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Federal American Rescue Plan (ARP) Act Funding for COVID-19 Recovery

August 2021

Report No. 2021-094

October 2021

auditor.mo.gov

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Honorable Michael L. Parson, Governor
and
Members of the General Assembly
Jefferson City, Missouri

The primary objective of this report is to show Missouri's spending of federal assistance from the American Rescue Plan (ARP) Act in the month of August 2021 for the Coronavirus Disease 2019 (COVID-19) recovery and the cumulative financial activity since the state began receiving funding in May 2021.

In March 2021, Congress passed the ARP Act signed into law to provide assistance to citizens, businesses, healthcare facilities, and government entities for the COVID-19 recovery. The funding received by or made available to Missouri state government agencies will help pay for the state's recovery from the COVID-19 pandemic and provides (1) state and local recovery aid, (2) temporary additional federal matching funds for the state's Medicaid program (MO HealthNet) and other applicable programs when the state implements Medicaid expansion, (3) funding for elementary and secondary schools and institutions of higher education, and (4) funding for various other assistance and benefit programs. The state is passing through some of the funding to local governments. A large part of the funding authorized in this legislation will be sent directly to local government entities. The majority of the funding has specific restrictions on its use or state actions and must be spent in defined limited time periods.

In August, the state spent $208.4 million from federal ARP Act assistance (Appendix A). Through the end of August, the state has received $1.7 billion and spent $222.2 million from this assistance. Details of the cumulative financial activity by fund are presented in Appendix B and the expenditures by appropriation in Appendix C.

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Executive Summary

Missouri has been awarded federal funding under the American Rescue Plan (ARP) Act of 2021 (Public Law 117-2, H.R.1319) signed into law in March 2021. Under the act, the state has also been awarded as of August 31, 2021, approximately $10.53 billion of additional or new funding under various federal grant programs for local and state fiscal recovery funding, emergency rental assistance, elementary school and higher education funding, laboratory expansion capacity for school testing, child care development block grants, child care stabilization grants, vaccine preparedness and access, transportation funding, and administrative costs. Each grant program has a separate time limit on use of the funding. The following sections discuss the amount and funding purpose of significant award sources.

State and local fiscal recovery funding

Of the awarded amounts, $2.69 billion is for state fiscal recovery funding and $2.473 billion is for local fiscal recovery funding. The local government recovery funding is $1.192 billion for counties, $831 million for cities with a population generally of 50,000 or more, and $450 million for other local jurisdictions with populations generally below 50,000. The award also includes $196.7 million from the Coronavirus Capital Projects Fund for the state.

These funds may be used to cover eligible costs incurred during the period that begins on March 3, 2021, and ends on December 31, 2024, as long as the award funds for the obligations incurred by December 31, 2024, are expended by December 31, 2026. Costs for projects incurred prior to March 3, 2021, are not eligible.

This funding can be used for the following purposes:

- Respond to the COVID-19 emergency and address its economic effects, including through aid to households, small businesses, nonprofit organizations, and industries such as tourism and hospitality. For example household assistance could be for rent, mortgage, or utility costs incurred by the household prior to March 3, 2021, provided that state did not incur the cost of providing such assistance prior to March 3, 2021. Funds may be used for vaccine incentive and back to work incentive programs.
- Provide premium pay to essential employees or grants to their employers. Premium pay cannot exceed $13 per hour or $25,000 per worker. Federal interim rules emphasize the need for recipients to prioritize premium pay for lower income workers. Premium pay that would increase a worker's total pay above 150 percent of the greater of the state or county average annual wage requires specific justification for how it responds to the needs of these workers. Recipients may provide premium pay retrospectively for work performed at any time since the start of the COVID-19 public health emergency. Such premium pay must be "in addition to" wages and remuneration already received and the obligation

to provide such pay must not have been incurred by the recipient prior to March 3, 2021.

- Provide government services affected by a revenue reduction resulting from COVID-19. The federal government gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue. The calculation of lost revenue begins with the recipient's revenue in the last full fiscal year prior to the COVID-19 public health emergency and includes the 12-month period ending December 31, 2020, but use of funds for government services must be forward looking for costs incurred by the recipient after March 3, 2021.

- Make investments in water, sewer, and broadband infrastructure. Recipients may use awarded funds to cover costs incurred for eligible projects planned or started prior to March 3, 2021, provided that the project costs covered by the funds were incurred after March 3, 2021.

Counties and cities with populations primarily greater than 50,000 will receive their funding directly from the federal government. Other jurisdictions with populations primarily less than 50,000 will receive their funding distribution through the state and cannot receive more than 75 percent of their budget as of January 27, 2020. The state will have to distribute funds within 30 days of receiving them, subject to possible approved extensions. States that miss the deadline and any extensions would have to return any undistributed funds.

The funds will primarily be distributed in two distributions, with half delivered no later than 60 days after the date on which the state or local government receiving funding directly from the federal government submits the required certification form, and the remainder no earlier than a year later.

State and local governments cannot use the funds towards pensions or to offset revenue resulting from a tax cut enacted since March 3, 2021. They can transfer funds to private nonprofit groups, public benefit corporations involved in passenger or cargo transportation, and special-purpose units of state or local governments.

The state and cities and counties with populations of more than 250,000 residents have to file a Recovery Plan Performance Report by August 31, 2021, with the federal government and annually thereafter by the end of July. Each Recovery Plan Performance Report must be posted on the public-facing website of the recipient by the same date the recipient submits the report to the Department of the Treasury.

By January 31, 2022, the state and cities and counties receiving funding directly from the federal government also have to file a Project and Expenditure Report and then thereafter 30 days after the end of each quarter.

Other jurisdictions receiving their distribution from the state must file that report by April 30, 2022, but only annually thereafter.

Medicaid (MO HealthNet) funding

For Medicaid Federal Medical Assistance Percentage (FMAP) [1] funding the act:

- Provides a temporary (for 2 years after implementation) 5 percent FMAP increase for states that enact the Affordable Care Act's Medicaid expansion. Missouri's voter-enacted Medicaid expansion is scheduled to begin accepting applications in October 2021.

- Increases the federal FMAP by 10 percent for state expenditures on home and community based services for 4 fiscal quarters if certain requirements are met. In September, the state received approval from the federal government for its projected spending plan to enhance, expand, and strengthen home and community-based services related to the increased FMAP.

- Provides an 85 percent FMAP for the first 3 years that a state covers mobile crisis intervention services for mental health or substance use disorders, expiring after 5 years.

The act also eliminates the cap on the rebate amount manufacturers are required to pay Medicaid on covered drugs, starting in 2024.

Education funding

The Department of Elementary and Secondary Education will receive $1.96 billion from the act. At least 90 percent of that funding must be distributed to local school districts. The districts must reserve at least 20 percent of that funding to address learning loss. The department will also receive $68.6 million for distribution to non-public schools. The funding will remain available through September 30, 2023.

Public and private institutions of higher education will receive $627 million from the act. At least 50 percent of the allocated funding received must be spent on emergency financial aid for students. The funding will remain available through September 30, 2023.

[1] Another federal act in early 2020 provides Missouri a 6.2 percent FMAP increase beginning January 1, 2020, for MO HealthNet and other applicable programs. That increase remains available for qualifying expenditures incurred on or after that date and through the end of the quarter in which the COVID-19 public health emergency, including any extensions, ends. The state had an FMAP percentage of approximately 66 percent prior to that act. The FMAP is used as a base for the Enhanced FMAP (EFMAP) for the state's Children's Health Insurance Program (CHIP). Therefore, the increase in FMAP will also result in an increase in EFMAP, but not necessarily by 6.2 percent. The state's EFMAP rate was approximately 87 percent prior to the 2020 increase.

Spending status

In August, the state spent $208.4 million from federal ARP Act assistance (Appendix A). Through the end of August, the state has received $1.7 billion and spent $222.2 million from this assistance. Details of the cumulative financial activity by fund are presented in Appendix B and the expenditures by appropriation in Appendix C.

Appendix A

Federal ARP Act Funding for COVID-19 Recovery
Receipts, Disbursements, and Fund Balances - ARP Act Related Funds
August 1, 2021, through August 31, 2021

	Unaudited						
	Beginning Fund Balance	Receipts	Disbursements	Returned to Federal Government	Transfers In	Transfers Out	Ending Fund Balance
Housing Assistance Stimulus Fund	$ 107,860,095	0	107,860,095	0	0	0	0
Coronavirus Local Government Fiscal Recovery Fund	0	225,071,829	100,498,409	0	0	0	124,573,420
Coronavirus State Government Fiscal Recovery Fund	0	1,342,648,065	0	0	0	0	1,342,648,065
Secretary of State Federal Stimulus 2021 Fund	0	60,421	60,421	0	0	0	0
Department of Health and Senior Services Federal Stimulus 2021 Fund	364	1,800	1,303	0	0	731	130
Department of Public Safety Federal Stimulus 2021 Fund	10,638,925	0	0	0	0	0	10,638,925
Total all Funds	$ 118,499,384	1,567,782,115	208,420,228	0	0	731	1,477,860,540

Source: Statewide Accounting System (SAM II). The appendix is prepared on the cash basis of accounting, which presents amounts when received or disbursed.

Appendix B

Federal ARP Act Funding for COVID-19 Recovery
Receipts, Disbursements, and Fund Balances - ARP Act Related Funds
Cumulative Results through August 31, 2021

	Unaudited					
	Receipts	Disbursements	Returned to Federal Government	Transfers In	Transfers Out	Fund Balance
Housing Assistance Stimulus Fund [1]	$ 107,860,095	107,860,095	0	0	0	0
Coronavirus Local Government Fiscal Recovery Fund	225,071,829	100,498,409	0	0	0	124,573,420
Coronavirus State Government Fiscal Recovery Fund	1,342,648,065	0	0	0	0	1,342,648,065
Secretary of State Federal Stimulus 2021 Fund	60,421	60,421	0	0	0	0
Housing Assistance Federal Stimulus 2021 Fund	13,826,934	13,826,934	0	0	0	0
Department of Health and Senior Services Federal Stimulus 2021 Fund	2,800	1,711	0	0	959	130
Department of Public Safety Federal Stimulus 2021 Fund	10,638,925	0	0	0	0	10,638,925
Total all Funds	$ 1,700,109,069	222,247,570	0	0	959	1,477,860,540

[1] This fund is used by the Department of Economic Development (DED) to support the federal Emergency Rental Assistance Program (also called the State Assistance for Housing Relief for Renters and Landlords Program in Missouri). It was established in fiscal year 2021 primarily for spending federal COVID-19 assistance from another federal act; however, in June 2021 the DED made a one-time use of the fund to receipt $107,860,096 in ARP Act awards due to grant drawdown and budgetary timing challenges. All receipts were fully disbursed in August 2021.

Source: Statewide Accounting System (SAM II). The appendix is prepared on the cash basis of accounting, which presents amounts when received or disbursed.

Appendix C

Federal ARP Act Funding for COVID-19 Recovery
Statement of Appropriations and Expenditures - ARP Act Related Funds
Fiscal Year 2022 through August 31, 2021

	Unaudited		
	Appropriation Authority[1]	Expenditures	Remaining Balance
CORONAVIRUS LOCAL GOVERNMENT FISCAL RECOVERY FUND			
Office of Administration (OA) - distribution of federal funds to non-entitlement units of local government as provided in the American Recovery Plan Act	442,164,000	100,498,409	341,665,591
Total Coronavirus Local Government Fiscal Recovery Fund	442,164,000	100,498,409	341,665,591
HCBS (MEDICAID HOME & COMMUNITY BASED SERVICES) FMAP (FEDERAL MEDICAL ASSISTANCE PERCENTAGE) ENHANCEMENT FUND			
Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services - for respite care, homemaker chore, personal care, adult day care, AIDS, children's waiver services, home-delivered meals, Programs of All Inclusive Care for the Elderly, the Structured Family Caregiver Waiver, other related services, and program management under the Medicaid fee-for-service and managed care programs, provided that individuals eligible for or receiving nursing home care must be given the opportunity to have those Medicaid dollars follow them to the community to the extent necessary to meet their unmet needs as determined by 19 CSR 30 81.030 and further be allowed to choose the personal care program option in the community that best meets the individuals' unmet needs, and up to one percent (1%) of appropriated general revenue to provide temporary in-home services to individuals no longer meeting level of care but determined by the division to be at risk of nursing facility placement, provided such services are budget neutral to overall state spending, and further provided that individuals eligible for the Medicaid Personal Care Option must be allowed to choose, from among all the program options, that option which best meets their unmet needs as determined by 19 CSR 30 81.030; and also be allowed to have their Medicaid funds follow them to the extent necessary to meet their unmet needs whichever option they choose; this language does not create any entitlements not established by statute - expense and equipment	8,054,487	0	8,054,487
Department of Mental Health (DMH) - Division of Developmental Disabilities - community programs, provided that residential services for non-Medicaid eligibles shall not be reduced below the prior year expenditures as long as the person is evaluated to need the services	58,234,537	0	58,234,537
Total HCBS FMAP Enhancement Fund	66,289,024	0	66,289,024

Appendix C

Federal ARP Act Funding for COVID-19 Recovery
Statement of Appropriations and Expenditures - ARP Act Related Funds
Fiscal Year 2022 through August 31, 2021

	Unaudited		
	Appropriation Authority[1]	Expenditures	Remaining Balance
LIEUTENANT GOVERNOR FEDERAL STIMULUS 2021 FUND			
Missouri State Council on the Arts - expense and equipment	900,000	0	900,000
Total Lieutenant Governor Federal Stimulus 2021 Fund	900,000	0	900,000
SECRETARY OF STATE (SOS) FEDERAL STIMULUS 2021 FUND			
All allotments, grants, and contributions from the federal government or from any sources that may be deposited in the State Treasury for the use of the Missouri State Library	3,340,336	60,421	3,279,915
Total SOS Federal Stimulus 2021 Fund	3,340,336	60,421	3,279,915
HOUSING ASSISTANCE STIMULUS FUND			
Department of Economic Development (DED) - Missouri Housing Development Commission - Emergency Rental Assistance Program	324,694,749	107,860,095	216,834,654
Total Housing Assistance Stimulus Fund	324,694,749	107,860,095	216,834,654
HOUSING ASSISTANCE FEDERAL STIMULUS 2021 FUND			
DED - Missouri Housing Development Commission - Homeowner Assistance Fund [2]	142,000,000	0	142,000,000
Total Housing Assistance Federal Stimulus 2021 Fund	142,000,000	0	142,000,000
DHSS FEDERAL STIMULUS 2021 FUND			
Division of Community Health Services - to enable schools to establish COVID-19 screening and testing programs to support and maintain in-person learning - personal service	164,034	1,711	162,323
Division of Community Health Services - to enable schools to establish COVID-19 screening and testing programs to support and maintain in-person learning - expense and equipment	184,589,767	0	184,589,767
Total DHSS Federal Stimulus 2021 Fund	184,753,801	1,711	184,752,090
Total All Funds	$ 1,164,141,910	208,420,636	955,721,274

[1] The appropriation authority is the maximum amount that may be expended for the purpose as documented and approved through appropriations bills.

[2] This fund had $13,826,934 in expenditures in June 2021 from a similar appropriation in fiscal year 2021. Due to the limited use of ARP Act funds in fiscal year 2021, appropriation activity for fiscal year 2021 will not included in this report.

Source: Statewide Accounting System (SAM II). The appendix is presented on the state's legal budgetary basis of accounting that records expenditures when the liabilities are recorded, rather than when cash is disbursed.