

COUNTY OF YORK

MEMORANDUM

DATE: July 6, 2021 (BOS Mtg. 7/20/21)

TO: York County Board of Supervisors

FROM: Neil A. Morgan, County Administrator 

SUBJECT: State and Local Fiscal Recovery Funds (SLFRF)

The County must hold a public hearing when it needs to amend its adopted budget by more than 1 percent. The County has received funding in excess of the 1 percent as a result of the passage of the American Rescue Plan Act (ARPA) of 2021 in the amount of \$6.6 million to date, and as explained below additional ARPA funds may be made available in the near future.

The American Recovery Plan Act (ARPA) was signed into law on March 11, 2021. ARPA provides \$1.9 trillion nationally to respond to the negative economic impacts of the Coronavirus. Funds under the Act are provided for a wide array of purposes, including emergency rental assistance, education, economic development, low-income energy assistance, funding to support libraries, museums, and the arts, and direct payments to citizens. We expect to have the opportunity to apply for and receive additional federal ARPA funds as they are made available. The Act also provided the states with funds to allocate to localities, but there is limited information at this time as to the timing or amounts. There will be a special session of the General Assembly on August 2, 2021 to allocate \$4.3 billion in federal funding. In addition to the broader federal and state funds, the Act provided State and Local Fiscal Recovery Fund (SLFRF) grants directly to local governments. York County's direct allocation of SLFRF is \$13.3 million.

We received \$6.6 million, the first installment of our SLFRF allocation, on June 7, 2021. The second installment is expected to be paid approximately, but no earlier than 12 months after the first. As I mentioned in my last memorandum in May, these funds are available through December 31, 2024, and must be used for expenses in one of four categories. They are: response to the public health emergency and its negative economic impacts; premium pay for essential workers; provision of government services to the extent of lost revenue; and necessary investments in water, sewer, or broadband infrastructure. The Treasury Department issued its Interim Final Rule (IFR) to address the specific eligibility rules for each of these four categories. It should be noted that the least restrictive of these is lost revenue, which allows for the provision of general government services that would otherwise be ineligible. It is also significant that since the calculation of revenue loss is based upon established principles used in Census reporting and uses a methodology prescribed by Treasury, it is the least open to interpretation of the four categories. Therefore, our Finance staff has paid particular attention to determining our revenue losses due to the pandemic in accordance with the guidelines set forth by the Treasury Department.

Using the IFR for guidance, we have calculated that the revenue losses for the first period ending December 31, 2020, total \$13.1 million, which is nearly the entire amount of the County's allocation. We project that the losses for the second period, ending December 31, 2021, would exceed the remaining \$0.2 million, therefore making our entire allocation eligible for use to provide government services. It is important to understand that the revenue loss calculation specified under federal law is a calculation of revenue that would have been received had there been no pandemic. That is substantially different from the County's actual year to year budget comparison. There are only three exclusions for the expenditure of funds as lost revenue. The funds cannot be: used to pay principal or interest on any debt, settlement, or judgment; contributed to reserves or "rainy day" funds; or deposited into a pension fund. The revenue loss therefore gives us the widest latitude in deciding the best way to use these funds to help the County recover from the health emergency.

Given the likelihood of our entire allocation being eligible as revenue replacement, I anticipate using our SLFRF funds to provide for government services, which will create a surplus that frees up County funds for other projects or debt avoidance. This has the dual benefit of ensuring that we are spending our SLFRF funds in accordance with the rules set forth in the IFR while allowing us maximum flexibility in deciding the most appropriate way to use the resulting surplus. I still recommend that any surplus related to these funds be used for one-time investments, rather than increasing future operating budgets, due to the temporary nature of the federal funds. Subject to learning more about ARPA rules and regulations, it remains my view that York should invest roughly 80 percent of the surplus in capital projects, while setting aside approximately ten percent each for business/community assistance and operating budget contingencies. We should continue our philosophy of not using these funds for ongoing operating costs.

Our preliminary plan for a BOS presentation is targeting September 21, 2021. At that time we will share the latest information on ARPA regulations as well as staff's preliminary thoughts on how best to proceed. Once we have your input, we will refine our investment recommendations in parallel with the development of the FY2023-FY2028 CIP, along with any business/community assistance recommendations and related processes.

Attached for consideration is proposed resolution R21-95, appropriating the allocation of Coronavirus State and Local Relief Funds from ARPA.

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Attachment:

- Proposed Resolution R21-95