

Tracking Federal Stimulus Funds

The most significant update since the April 2021 LFC federal funds hearing is that on May 10, the U.S. Department of the Treasury issued a 151-page rule detailing how states and local governments could expect to receive their state and local fiscal recovery funds from the American Rescue Plan Act (ARPA) as well as guidelines for their expenditure. The rule affirms that the federal government intended for states to use the funding for wide-ranging purposes, including replacing lost revenue, rebuilding and paying off debt for the unemployment insurance system, broadband, and water infrastructure, and generally rebuilding the finances of government, business, and households.

DATE: May 21, 2021

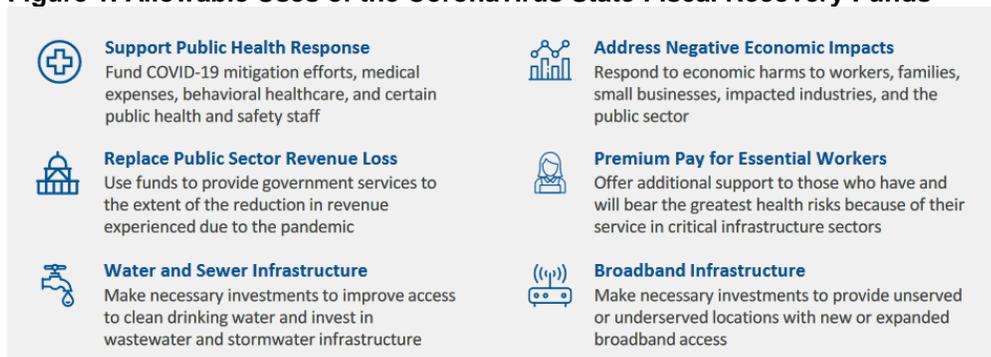
PURPOSE OF HEARING:
Updates on budgeting and use of federal stimulus funding

WITNESS: LFC Staff

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EXPECTED OUTCOME:
Informational

Figure 1. Allowable Uses of the Coronavirus State Fiscal Recovery Funds



Source: U.S. Department of the Treasury

According to the rule and associated releases from Treasury:

- All federal funds appropriations vetoed in House Bill 2 of the 2021 regular legislative session were allowable uses of the state fiscal recovery funds.** In statements to the press, the governor’s office indicated wanting to wait for these Treasury rules as justification for the vetoes of federal funds in House Bill 2. However, no appropriations of those federal funds made by the legislature would have run afoul of the newly released rules.
- New Mexico will receive \$130 million more than expected.** The official allocations published by Treasury were higher than those from the Federal Funds Information for the States, which staff across many states relied on. Instead of the \$1.62 billion that the state was estimated to receive, the state will instead now receive \$1.75 billion. Treasury also allocated recovery funds to counties (\$407 million) and larger municipalities (Albuquerque, Farmington, Las Cruces, Rio Rancho, and Santa Fe; \$171 million) and all other smaller municipalities (\$126 million). The counties and larger cities will receive their allocations directly from Treasury. The smaller cities will receive their allocation as a pass-through via the state, and the state is required to allocate that funding to the smaller cities based on their population. The state is also limited to providing only funding in amounts

Final Allocations for New Mexico State and Local Fiscal Recovery Fund

Large Municipalities	\$171,356.4
Small Municipalities	\$126,089.1
Counties	\$407,284.5
State	\$1,751,542.8
GRAND TOTAL	\$2,456,272.8

Source: U.S. Treasury

of 75 percent or less of the city’s most recent budget. See Attachment A. for more details about city and county allocations.

- **New Mexico will receive all \$1.75 billion in a single lump sum.** Though ARPA gave Treasury the authority to release the state fiscal recovery funds in two equal tranches 12 months apart, Treasury has decided to waive this allowance for states that have unemployment levels two percent higher than pre-pandemic levels. New Mexico is one of those states, with unemployment levels in Feb. 2020 of 5.3 percent and 8.3 percent in March 2020 (the latest date available.) As a result, New Mexico will receive the entirety of its \$1.75 billion allocation in May 2021. Counties and municipalities will still receive their funding in two tranches.
- **The state could likely use much, if not all, of the state fiscal recovery funds to replace lost revenue.** Treasury allows for states to calculate lost revenue by choosing the more generous of two methods: assuming 4.1 percent growth or using the state’s average recurring revenue growth over the last three fiscal years (12.1 percent for New Mexico). The range of these two estimates is \$836.6 million to \$1.8 billion (more than the state’s allocation of \$1.75 billion.)

Focus Area Update: Capital and Infrastructure

Treasury is requiring minimum speeds, and encouraging funding of certain types of broadband projects. The ARPA bill provided that necessary investments in water, sewer, or broadband infrastructure were an appropriate use of the state fiscal recovery funds. The May 10 Treasury rule added additional definitions to the what kind of broadband projects state should use their ARPA funding for. For one, Treasury’s rules state that investments in broadband using ARPA funds must support 100/100 Mbps speeds unless “geography, topography, or excessive costs associated with such a project” make it impractical. In that case, the project must support 100/20 Mbps speeds and be scalable to 100/100 Mbps. While not required in the rule, Treasury encouraged states and localities to prioritize certain types of broadband projects, including those that

New Mexico Broadband Stats

Broadband Speeds

79.9% of New Mexicans have access to broadband 100mbps or faster.

13.1% of New Mexicans have access to 1 gigabit broadband.

Wired Coverage

94.7% of New Mexicans have access to wireline service

15.1% of New Mexicans have access to fiber-optic service

75.4% of New Mexicans have access to cable service

92.1% of New Mexicans have access to DSL service

Source: Broadband Now <https://broadbandnow.com/New-Mexico>

- are in an unserved or underserved area, meaning areas with either no broadband options or options that are at slow speeds (those under 25/3 Mbps.)
- deliver a physical broadband connection by prioritizing projects that achieve last mile connections.
- will be owned, operated by, or affiliated with local governments, non-profits, and co-operatives—providers with less pressure to turn profits and with a commitment to serving entire communities.
- are fiber-optic infrastructure, as such advanced technology enables the next generation of application solutions for all communities.
- use strong labor standards, including project labor agreements and community benefits agreements that offer wages at or above the prevailing rate and include local hire provisions.

In the 2021 legislative session, \$74.4 million in general fund was allocated for broadband infrastructure in the Supplemental Appropriations Act. House Bill 2 of the 2021 legislative session had a provision that would have swapped that \$74.4 million general fund appropriation for this ARPA funding instead. That provision was vetoed by the governor.

Water projects are defined broadly. Unlike broadband projects, the Treasury rule defined water projects very broadly—allowing expenditures on any project that would qualify for the clean water or drinking water state revolving funds. Those include projects to construct, improve, and repair wastewater treatment plants, control non-point sources of pollution, improve the resilience of infrastructure to severe weather events, create green infrastructure, and protect water bodies from pollution. For drinking water, projects might include building, upgrading, or consolidating drinking water facilities and transmission, distribution, and storage systems, including replacement of lead service lines. Treasury also noted that recovery funds could even be used for cybersecurity needs to protect water or sewer infrastructure.

Between capital outlay and other state sources, New Mexico has spent an average of \$180 million a year over the last five years supporting state and local water projects. Moving forward, both the state and local allocations of these ARPA fiscal recovery funds could support or supplant some of that necessary funding in future years. LFC staff will present an evaluation on state funding of water projects in June that will provide more details on essential elements for planning and funding successful water projects.

In addition to the allowed infrastructure uses of the state and local fiscal recovery funds, New Mexico is still set to receive \$134 million from ARPA’s coronavirus capital projects fund in 2021. On May 10, Treasury updated their webpage for the capital funds, noting that they will support investment in high-quality broadband as well as other connectivity infrastructure, devices, and equipment. In addition to supporting broadband, the funds will also provide flexibility for each state to make other investments in “critical community hubs or other capital assets that provide access jointly to work, education, and health monitoring.” The state (DFA) will be required to provide a plan describing how they intend to use allocated capital funds sometime in summer 2021, and Treasury will issue further guidance before that time.

Focus Area Update: Housing and Rental Assistance

The CARES Act, CRRSA, and ARPA together provided nearly half a billion dollars in housing, rental, and utilities supports for the state, local governments, housing authorities, and charitable organizations. The majority of that funding was to the state and our largest local governments for emergency rental assistance, with the Department of Finance and Administration receiving \$284.2 million and another \$74.2 million collectively for the city of Albuquerque and Bernalillo and Dona Ana counties. The state and local governments received approximately 60 percent of that funding in January 2021 from CRRSA and the remaining from ARPA in May 2021. The New Mexico Mortgage Finance authority will also receive another \$55.8 million for mortgage and utility payments for homeowners who have experienced Covid-19 related financial hardship and have incomes equal to or less than 150 percent of the area median income.

Homeowner assistance funds will remain available through September 2025. The CRRSA emergency rental assistance funds (\$161.5 million) are available through September 2022, and the ARPA emergency rental assistance funds (\$122.7 million) are available through September 2025.

Rollout of the emergency rental assistance program has been slow. On April 5, DFA launched a website where people could apply for that rental and utility assistance. Eligibility is based on Treasury guidance and HUD income criteria and is first-come-first-serve, although the ARPA funding, in particular, requires DFA

Emergency Rental Assistance Allocated under CRRSA and ARPA

(in thousands)

Albuquerque	\$42,342.6
Bernalillo County	\$15,388.6
Dona Ana County	\$16,483.0
State of New Mexico	\$284,214.4

\$397.1 thousand in rental assistance sent out from DFA as of 5/12/21, another \$620.6 thousand spent on program administration. (Source: SHARE)

ARPA Homeowner Assistance Fund

\$55.8 million will be available to NM MFA

to prioritize funding to those in most need – who have been unemployed for more than 90 days and have incomes below half of the area median income. As of May 2021, DFA reported that they had just started distributing the funding (just shy of \$400 thousand) and have had limited requests. DFA also encumbered \$3.6 million of the funding through a nine-month no-bid contract with Real Time Solutions for media and outreach to spur interest in the program. DFA determined the contract was exempt and did not need to be put out for bid because the Procurement Code does not apply to “purchases of advertising in all media, including radio, television, print and electronic” and the contract with Real Time Solutions was to, in part, purchase and place both traditional and social media advertisements through various media across New Mexico to promote the emergency rental assistance program.

Focus Area Update: K-12 and Higher Education

The Coronavirus Aid, Relief, and Economic Security (CARES); Coronavirus Response and Relief Supplemental Appropriations (CRRSA); and American Rescue Plan (ARPA) acts included direct appropriations for states to distribute to K-12 schools, higher education institutions, and other educational entities. In addition to the general state funding provided in CARES and ARPA.

New Mexico Education Stabilization Funds (in millions)	CARES	CRRSA	ARPA
Elementary and Secondary School Emergency Relief (ESSER) Fund	\$108.6	\$435.9	\$979.1
Higher Education Emergency Relief (HEER) Fund	\$61.8	\$84.6	\$199.3
Governor’s Emergency Education Relief (GEER) Fund	\$22.3	\$9.8	
GEER Emergency Assistance to Non-Public Schools (EANS) Program		\$17.3	\$19.6
Total Education Stabilization Funds	\$192.7	\$547.6	\$1,198.0

The state must expend or obligate CARES, CRRSA, and ARP funds by September 30 of 2022, 2023, and 2024, respectively, or any unexpended or unobligated funds will be redistributed to other states. Currently, New Mexico education entities have full access to CARES and CRRSA funds, and two-thirds of ARPA funds.

As of the third quarter of FY21, districts and charter schools had expended about 60 percent of their CARES funding but none had begun spending from their CRRSA or ARPA allocations. For APRA, districts will need to spend 20 percent of their allocation on evidence-based interventions to make up for Covid-related learning loss.

Two of New Mexico’s special schools—the School for the Blind and Visually Impaired and the School for the Deaf—have not been direct recipients of federal stimulus payments. Recently, the HED Secretary arranged intergovernmental agreements between the special schools with PED for marginal ESSER stimulus payments, \$27 thousand and \$53 thousand respectively. The physical footprints of the special school campuses are larger than several community college campuses.

Higher education institutions will begin updating their expenditures for HEERF 1 and HEERF 2 next month. The institutions reported previously on estimated expenditures for these stimulus payments

Elementary and Secondary School Emergency Relief (ESSER) Fund

\$1.5 billion will be available to PED and NM local education agencies

6 percent (\$92.2 million) budgeted and 4 percent expended (\$56.6 million) by LEAs (Source: OBMS)

Governor’s Emergency Education Relief (GEER) Fund

\$69 million will be available to NM

9 percent (\$6.1 million) expended (PRAC)

Higher Education Emergency Relief (HEER) Fund

\$345.7 million available to NM colleges and universities

29 percent (\$ million) expended (Source: U.S. Dept. of Ed as of 3/31/21)

Focus Area Update: Childcare and Early Education

As with K-12 and higher education, CARES, CRRSA, and ARPA all provided significant amounts (\$436 million) of funding for childcare, primarily through additional allocations of the federal Child Care and Development Block Grant. In FY19 before the pandemic, New Mexico received \$45.8 million in federal support from the Child Care and Development Block Grant and in FY21 the operating budget for childcare assistance in New Mexico, excluding the previously discussed federal packages, is \$158 million. See subsequent brief for more details on these three funds.

Additional Child Care and Development Block Grant and Child Care Stabilization Funds

\$436 million will be available to ECECD

5 percent (\$23.6 million) expended (via PRAC thru 12/31/20)

Miscellaneous Federal Stimulus Information

- The General Services Department reported to the Risk Management Advisory Board that spending for Covid-19 testing and treatment totaled \$13.2 million. Additionally, NMPSIA, which provides insurance to public school and higher education employees reports \$13.7 million in Covid-19 testing and treatment costs. The state has received \$198 million for testing the general population from the CARES Act and earlier stimulus bills, and another \$63.2 million from ARPA for testing in schools. The executive has not made this funding available to reimburse the state's self-insured health plans. Without federal funds, premiums on government employees will be increased to pay these costs, contrary to the executive's stated intention of holding employees harmless for Covid-related costs.
- ARPA included approximately \$12 billion to support nutrition assistance programs and farmers, including \$1.2 billion for the Supplemental Nutrition Assistance Program (SNAP) to continue a 15 percent benefit increase through September 2021, and almost \$900 million in funds for the Women, Infants, and Children (WIC) program. The U.S. Food and Nutrition Service issued guidance to states that they can request extension of flexibilities in the SNAP program until December 31, 2021, or the month after the lifting of the public health emergency, whichever comes first.

Attachment A. Final Allocations for New Mexico State and Local Fiscal Recovery Funds (in thousands)

County	Allocation
Bernalillo County	\$131,911.3
Catron County	\$685.1
Chaves County	\$12,550.7
Cibola County	\$5,181.3
Colfax County	\$2,319.4
Curry County	\$9,508.7
De Baca County	\$339.5
Doña Ana County	\$42,381.8
Eddy County	\$11,355.2
Grant County	\$5,244.0
Guadalupe County	\$835.2
Harding County	\$121.4
Hidalgo County	\$815.4
Lea County	\$13,804.5
Lincoln County	\$3,801.6
Los Alamos County	\$3,762.2
Luna County	\$4,605.2
McKinley County	\$13,862.2
Mora County	\$878.2
Otero County	\$13,109.1
Quay County	\$1,603.0
Rio Arriba County	\$7,559.9
Roosevelt County	\$3,593.4
San Juan County	\$24,077.4
San Miguel County	\$5,298.2
Sandoval County	\$28,504.1
Santa Fe County	\$29,205.3
Sierra County	\$2,096.0
Socorro County	\$3,231.5
Taos County	\$6,356.1
Torrance County	\$3,003.1
Union County	\$788.4
Valencia County	\$14,895.7

City	Allocation
Albuquerque	\$108,810.9
Farmington	\$9,862.9
Las Cruces	\$24,759.8
Rio Rancho	\$12,873.2
Santa Fe	\$15,049.6
All small municipalities*	\$126,089.1

* Treasury has not released allocations for individual smaller municipalities as of 5.12.21

TOTALS

Total Large Municipalities	\$171,356.4
Total Small Municipalities	\$126,089.1
Total Counties	\$407,284.5
Total State	\$1,751,542.8
GRAND TOTAL	\$2,456,272.8

Source: U.S. Treasury

Attachment B. Stimulus Funding by Category to New Mexico State Government Entities Only
(as of May 11, 2021, in thousands)

	ARPA	CRRSA	CARES	Other Three Acts	Total
State General	\$1,885,493		\$1,250,000		\$3,135,493
K-12	\$1,019,616	\$463,069	\$130,837		\$1,613,523
Childcare and Early Ed	\$324,495	\$82,158	\$29,443		\$436,096
Housing and Rental Assistance	\$223,660	\$161,485	\$42,885		\$428,030
Higher Education	\$210,709	\$120,602	\$75,316		\$406,627
Covid Testing And Vaccination	\$100,407	\$140,265	\$8,632	\$78,164	\$327,467
Airports, Roads and Other Transportation	\$4,547	\$104,909	\$158,846		\$268,302
Food Assistance	\$15,197	\$4,435	\$213,223	\$6,675	\$239,531
Medicaid FMAP				\$361,822	\$361,822
Business Support	\$56,234				\$56,234
Substance Use / Mental Health Grants	\$16,682	\$16,852	\$2,000		\$35,534
Older Americans Support	\$9,081	\$1,817	\$6,585	\$1,556	\$19,039
DOH: Other			\$1,449	\$11,326	\$12,775
UI Admin and Reemployment			\$5,430	\$5,263	\$10,693
UNM HSC other			\$6,796		\$6,796
Income Supports for TANF Recpt.	\$6,385				\$6,385
Justice and Courts		\$117	\$6,059		\$6,176
Healthcare Providers			\$3,971		\$3,971
Election Support			\$3,890		\$3,890
Museum, Arts and Library Supports	\$3,239		\$623		\$3,862
Abuse and Violence Prevention	\$2,272	\$798	\$545		\$3,615
Econ. Development			\$3,600		\$3,600
FEMA	\$1,129		\$1,129		\$2,259
Foster Care Supports		\$2,147			\$2,147
Grand Total	\$3,879,148	\$1,098,654	\$1,951,260	\$464,806	\$7,393,865

Stimulus Funding by Category to All New Mexico Governments, Businesses, Individuals, and Other Entities

(as of May 11, 2021, in thousands)

	ARPA	CRRSA	CARES	Other Three Acts	Total
Direct Payments to Individuals	\$2,583,471		\$1,787,812		\$4,371,283
Business Support	\$56,234		\$3,392,317		\$3,448,551
State General	\$1,885,493		\$1,250,000		\$3,135,493
Additional Unemployment Benefits	\$275	\$650	\$2,554,011	\$199,585	\$2,754,521
K-12	\$1,019,616	\$463,069	\$130,837		\$1,613,523
Healthcare Providers			\$792,563	\$1,176	\$793,739
Local General	\$704,730				\$704,730
Housing and Rental Assistance	\$232,850	\$161,485	\$71,656		\$465,991
Childcare and Early Ed	\$324,495	\$82,158	\$29,443		\$436,096
Higher Education	\$210,709	\$120,602	\$75,316		\$406,627
Covid Testing And Vaccination	\$170,923	\$140,305	\$8,632	\$86,071	\$405,931
Airports, Roads and Other Transportation	\$4,547	\$104,909	\$158,846		\$268,302
Food Assistance	\$18,847	\$4,435	\$215,049	\$6,675	\$245,006
Medicaid FMAP				\$361,822	\$361,822
FEMA	\$1,129		\$72,626		\$73,756
Substance Use / Mental Health Grants	\$16,682	\$16,852	\$2,000		\$35,534
Older Americans Support	\$9,081	\$1,817	\$6,585	\$1,556	\$19,039
Econ. Development			\$17,940		\$17,940
Head Start	\$8,306	\$2,064	\$6,192		\$16,562
DOH: Other		\$627	\$1,449	\$11,326	\$13,402
UI Admin and Reemployment			\$5,430	\$5,263	\$10,693
Justice and Courts		\$117	\$9,451		\$9,568
UNM HSC other			\$6,796		\$6,796
Income Supports for TANF Recpt.	\$6,385				\$6,385
Museum, Arts and Library Supports	\$4,020		\$1,325		\$5,345
Election Support			\$3,890		\$3,890
Abuse and Violence Prevention	\$2,272	\$798	\$610		\$3,679
Foster Care Supports		\$2,147			\$2,147
Grand Total	\$7,260,068	\$1,102,035	\$10,600,774	\$673,474	\$19,636,350

*Staff estimate the increased FMAP at appx. \$75 million per quarter. FFIS estimates show \$136.8 million in increased FMAP to New Mexico through 6/2020. The estimate in the table adds an additional three quarters at \$75 million each to this estimate.

Source: FFIS