



# **Overview of Maryland's American Rescue Plan Act (ARPA) Funding**

Presented by the  
Maryland Department of Budget &  
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# American Rescue Plan Act (ARPA)

Maryland state and local governments are expected to receive \$11.9 billion in grant funding as follows:

– State Fiscal Relief	\$3.7 B
– Local Fiscal Relief	\$2.3 B
– Elementary & Secondary School Relief	\$2.0 B
– Transit funding	\$0.9 B
– Rental & Homeowner Assistance	\$0.6 B
– Higher Education Relief	\$0.6 B
– Child Care funding	\$0.5 B
– Capital Projects Fund	\$0.2 B
– School Testing	\$0.2 B
– Small Business Credit Initiative	\$0.2 B
– Everything else	\$0.7 B

# American Rescue Plan Act

- The most important resource - \$3.7 billion - within the ARPA is the State Fiscal Relief Fund (SFRF). Allowable uses are as follows:
  - To respond to the COVID-19 public health emergency or negative economic impacts
  - Premium Pay for eligible workers
  - Provision of government services related to the reduction of revenue
  - Investments in water, sewer, wastewater or broadband infrastructure
- The Governor and Legislature reached an agreement on how to spend the \$3.7 billion
- Supplemental Budget #5 included much of the funding



# SFRF Spend Plan

- \$1.1 billion - Shore up the state's UI Trust Fund
- \$800 million - Support existing pandemic relief
  - Recovery Now program spending
  - Economic Impact payments
  - Business support programs (funded from the Rainy Day Fund)
- \$600 million - Support the safe reopening of schools
- \$500 million - Improve transportation services and infrastructure
- \$300 million - Support broadband infrastructure investments and services



# SFRF Spend Plan, cont.

- \$300+ million - Support critical lifelines for Marylanders in need, including:
  - \$140 million - Support higher than estimated caseload cost in the Temporary Cash Assistance (TCA) program
  - \$103 million - Support utility bill arrearage assistance
  - \$54 million - Continue enhanced monthly benefits for Marylanders receiving TCA and Temporary Disability Assistance through 2021
  - \$26 million - Provide a temporary 2% rate increase in FY 22 for nursing homes
- \$100 million - Continue response pay for state employees providing essential services
- \$75 million - Expand apprenticeship and employment training programs



# SFRF Updates

- State received \$178 million less than originally estimated
- State will not be subject to tax cut penalty provision
- Revised guidance from the Treasury has further clarified how funding can be spent.
- DBM letter to the budget committees dated August 19<sup>th</sup> identified several issues and solutions with the original spend plan. Specifically, some expenses were ineligible because of the timing of the spending, including:
  - Maryland Strong: Economic Recovery Initiative
  - Economic Impact Payments
  - Education Trust Fund shortfall
- DBM to honor the intent of the original plan through the submission of adjustments in the budget submitted in January

# ARPA Spending Summary

Original ARP estimate	\$3.895 billion
Less Tax Loss	<u>-\$0.133 billion</u>
Total Session Spend Plan	\$3.762 billion
Actual Allocation	\$3.717 billion
Spend Plan over-committed	\$45 million
Economic Impact Payments (unspent)	\$177.8 million
Remaining Balance	\$132.8 million



# Additional ARPA Spending

- COVID-19 Health reserve \$50 million
- Project Restore \$25 million
- Administrative Support \$15 million
- ACES – GOCPYVS \$5 million
- VaxU Spending \$1 million
- \$100 Vaccine Bonus \$0.2 million
- UI Payment True-up \$0.2 million





# ARPA Spending To-date

## \$610 million

- Negative Economic Impacts \$356 M
  - Business & non-profit assistance \$109 M
  - Utility assistance \$93 M
  - TCA caseload \$50 M
  - UI suspense payments \$40 M
  - Enhanced TDAP benefit \$22 M
  - Job Training assistance \$17 M
  - Emergency Housing grants \$15 M
  - Foodbank assistance \$10 M

# ARPA Spending To-date

cont.

• Premium Pay		\$98 M
• Healthcare provider support		\$52 M
• K-12 Education		\$46 M
– Learning Loss	\$25 M	
– Behavioral Health	\$10 M	
– Safe School Re-opening	\$10 M	
– DJS education	\$1 M	
• Broadband infrastructure		\$32 M
• Transportation funding		\$20 M
• Aid to County Governments		\$5 M



# Revenue Loss

- In the ARPA, states can offset lost revenue for general government expenditures
- This provides states a great deal of flexibility
- Using revenue loss, states may use federal funding to supplant government spending
- The Bureau of Revenue Estimates has calculated FY 20 revenue loss at approximately \$1.6 billion
  - The calculation must be done annually in December

# NEU Spending

- The State is required to distribute federal funding to Maryland's 148 non-entitlement units (NEU) of government
- Maryland's NEUs are eligible to receive a maximum of \$529 million over two payments
- Current payment summary:
  - 124 NEUs have received \$224.7 million in first tranche payments
  - 15 NEUs should receive first payment within a week
  - 3 municipalities have elected not to receive funding totaling \$1.5 million
  - The State is working with the final 6 NEUs to resolve payment issues
- The State is providing technical assistance to municipalities to ensure they understand and meet federal guidelines



# Capital Project Fund Allocation

- Maryland is expected to receive \$171 million
- Preliminary guidance suggests funding must be used for broadband
  - The Governor recently announced an additional \$100 million (federal) allocation for broadband
- DBM will continue to monitor guidance for this fund to understand how to best allocate spending between the SFRF and this fund

# ARPA Reporting

- Performance Report
  - The State submitted a comprehensive performance report on August 31
  - The report can be found on the DBM website
  - This is an annual report the State will need to complete
- Interim Report
  - Included a preliminary spending summary, documentation about the revenue loss calculation, and an NEU spending summary
  - Submitted on August 31
- Project Expenditure Report
  - Starting on October 31<sup>st</sup> and each quarter thereafter, the State will need to submit a project expenditure report to the federal government.
  - Reports need to detail payments above \$50,000



# Next Steps

- DBM is working with state agencies on identifying performance measures and monitoring spending
- The Hogan Administration continues to implement the agreed upon spending plan
- The Administration will continue to share information and updates as it learns more through federal guidance
- DBM is prepared to answer any questions