

Town of Lexington



American Rescue Plan Act (ARPA) Federal Funding

FY2023 Budget Summit II

December 2, 2021



The American Rescue Plan Act (ARPA)

- Lexington's total ARPA allocation available through the Coronavirus Local Fiscal Recovery Fund (CLFRF) is **\$9,903,381**
- ARPA funds must be committed by **12/31/2024**, and must be fully spent by **12/31/2026**
- Lexington has already received \$4,951,691 which is ½ of our CLFR allocation. We expect the remaining ½ will be received in June of 2022.
- Lexington will need to report our CLFRF spending annually to the US Treasury, with the first report due April 30, 2022.
- US Treasury has indicated that CLFR funds should be allocated with these primary objectives in mind:
 - **Support immediate economic stabilization** for households and businesses
 - **Address** systemic public health and economic challenges that have contributed to the **unequal impact** of the pandemic



Coronavirus Local Fiscal Recovery Fund (CLFRF)

The US Treasury has outlined following categories of **eligible uses** of ARPA funds:

- **Support public health expenditures** - including 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 workers, households, small businesses, impacted industries, and the public sector
- **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** - making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet



Replacing Lost Public Sector Revenue

Communities must follow Federal guidance for calculating lost revenue. Lexington's formula is still under review, but we expect to have approximately **\$2.5 million** available as lost revenue for the **first** measurement period.

Federal guidance indicates that CLFR funds allocated to 'Replacing Lost Public Sector Revenue' can be used for most municipal purposes (capital or operating).

However, US Treasury has also specifically noted uses of funds that are NOT eligible uses of CLFR funds:

- Contributions to Pension fund
- Contributions or replenishment of reserves or 'rainy day' funds
- Direct or indirect application of funds to reduce tax revenues/ tax rate
- Payments for legal settlements
- Payments for debt service
- General infrastructure spending (above amount identified as lost revenue)

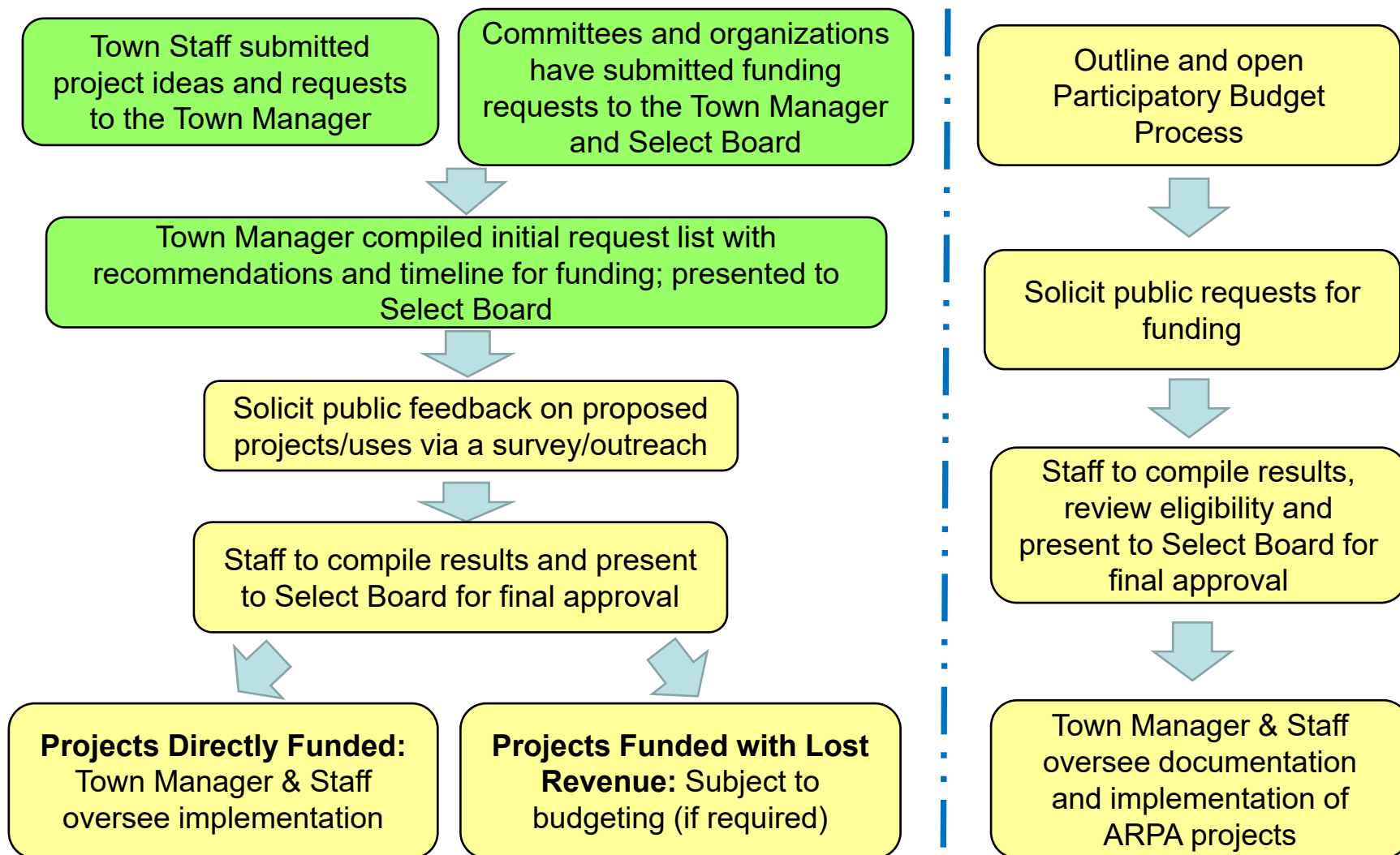


Allocating ARPA Funds

- ARPA Funds are considered a grant under MGL Ch44, Section 53A, and therefore can be expended per approval of the Select Board
- Allocation of ARPA funds for eligible uses do NOT need to be appropriated by Town Meeting
- ARPA funds that are replacing lost sector revenue (not directly spent on defined eligible uses) can then be allocated to any municipal purpose; Management may include these allocations in the Town's regular budget process if required
- Focus spending on one-time projects/expenses or short-term/temporary programs; avoid adding permanent staff or implementing large programs that cannot be sustained once ARPA funds expire



Where Are We in the Process of Allocating ARPA Funds?





Anticipated Next Steps:

Dec 2021: Select Board to provide comments on public outreach plan and participatory budget process

Q1 2022:

- Lost revenue calculation for first & second measurement periods (12/31/2020 and 12/31/2021) to be reviewed/audited and finalized
- Town Manager to propose project list based on available funding, Select Board priorities and community feedback
- Kickoff of first year participatory budget process

Q2 2022 & ongoing:

- Town staff will implement projects as recommended
- Town staff will prepare periodic project and spending updates and propose new requests for review by the Select Board
- New projects to be recommended and implemented annually through 2024
- Lost revenue appropriations to be included in future budget processes (if required)