, 2022
- **Item 4: Funding**
 - The Main Street Market raised a total of \$5,242 and will be utilized to cover operating costs of the Main Street program
 - The Well-O-Rama Music Festival raised a total of \$6,006 and will be used to help cover matching grant funds for the Revitalizing Main Street grant.
 - The 2022 Budget request was submitted to the Town Trustees on September 28, 2021. Thank you for your consideration and continued support of our program!
 - Financial Statements for the Wellington Main Street Program are available upon request

Thank you for your ongoing support. We welcome your questions, concerns and comments! We would love to hear from the Trustees regarding what they would like to see from this program.





LARIMER COUNTY SHERIFF'S OFFICE

Justin E. Smith, Sheriff

One Agency

One Mission

Public Safety

October 11, 2021

Town of Wellington
Attn: Patti Garcia, Town Administrator
PO Box 127
Wellington, Colorado 80549

Dear Ms. Garcia:

The Law Enforcement Services Agreement for the Town of Wellington obligates the Larimer County Sheriff's Office to provide monthly reporting.

In meeting the contract, for the month of **September 2021**, the Larimer County Sheriff's Office maintained six deputies, one corporal, and one sergeant providing full-time law enforcement for the Town. In addition, one half-time investigator, one full-time desk deputy, and one full-time School Resource Officer assisted the town with law enforcement activities.

During the month of **September 2021**, non-assigned deputies spent a total of **86.88** hours in Wellington responding to calls, patrolling, and making contacts in the town.

During the month of **September 2021** there were **15.0** hours worked by Northern Colorado Drug Task Force.

Investigations – ongoing and active cases include:

- Burglary - 1
- Assault – 1
- Sex Crime – 7
- Death – 2
- Arson – 1
- Trespass – 1
- Vehicle Trespass – 1
- Harassment – 1
- Restraining Order Violation - 1

Administration
2501 Midpoint Dr.
Fort Collins, CO 80525
970 498-5100

County Jail
2405 Midpoint Dr.
Fort Collins, CO 80525
970 498-5200

Emergency Services
1303 N. Shields
Fort Collins, CO 80524
970 498-5300

Of Note:

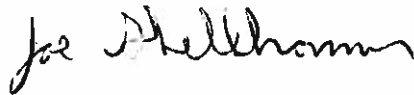
Missing Child/Person increased to 6 in September. This number included 2 cases of children getting off the school bus at the wrong stop. 2 of the others involved runaways. All 6 people reported missing were located in good health.

Both vehicle thefts this month were of trailers taken from driveways. One was recovered later the same day in south Fort Collins.

Case of Significance: On September 25th at 3:50 am a female walked up to an ambulance at the Kum & Go and reported being assaulted with a crowbar. She was treated for her injuries and the investigation led to an address on Mount Spalding where a 40-year old male initially barricaded in the residence and refused to come out. As the All-Hazards Crisis Response Team was arriving the male attempted to leave out the back door where he was arrested by patrol deputies.

Pursuant to the Law Enforcement Agreement between the Town of Wellington and Larimer County, applicable documenting monthly forms are attached.

Thank you,

A handwritten signature in black ink that reads "Joe Shellhammer". The signature is written in a cursive, flowing style.

Captain Joe Shellhammer
(970) 498-5103
Attachments



LARIMER COUNTY SHERRIFF'S OFFICE

Wellington Calls for Service and Patrol Time
(For Non-Wellington Officers)

Dispatch Dates Between 9/1/2021 and 9/30/2021

Excluded from this report -

Squads: Civilian, Parks, and Investigations

Units: 9ME*, 9S8;9Z89;9E34;9E5;9E21;9E41;9E75;9E23;9E72;9E7;9X106

Call Times by Month

	Call/Contact Time (Minutes/Hours)	Patrol Time (Minutes/Hours)	Totals
2021-09	3,852.45 64.21	1,360.3 22.67	5,212.75 86.88
Totals	3,852.45 64.21	1,360.3 22.67	5,212.75 86.88

Wellington Monthly Report

September 2021

Larimer County Sheriff's Office

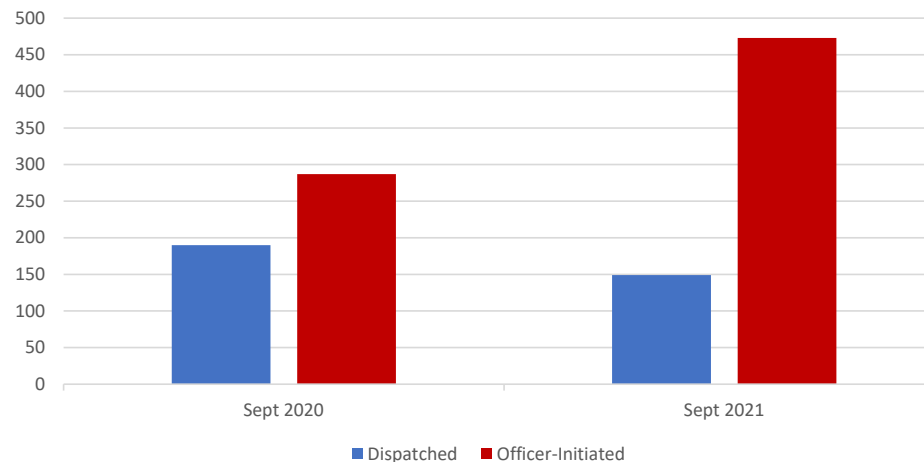
Christine Harpel
Executive Assistant
10/4/2021

September 2021 Totals

Dispatched / Officer-Initiated Activity

Dispatched Calls	149
Officer Initiated	473
Sept 2021 Total	622

Dispatched vs Officer-Initiated Activity



- Dispatched calls were Down 41 or 22% from September 2020
- Officer-Initiated Activity was Up 186 or 65% from September 2020

	Sept 2020	Sept 2021
Dispatched Calls	190	149
	40%	24%
Officer Initiated	287	473
	60%	76%
Total	477	622

- 24% were Dispatched Calls
- 76% was Officer-Initiated Activity

September 2021 Calls for Service

Calls for Service Comparison

Call Types A-M

Call Type	2018	2019	2020	Avg 18-20	2021	% Change 3-Yr Avg to 2021
9-1-1 Hangup	2	5	0	2.33	2	-14%
Alarm Calls	5	7	13	8.33	12	44%
Alcohol Calls	0	1	0	0.33	0	-100%
Animal Calls	5	5	4	4.67	5	7%
Assault	5	2	2	3.00	2	-33%
Assist Other Agency (Fire/Med)	8	7	9	8.00	5	-38%
Burglary	1	1	1	1.00	1	0%
Child abuse	3	2	1	2.00	0	-100%
Citizen Assist	16	15	17	16.00	14	-13%
Civil	10	20	15	15.00	6	-60%
Criminal Mischief	4	2	4	3.33	4	20%
Death Investigation	1	0	0	0.33	0	-100%
Disturbance	5	2	10	5.67	10	76%
Drug case	3	3	1	2.33	0	-100%
DUI Arrest	2	1	1	1.33	2	50%
Extra Checks & Business Check	89	113	168	123.33	266	116%
Family Problems	3	6	13	7.33	16	118%
Follow up	31	26	39	32.00	43	34%
Found property	1	0	6	2.33	4	71%
Fraud	4	6	7	5.67	9	59%
Harassment	7	6	7	6.67	2	-70%
Juvenile Problem	1	9	6	5.33	10	88%
Littering	1	0	1	0.67	0	-100%
Lost Property	0	1	0	0.33	1	200%
Mental Health Call	1	0	1	0.67	1	50%
Missing Person (Child/Adult)	1	2	2	1.67	6	260%
Motor Vehicle Accident	8	3	10	7.00	6	-14%
Municipal Code Violation	0	1	0	0.33	0	-100%

Call Types N-Z

Call Type	2018	2019	2020	Avg 18-20	2021	% Change 3-Yr Avg to 2021
Neighbor Problems	2	3	3	2.67	4	50%
Noise\Party Complaint	3	4	9	5.33	4	-25%
Pedestrian Contact/Subject St	3	13	1	5.67	4	-29%
Private Tow	3	4	3	3.33	3	-10%
REDDI Report	2	2	2	2.00	1	-50%
Safe 2 Tell	0	1	1	0.67	2	200%
School Check	15	12	0	9.00	15	67%
Sex Offense	0	2	3	1.67	2	20%
Sex Offender Check	9	1	3	4.33	2	-54%
Suicide Attempt	1	5	5	3.67	2	-45%
Suicide Threat	1	5	5	3.67	2	-45%
Suspicious Circumstances	30	20	34	28.00	17	-39%
Theft	5	5	4	4.67	4	-14%
Traffic Problem	10	16	9	11.67	22	89%
Traffic Stop	70	102	20	64.00	60	-6%
Trespass	2	0	2	1.33	3	125%
Vehicle Theft	2	0	0	0.67	2	200%
Vehicle Trespass	1	1	1	1.00	4	300%
VIN Check	1	8	15	8.00	9	13%
Warrant Attempt/Arrest	7	9	2	6.00	8	33%
Weapon Related (menacing)	0	0	0	0.00	3	NC
Welfare Check	11	11	20	14.00	8	-43%
Unspecified	3	2	3	2.67	18	575%
TOTALS	398	472	483	451	626	39%

NC = Not Calculable. Cannot divide by 0.

Calls for Service UP 143 or 30% from September 2020

September 2021 calls UP 39% from September 2018-2020 Average

September 2021 Call Categories

Crime Type Averages / Trends

Property Crimes					
Call Type	2018	2019	2020	Avg 18-20	2021
Burglary	1	1	1	1.00	1
Theft	5	5	4	4.67	4
Vehicle Theft	2	0	0	0.67	2
Vehicle Trespass	1	1	1	1.00	4
Property Crimes Totals	9	7	6	7.33	11

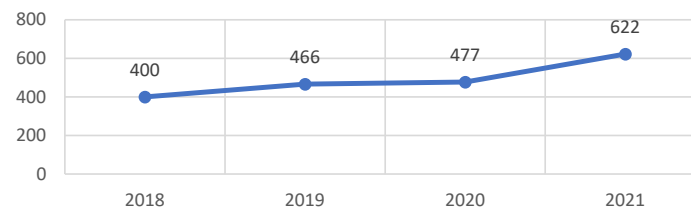
Persons Crimes					
Call Type	2018	2019	2020	Avg 18-20	2021
Assault	5	2	2	3.00	2
Missing Person (Child/Adult)	1	2	2	1.67	6
Robbery	0	0	0	0.00	0
Sex Offense	0	2	3	1.67	2
Weapon Related (menacing,	0	0	0	0.00	3
Persons Crimes Totals	6	6	7	6.33	13

Disorder/Other Crimes					
Call Type	2018	2019	2020	Avg 18-20	2021
Alcohol Calls	0	1	0	0.33	0
Animal Calls	5	5	4	4.67	5
Criminal Mischief	4	2	4	3.33	4
Disturbance	5	2	10	5.67	10
Drug case	3	3	1	2.33	0
Family Problems	3	6	13	7.33	16
Harassment	7	6	7	6.67	2
Juvenile Problem	1	9	6	5.33	10
Noise\Party Complaint	3	4	9	5.33	4
Suspicious Circumstances	30	20	34	28.00	17
Trespass	2	0	2	1.33	3
Disorder Crimes Totals	63	58	90	70.33	71

Red numbers indicate a DECREASE in crime from September 2020

Yellow backgrounds indicate an INCREASE in crime from September 2018-2020 Average

September 2018-2021 Totals



September 2021 Traffic

Traffic Citations	9/20	9/21
Traffic Citations Issued	2	4
Traffic Warnings	9	46

➤ Citations Issued Up 2

➤ Warnings Up 37

Call Type	9/20	9/21
Traffic Stop	20	60
Motor Vehicle Accident	10	6
DUI Arrest	1	2
Traffic Problem	9	22
REDDI Report	2	1

➤ Traffic Stops Up 40 or 200%

➤ MV Accidents Down 4

➤ DUI Arrests Up 1

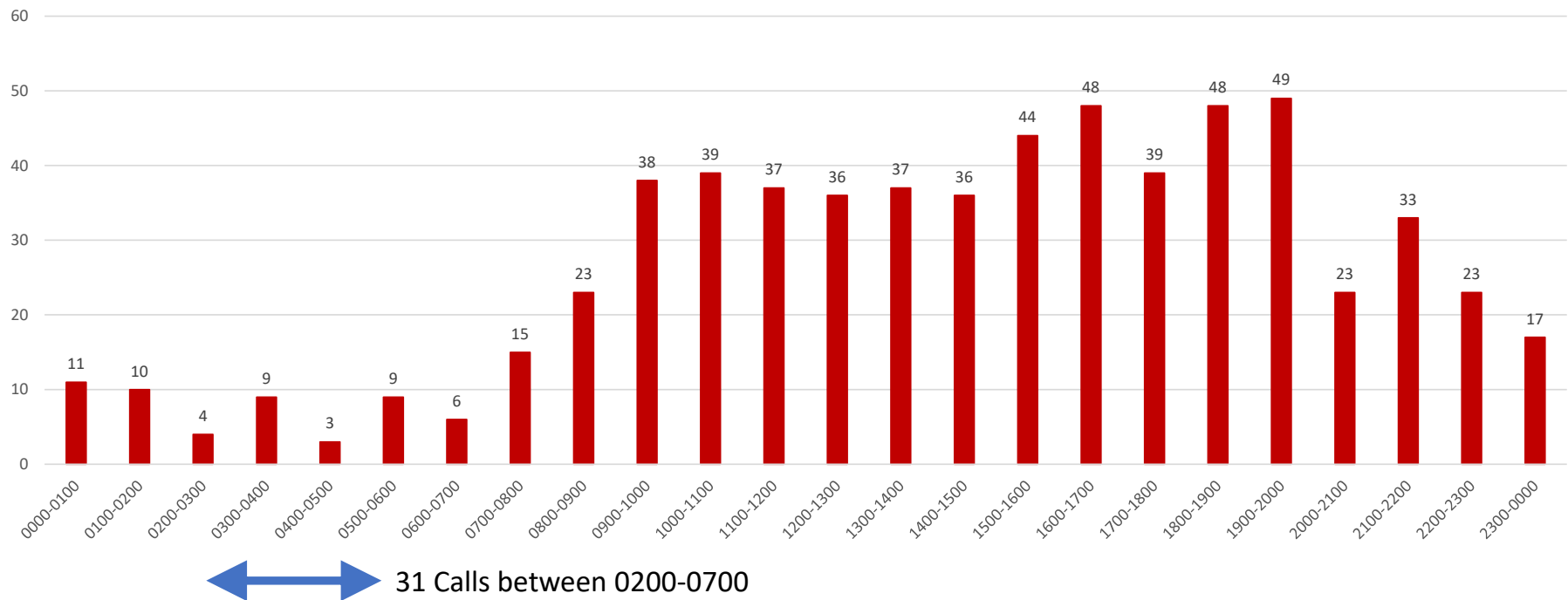
➤ Traffic Problems Up 13

➤ REDDI Reports Down 1

September 2021

Call Totals by Hour

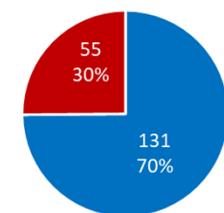
Busiest Hours
1900-2000 (49)
1600-1700 & 1800-1900 (48)



September 2021

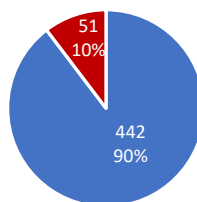
Wellington/Non-Wellington Units

Dispatched



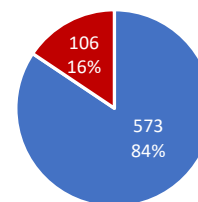
Wellington Non-Wellington

Officer-Initiated



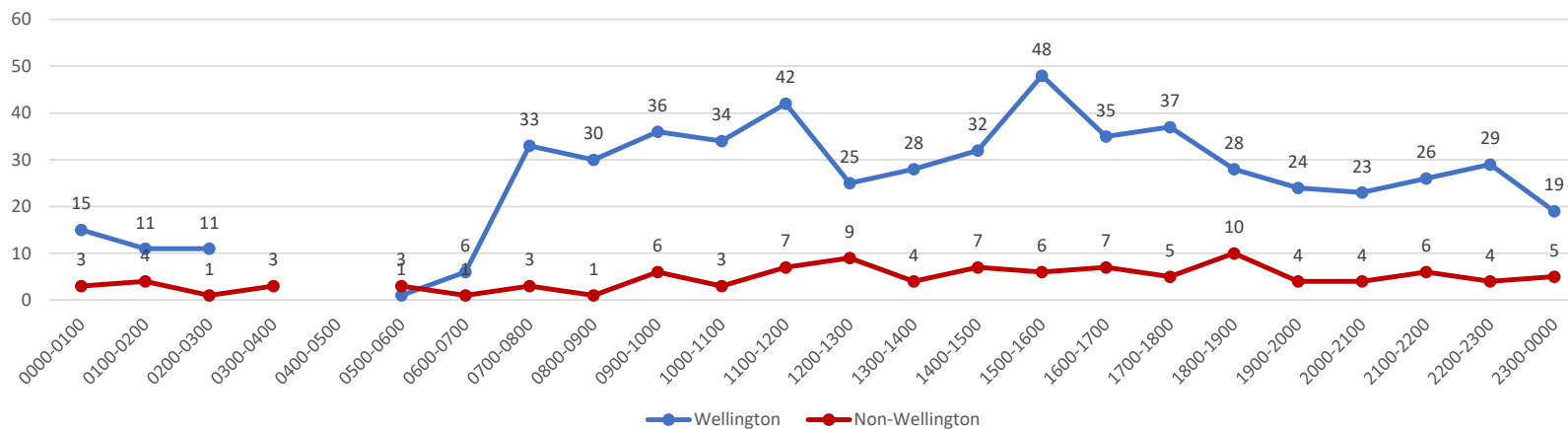
Wellington Non-Wellington

Total Calls



Wellington Non-Wellington

Wellington/Non-Wellington Calls by Hour



Wellington Non-Wellington

September 2021

Response Times / Time on Calls

Dispatched Calls Only

All Times in Minutes

Average Response Time (All Units)			
High			21.4
Medium			11.6
Low			44.12
Avg. Response Time			25.71

Average Time on Calls (All Wellington Calls)			
High			36.36
Medium			37.24
Low			23.9
Avg. Time			32.5