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Agenda

- Leveraging American Rescue Plan Act (ARPA) Coronavirus Local Fiscal Recovery Funds (CLFRF) for Infrastructure Investment and Jobs Act (IIJA)
  - Blending or braiding CLFRF with IIJA
  - Using CLFRF for IIJA capacity building
- Overview of the 2023 ARPA Interim Final Rule
  - New Expenditure Categories
  - Limited impact of new IFR on Maryland municipalities
- Engaging with MTAP
- Questions and Appendix

Strategies to leverage CLFRF for IIJA

Overview of the Infrastructure Investment and Jobs Act

- IIJA, also known as the Bipartisan Infrastructure Law (BIL), includes new programs, altered programs, reauthorized programs, and regulatory changes designed to rebuild the nation's infrastructure

- IIJA consists of $1.2 trillion in federal funding opportunities

- IIJA is expansive in its reach and can provide many critical resources **at the local level**

- Many IIJA programs include funding set-asides only available to rural or disadvantaged communities

Strategies to Leverage CLFRF for IIJA

There are a variety of ways to leverage CLFRF to pursue IIJA opportunities, including using CLFRF to:

1. Using blended funding "side by side" with IIJA for certain types of infrastructure projects
2. Capacity Building
3. As a non-federal match to IIJA

Strategy 1: Blending CLFRF and IIJA

Treasury allows the side-by-side "blending and braiding" of CLFRF funds to complete eligible projects. NEUs may undertake projects on their own using various revenue sources, pool funds with other recipients, or contract with a subrecipient to complete eligible projects.

When completing a capital project, CLFRF can fund the cash portion of the project, but other revenue sources must fund any debt or borrowing costs.

Blending CLFRF and IIJA Example

Example Outline:

- **Town A** is considering pursuing an IIJA program to enhance a component of their water infrastructure.

  - However, the IIJA program does not allow for pre-application costs such as engineering reports.

  - Town A may use ARPA funding to cover the pre-application costs excluded by the IIJA program.

- **Town B** won a grant award of $1 million, but due to inflation the total cost of the project is now $1.5 million

  - Town B may use ARPA standard allowance/revenue loss funding to fund the extra $500,000 not covered by the grant.

  - Town B may use ARPA funding outside of standard allowance/revenue loss to supplement the funding if the activity is an eligible use under another expenditure category.

Blending CLFRF and IIJA

Many IIJA programs fund activities that would also be eligible under CLFRF. For example, CLFRF or IIJA programs can both fund activities such as:

Water
(i.e., CWSRF or DWSRF)

Broadband

Sewer

CLFRF and IIJA funds may be used side-by-side so long as the activities are eligible under each program. It is important to carefully review eligibility parameters for all activities funded under both programs.

Strategy 2: Capacity Building

- An eligible use of CLFRF is hiring personnel up to and beyond pre-pandemic staffing baselines to restore public sector capacity. Such personnel can work to identify and secure funding under IIJA programs or can be used for general grants management capacity building.
  - CLFRF funds may be used for payroll and covered benefits associated with the recipient increasing its number of budgeted FTEs.
  - Specific grants management and IIJA capacity-building exercises can include Policy Analysts performing needs assessments, application preparation, IIJA Program Project Manager, etc.

Capacity Building Example 1

- A municipality has priority projects but does not have the staff capacity to take on tasks associated with applying for or managing the grant.

- The municipality can hire a grant writer or grant manager using ARPA funds, supporting their pursuit and management of an IIJA award.

Capacity Building Example 2

- Some federal grants require extensive applications. Hazard mitigation grants, like Building Resilient Infrastructure and Communities (BRIC) grant, which provides funding to address future risks to natural disasters such as floods, require a benefit-cost analysis generally undertaken by an outside consultant specializing in these analyses.

- Communities seeking to apply for BRIC could use ARPA funding to support a consultant conducting a benefit-cost analysis.

Strategy 3: Non-Federal Match

- Funds under the revenue loss eligible use category generally may be used to meet the non-federal cost-share or matching requirements of other federal programs.

- Recipients should confirm that these CLFRF funds designated for revenue loss are eligible for non-federal match with the relevant award agency of the given program, but the use of CLFRF funds as non-federal match will generally be allowable in most cases.

- Additionally, CLFRF outside of the revenue loss eligible use category may be used to satisfy the non-federal matching requirements for the following IIJA programs:

  - "Grants for broadband deployment" under IIJA Section 60102

Non-Federal Match Example

- A Maryland municipality is planning to apply to the US Department of Energy's (DOE) Energy Improvement in Rural or Remote Areas (ERA) program, which requires a local match of 20%.

- The ERA program seeks to improve the resilience, reliability, and affordability of energy systems in communities across the country with 10,000 or fewer people.

- Under CLFRF, municipalities may use funds under revenue loss to contribute towards the 20% match requirement if allowable:

  - For several IIJA funded programs, some federal agencies have preemptively given permission for CLFRF revenue loss funds to be used as non-Federal match.

  - In this example, the Maryland municipality should first confirm with DOE whether CLFRF can be used to satisfy the program's cost share requirement before applying to the program.

  - If the use of CLFRF to meet the cost share requirement is allowable, the municipality may proceed to leverage CLFRF funding.

CLFRF Interim Final Rule

Background of the 2023 Interim Final Rule

In December 2022, Congress passed the 2023 Consolidated Appropriations Act (2023 CAA), which expanded the enumerated eligible uses of CLFRF.

The August 2023 Interim Final Rule provides guidance on the new expenditure categories created by the 2023 CAA.

Any previously eligible use of funds remains eligible, and the standard allowance for revenue loss remains unchanged. If your municipality is taking the standard allowance for its entire allocation, there is no need to make any changes.

Overview of the 2023 Interim Final Rule

The 2023 CAA creates new expenditure categories which allow CLFRF recipient governments to:

1. To respond to or prepare for natural disasters,

2. Supplement existing funds for surface transportation projects, and

3. Use CLFRF funds for Title I projects that are eligible under the Housing and Community Development Act of 1974.

The next slides provide a high-level overview – if considering utilizing these eligibility categories, please review the entirety of the Interim Final Rule and/or reach out to MTAP for further details.

If your municipality is taking the standard allowance for its entire allocation, there is no need to make any changes.

ARPA CLFRF Program Reminders

- ARPA CLFRF Funds must be obligated (generally with a signed contract with a vendor/contract) by December 31, 2024.

- ARPA CLFRF Funds must be expended by December 31, 2026.

- Municipalities receiving less than $10 million report next on activities through March 31, 2024, by April 30, 2024.

- Municipalities receiving over $10 million report next on activities through September 30, 2023 on October 31, 2023.

Responding and Preparing for Natural Disasters

Recipients may use CLFRF funds to provide emergency relief from natural disasters or the negative economic effects of natural disasters or mitigate the impact of future disasters. Recipients seeking to use CLFRF funds for this eligible use category should undertake a two-step process:

- Step 1: Identify a Natural Disaster - A natural disaster must be attributable to natural causes and may cause substantial damage or injury to civilians and civilian property. There must be a formal emergency declaration applicable to your municipality's geography - but it does not need to be a federal declaration. If using funding for mitigation purposes, there must be documented evidence that would demonstrate the likelihood of a future disaster.

- Step 2: Identify Emergency Relief – Relief must be related and reasonably proportional to the impact or threatened impact of the natural disaster. Assistance that is needed to save lives and to protect property and public health and safety, or to lessen or avert the threat of catastrophe, or to respond to the negative economic impacts of the natural disaster. If using funding for mitigation purposes for projects of over $1M, a written justification of the costs and benefits of the project would be required.

Recipients are required to avoid duplication of benefits in such projects.

Surface Transportation Projects

The IFR establishes three "pathways" for recipients to use CLFRF funds for Surface Transportation projects:

- Pathway One: Supplementing surface transportation projects receiving funding from Department of Transportation (DOT) through expanding projects, covering unexpected costs, or supplementing existing funding. Treasury is delegating authority for oversight and administration of Surface Transportation projects under Pathway One to DOT and recipients must consult with DOT before using CLFRF funds for these projects.

- Pathway Two: Funding surface transportation projects not receiving funding from DOT. Recipients have two options for this pathway, projects either meet the RAISE grant program eligibility requirements and can proceed without approval, or recipients submit a notice of intent and work with Treasury to design a framework. Treasury will provide a complete framework in the Final Rule.

- Pathway Three: Satisfying non-federal share requirements for certain surface transportation projects (Fixed Guideway Capital Investment Grants or MEGA Grants) or repaying a loan provided under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program. Recipients must consult with DOT before pursuing such projects.

Title I Projects

- CLFRF funds may be used on Title I projects that are eligible under the CDBG and ICDBG programs and may be used to meet cost share or matching requirements. If Congress appropriates CDBG funds for a challenge a specific community is facing, as under a CDBG-Disaster Recovery or CDBG-Mitigation award, CLFRF funds may not be used on those projects even if HUD grants a waiver or imposes alternative requirements.

- Title I and NEPA requirements apply to Title I projects using CLFRF funds, and projects must meet at least one of CDBG's national objectives. Recipients should refer to and comply with HUD regulations when determining eligible projects under this eligible use category.

- This eligibility category is best for those who already have CDBG projects in process that require additional funding.

Administrative Requirements for Surface Transportation and Title I Projects

- The obligation deadline is December 31, 2024, and the expenditure deadline is September 30, 2026.

- Recipients can use the total of the greater of $10M and 30% of the recipient's CLFRF award to fund projects under these two expenditure categories.

- Funds must be used to supplement and not supplant existing funding.

- Treasury is generally retaining oversight of these projects, except for Surface Transportation Pathway One projects.

Standard Allowance for Revenue Loss

- **If your municipality took the standard allowance for revenue loss and is using your entire award under this expenditure category, nothing has changed for you.**

- The standard allowance has now been codified in the text of the legislation.

- All municipalities can now select the standard allowance through April 2025.

How to Engage with MTAP's Services

MTAP's Assistance

Question Submission Portal
Submit a question about IIJA, a specific IIJA program or ARPA CLFRF and receive a written response

Webinars
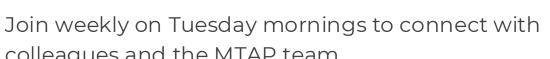Webinars on key grants management, IIJA and ARPA CLFRF topics

Office Hours
Join weekly on Tuesday mornings to connect with a colleagues and the MTAP team

IIJA Fund Mapping
Submit information about a project and the MTAP team will help match your identified needs with grant opportunities

ARPA and IIJA Landing Pages
Links to IIJA NOFOs, Federal guidance, and resources from federal and third-party agencies

Engage with MTAP

- Complete a **Project Intake Form** - we can assist your municipality in finding IIJA programs that support your project ideas

- Utilize and share MTAP's broad range of support services throughout your organization

- Forward our newsletter and encourage colleagues to subscribe

- Watch the recording of the MTAP Intro to IIJA Webinar

- Encourage Office Hours Attendance – linked here

- Share Feedback with MTAP – and let us know how we can help!

Q&A

Open Discussion

Appendix

Appendix A: IIJA Overview

Overview of the Infrastructure Investment and Jobs Act

$700 + B

Available to **state** governments

$460 + B

Available to **state** governments for new or modified programs

210 +

Unique programs accessible to **state** governments

90 +

Unique new or modified programs accessible to **state** governments

$220 + B

Available to **local** governments

$100 + B

Available to **local** governments for new or modified programs

140 +

Unique programs accessible to **local** governments

60 +

Unique new or modified programs accessible to **local** governments

Overview of the Infrastructure Investment and Jobs Act

- **Unlike ARPA CLFRF,** IIJA is made up of hundreds of discrete programs with varied funding mechanisms, including **formula-based** allocations and **competitive grants** through different federal and state agencies

  - More than two-thirds of programs will award competitive grants

- Federal rules and compliance requirements will vary by program, but will generally be more stringent than revenue loss under CLFRF

- Federal government is placing emphasis on regional coordination - partnering on large-scale, regional projects can increase competitiveness for several grant programs

- Many IIJA programs incorporate significant emphasis on equity and resilience - each program may define and interpret these concepts in different ways

- Focusing on building internal capacity to support identifying, securing, and managing grants and grant-funded projects is key

Maryland
DEPARTMENT OF BUDGET AND MANAGEMENT

HAGERTY

Example IIJA Opportunities

Middle Mile Grant Program	• Establishes and funds a $1 billion program for the construction, improvement or acquisition of middle mile infrastructure. The purpose of the grant program is to expand and extend middle mile infrastructure to reduce the cost of connecting unserved and underserved areas to the internet backbone.
Rural and Municipality Utility Advanced Cybersecurity Grant and Technical Assistance Program	• The Rural And Municipal Utility Advances Cybersecurity Grant And Technical Assistance Program is designed to provide grants and technical assistance to, and enter into cooperative agreements with, eligible entities to protect against, detect, respond to, and recover from cybersecurity threats.
Energy Improvement in Rural or Remote Areas	• The Energy Improvements in Rural or Remote Areas (ERA) program seeks to improve the resilience, reliability, and affordability of energy systems in communities across the country with 10,000 or fewer people.
Clean Water State Revolving Fund & Drinking Water State Revolving Fund	• The **CWSRF** program is a federal-state partnership that provides low-cost financing to communities for a wide range of water quality infrastructure projects, including municipal wastewater facilities, nonpoint source pollution control, decentralized wastewater treatment systems, stormwater runoff mitigation, green infrastructure, estuary protection, and water reuse. • The **DWSRF** is a financial assistance program established by the 1996 amendments to the Safe Drinking Water Act (SDWA) to help water systems and states achieve the health protection objectives of the SDWA. The program provides low-interest loans to local governments and private utilities to plan, design, and build or upgrade drinking water systems.

Appendix B: Best-Practices for Pursing IIJA Opportunities

Identifying Community Needs

Before your municipality determines which program(s) you may apply for, consider scoping and prioritizing your community's most significant needs, examples include:

- Determine the eligibility of your municipality

- Identify any staffing constraints

- Partner with surrounding jurisdictions

- Evaluate if CLFRF can be blended or braided with the funding opportunity

- Implement techniques to rank infrastructure projects

- Take inventory of your current infrastructure projects (CLFRF funded or not)

- Measure the condition of your municipality's infrastructure

Creating a Plan or Strategy

Before applying for an IIJA program, your municipality should develop a plan or strategy to ensure that it has identified its most significant priorities. It is important to identify your municipality's capacity and prioritize existing infrastructure needs with IIJA opportunities. Creating a plan or strategy will also ensure that your municipality understands its needs and is ready to apply when a federal agency releases a NOFO.

Taking a Regional Approach

Utilizing a regional approach for Maryland municipalities pursuing IIJA opportunities can strengthen your application and odds for success in winning funding, as well as share any administrative burden associated with applying for and administering the funds. Other municipalities, counties, utilities, and non-profits all can be potential co-applicants, depending on the program.

Municipalities may be able to partner to secure IIJA funding surrounding a regional need, such as infrastructure, and provide their municipalities with a competitive edge during the application process.

Poll

Have you identified any best-practices or approaches to IIJA opportunities?

[request respondents use 1-2 words - show in a word cloud]