

ARPA Committee

Addressing BOS Motion: ARPA Committee, UHY, and Social Services to develop a give-back program that uses up to \$300,000

Goals

- Review research findings for the two current options to address the BOS motion
- Discuss any additional option ideas to address the BOS motion
- If concluded, the ARPA Committee, Social Services, and UHY to provide a go-forward recommendation to the BOS for the BOS motion

Current Options

CURRENT PROPOSAL

Provide up to \$300K direct cash assistance (replacing current Social Services ARPA Application of \$100K+)

ALTERNATE OPTION

Use up to \$300K on existing Colchester Social Services program (adding an additional \$200K on top of current \$100K+ Social Services ARPA application)

Findings

OVERALL

- Per UHY, sending direct cash assistance to Colchester citizens at this time would be taxable income *
- Per UHY, there is no discrimination between businesses and individuals
- Per Colchester Social Services, the Social Services programs can extend the income thresholds
- Per Colchester Social Services, having a payment card (like a credit card) would make helping citizens easier and quicker

Current proposal – Providing up to \$300,000 direct cash assistance

- **Solution:** Provide \$1,000 to qualified Colchester citizens (that number would reduce if enough citizens seek this program)
- **Impact:**
 - Cost to administer this program through UHY would be \$30,000+
 - The direct cash will be taxable (citizen would need to complete a W9; town to issue 1099s)
 - A limitation on what the dollars can be spent on
 - Receiving direct cash assistance could move people out of income brackets and could impact housing, Medicaid, and other local and federal programs that require certain income limitations.
- Citizens will be audited - those who receive these dollars will need to keep receipts to prove dollars were spent on eligible expenses and return dollars if not spent properly

Alternative solution – Use Colchester Social Services existing program

- **Solution:** help Colchester citizens with financial hardships and offering supportive services to guide to best local and federal programs
- **Impact:**
 - Cost to administer this program through UHY would be \$0 – would use current Social Services program
 - The assistance through Social Services would not be taxable (direct vendor payment)
 - Social Services has a wide net on what dollars can be spent on
 - The income limits could be expanded to cover more citizens of Colchester
 - There is already an existing process, which means go-live for the program will be faster
- **Additional Findings**
 - Social Services, for the past 3 years, has spent \$7,000+ on the non-food bank / fuel assistance “bucket” (which the ARPA funds would be allocated to)
 - Social Services will be receiving a yearly grant of \$36,000 (Herden Fund) for the foreseeable future
 - There is no indication that future Social Service demand would necessitate additional funding outside of current balance and future revenue streams(s)
 - Social Services does not have the resources to alter its program process to accommodate any program deviation.

* From UHY:

- All expenses being treated as nontaxable under Internal Revenue Code Section 139 due to COVID-19 will lose that benefit as of May 11, 2023. The expense might qualify as a nontaxable reimbursement under other Internal Revenue Code provisions.
- A direct cash transfer approved and paid is taxable income as of May 11, 2023 due to the following:
 - The Executive Office of the President, Office of Management and Budget, announced on January 30, 2023, that the COVID-19 national emergency and public health emergency that were declared in 2020 will both end on May 11, 2023. Payments made after May 11, 2023, the end date of the federally declared disaster, are no longer treated as disaster relief payments (Section 139 of the IRS Code).
- Since the federal government through the Office of the President and Office of Management and Budget officially ended the declared disaster on May 11, 2023, Section 139 no longer applies for payments to individuals and households. After May 11, 2023, a direct cash transfer of ARPA funds approved and paid by Colchester to a household for reimbursement of utility bills or other eligible bills is taxable income. Prior to that date, a direct cash transfer of ARPA funds approved and paid would have been treated as a disaster relief payment and not taxable income.

Conclusions

Alternative solution – Use Colchester Social Services existing program

The run rate of program expenditures (non-food bank / fuel assistance) being at \$7,000 for the last 3 years, and a new revenue stream of \$36,000/year (+ any additional incoming funds) for the foreseeable future, does not seem to justify allocating the full \$300,000 to social services.

Current proposal – Providing up to \$300,000 direct cash assistance

- The direct cash assistance program was an ARPA program idea submitted *after* the ARPA Committee reviewed and submitted all municipal project recommendations, including the results of the community survey.
- The possible approval of direct cash assistance program of \$300,000 will require a reduction of \$200,000 to other municipal ARPA projects that have been encumbered.
- There will be a \$30K+ cost for UHY to administer the program (which means less ARPA money for the town)
- Direct cash assistance requires more administrative work, along with personal tax implications and possible existing program impact as previously noted, including restrictions on dollar usage.

Response to Motion

Motion: ARPA Committee, UHY, and Social Services to develop a give-back program that uses up to \$300,000

Based on the collective agreement by the ARPA Committee, UHY, and Colchester Social Services, we recommend:

Type response