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ARP/CSLFRF Spending Categories

Know Your Category!

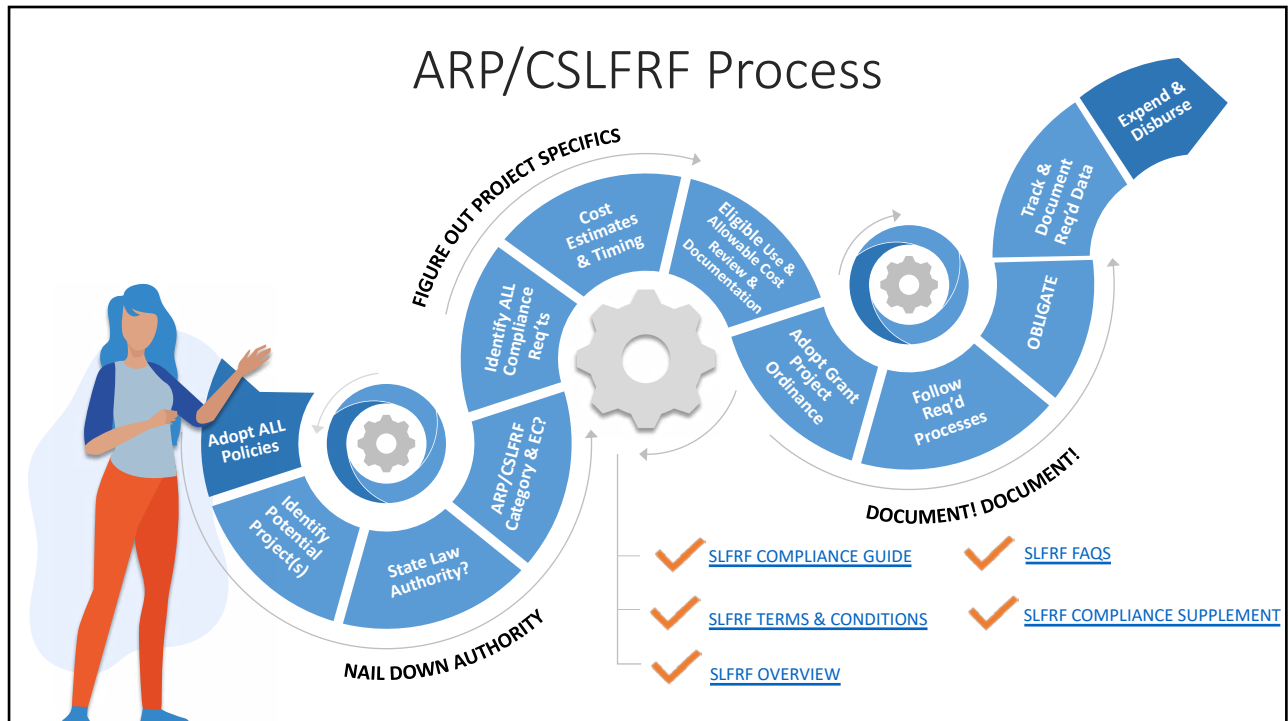
- ADDRESS COVID PUBLIC HEALTH & NEGATIVE ECONOMIC IMPACT**
- Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
 - Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
 - Support disproportionately impacted communities
- REPLACE LOST REVENUE**
- Replace lost public sector revenue, using this funding to **provide government services** to the extent of the reduction in revenue experienced due to the pandemic;
 - \$10 million standard allowance OR formula approach
- PREMIUM PAY**
- Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors;
 - Target low-and moderate- income employees or employees who face(d) added risks during pandemic
- INFRASTRUCTURE INVESTMENTS**
- Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.
- ARP/CSLFRF FLEX**
- Disaster response/mitigation
 - Certain CDBG (Title I) projects
 - Certain Surface Transportation Projects

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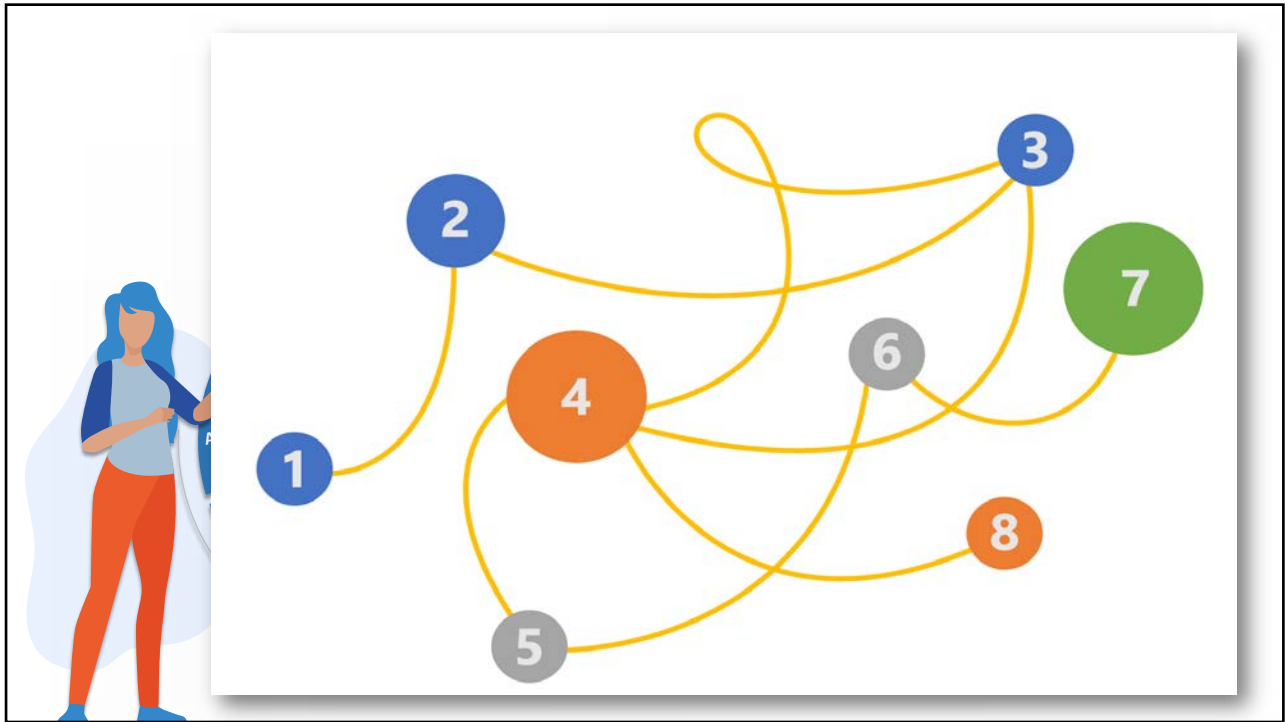
Federal Compliance Requirements

Award Terms	Prohibited Expenditures	Uniform Guidance (UG)
<p>All funds obligated by December 31, 2024 & fully expended by December 31, 2026</p> <p>Reporting requirements</p> <ul style="list-style-type: none"> Project & Expenditure reports (quarterly or yearly, depending on size) -- Document data elements for certain EC's Performance Plan reports (for largest units only) <p>Civil rights compliance / nondiscrimination policy</p> <p>Compliance with all applicable Uniform Guidance provisions</p> <p>Records retention policy with retention for at least 5 years after award term ends</p> <p>Special audit requirements</p> <p>Other federal laws</p>	<p>NO: Pension fund contributions</p> <p>NO: Borrowing money</p> <p>NO: Financial reserves / rainy day fund</p> <p>NO: Settlement/judgement/consent decree</p> <p>NO: Undermines or discourages compliance with CDC guidelines</p> <p>NO: Violates conflict of interest provisions</p> <p>NO: Violates state law or other federal laws and regulations, including applicable Uniform Guidance</p>	<div style="border: 1px solid #4a7ebb; border-radius: 10px; padding: 5px; background-color: #d9e1f2;"> <p>General Financial Management</p> <p>Internal Controls</p> <p>Eligible Projects Determination & Documentation Policy</p> <p>Cost Principles/Allowable Costs Policy</p> <p style="text-align: center;">Applies to ALL projects</p> </div> <div style="border: 1px solid #4a7ebb; border-radius: 10px; padding: 5px; background-color: #d9e1f2; margin-top: 10px;"> <p>Procurement, Suspension, & Debarment Policy</p> <p>Subaward Policy</p> <p>Program Income Policy</p> <p>Property Management Policy</p> <p style="text-align: center;">Applies ONLY TO SOME projects and DOES NOT apply to Revenue Replacement</p> </div>
<div style="background-color: #ffcc00; padding: 10px; border-radius: 10px; margin: 10px auto; width: 80%;"> <p>What local government agreed to as condition of receiving funds. Applies to ALL categories.</p> </div>	<div style="background-color: #ffcc00; padding: 10px; border-radius: 10px; margin: 10px auto; width: 80%;"> <p>The Final Rule prohibits certain expenditures no matter what. Applies to ALL categories</p> </div>	<div style="background-color: #ffcc00; padding: 10px; border-radius: 10px; margin: 10px auto; width: 80%;"> <p>Set of federal compliance regulations that apply to federal awards.</p> </div>

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JUNE 2024: What Now?



Maximize Revenue Replacement

Every local government can spend up to their full allocation, to a maximum of \$10 million in the Revenue Replacement category.


- 1 Adopt 5 Basic Policies
- 2 Look for reimbursements – back to March 3, 2021
- 3 Document!



Supplanting Outside Revenue Replacement

Fund expansion positions (if available) and other expenses that unit would have funded with other revenues.

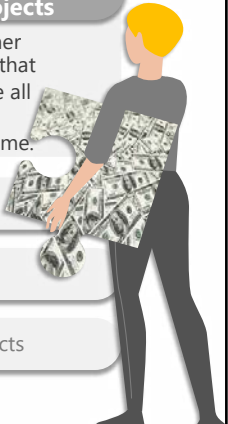
- 1 Expansion Positions
- 2 Supplies & Equipment
- 3 Grant Management Costs



Allowable Programs & Capital Projects

Look for any other eligible expenses that you can complete all the process requirements in time.

- 1 Shovel ready
- 2 Assistance Programs
- 3 Interlocal Projects



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If ARP/CSLFRF allocation is between \$0 and \$10 million, may spend all ARP/CSLFRF funds in this category if take the Standard Allowance.

DO NOT HAVE TO SHOW ANY ACTUAL REVENUE LOSS!!!

But must show actual expenditures, including reimbursement expenditures.

REVENUE REPLACEMENT

May spend Revenue Replacement ARP/CSLFRF on almost any expenditure that authorized to undertake by State Law, including reimbursements back to March 3, 2021

But Avoid These PROHIBITED Expenditures:

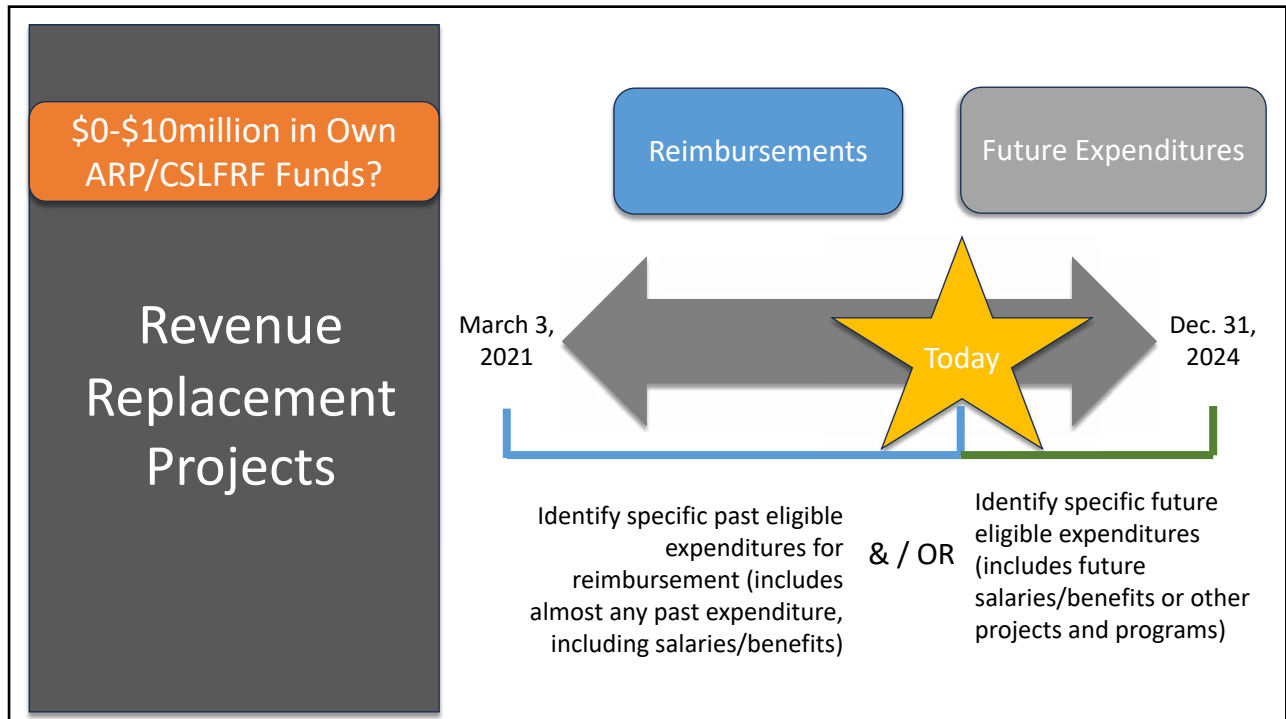
- ⊘ NO: Pension fund contributions
- ⊘ NO: Borrowing money
- ⊘ NO: Financial reserves / rainy day fund
- ⊘ NO: Settlement/judgement/consent decree
- ⊘ NO: Undermines or discourages compliance with CDC guidelines
- ⊘ NO: Violates conflict of interest provisions
- ⊘ NO: Violates state law or other federal laws and regulations, including applicable Uniform Guidance

- General fund expenditures
- Enterprise fund expenditures
- Operating costs
- Capital costs
- Internal expenditures (eg salaries & benefits)
- External expenditures (eg contracts, partnerships, interlocal agreements)

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REVENUE REPLACEMENT Federal Compliance Requirements		
Award Terms	Prohibited Expenditures	Uniform Guidance (UG)
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May reimburse salaries/benefits or other general fund or enterprise fund expenditures back to March 3, 2021.

Must ensure that initial expenditure did not involve debt and was not otherwise paid for directly by another external source of funding.

Must document initial expenditure (budget appropriations, contracts, invoices, payments, etc.)

If initial expenditure involved external contract, that contract must not have violated federal conflict of interest regulations

Reimbursements

A reimbursement is an internal expenditure that pays the local government back for a prior eligible expenditure. It is not a restatement of the prior expenditure. It does not require any changes to prior budgets, financial statements, or audits.

Expended \$10,000 for utilities in FY 2021-22

General Fund

Expended \$20,000 to local vendor for various supplies in FY 2021-22

Water Fund

Appropriate \$10,000 in grant project ordinance to reimburse general fund for utilities and \$20,000 to reimburse water fund for supplies
ARP/CSLFRF Funds Now Spent!

ARP/CSLFRF Special Revenue Fund

After appropriation of reimbursement, do journal entry to move cash!

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Salaries & Benefits Outside Revenue Replacement

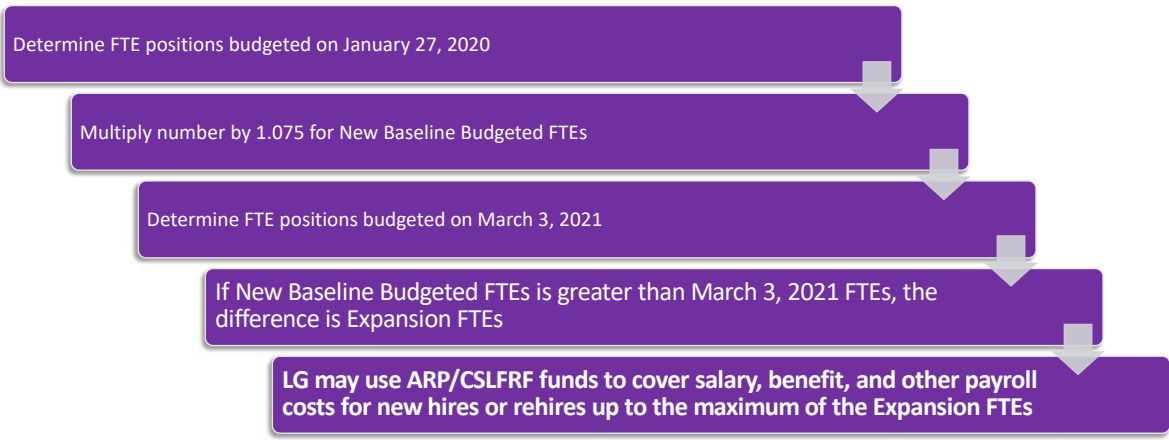
1. ARP/CSLFRF rant administrator
2. Portion of employees' time spent directly working on a ARP/CSLFRF project and/or ARP/CSLFRF grant administration
3. Premium pay (only retroactively from January 27, 2020 through April 10, 2023)

Responding to COVID and its Negative Economic Impact Category

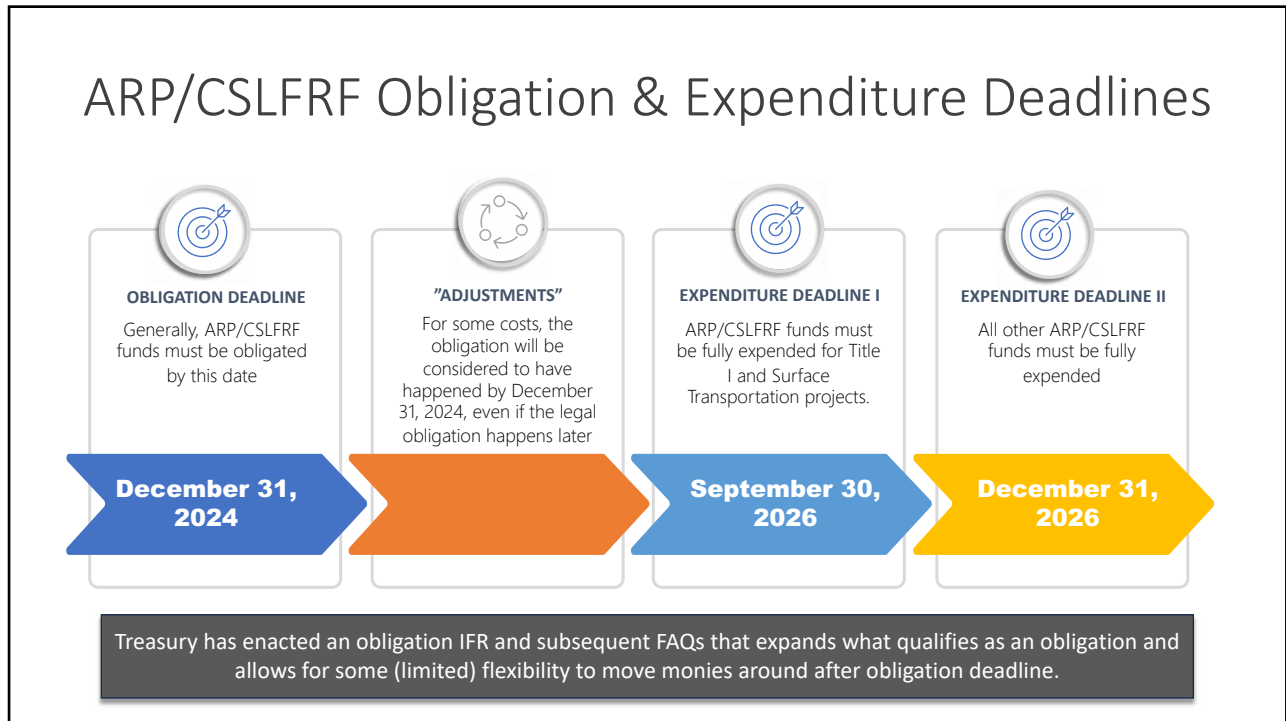
4. To cover the portion of public health, public safety, and social services staff members' salaries and benefits to the extent that they are working on COVID-related issues ([31 CFR 35.6\(b\)\(3\)\(ii\)\(E\)\(1\)](#)).
5. To hire for positions that were budgeted as of January 27, 2020 (pre-pandemic) but were subsequently unfilled or eliminated as of March 3, 2021 *or* to hire to increase number of budgeted positions by 7.5 percent above its pre-pandemic baseline, as determined by formula ([31 CFR 35.6\(b\)\(3\)\(ii\)\(E\)\(2\)](#));
6. To make employees whole who experienced pay reductions or were furloughed during the pandemic ([31 CFR 35.6\(b\)\(3\)\(ii\)\(E\)\(4\)](#));
7. To maintain current compensation levels to prevent layoffs ([31 CFR 35.6\(b\)\(3\)\(ii\)\(E\)\(4\)](#)); and
8. To provide worker retention incentives, including reasonable increases in compensation under certain conditions ([31 CFR 35.6\(b\)\(3\)\(ii\)\(E\)\(4\)](#)).

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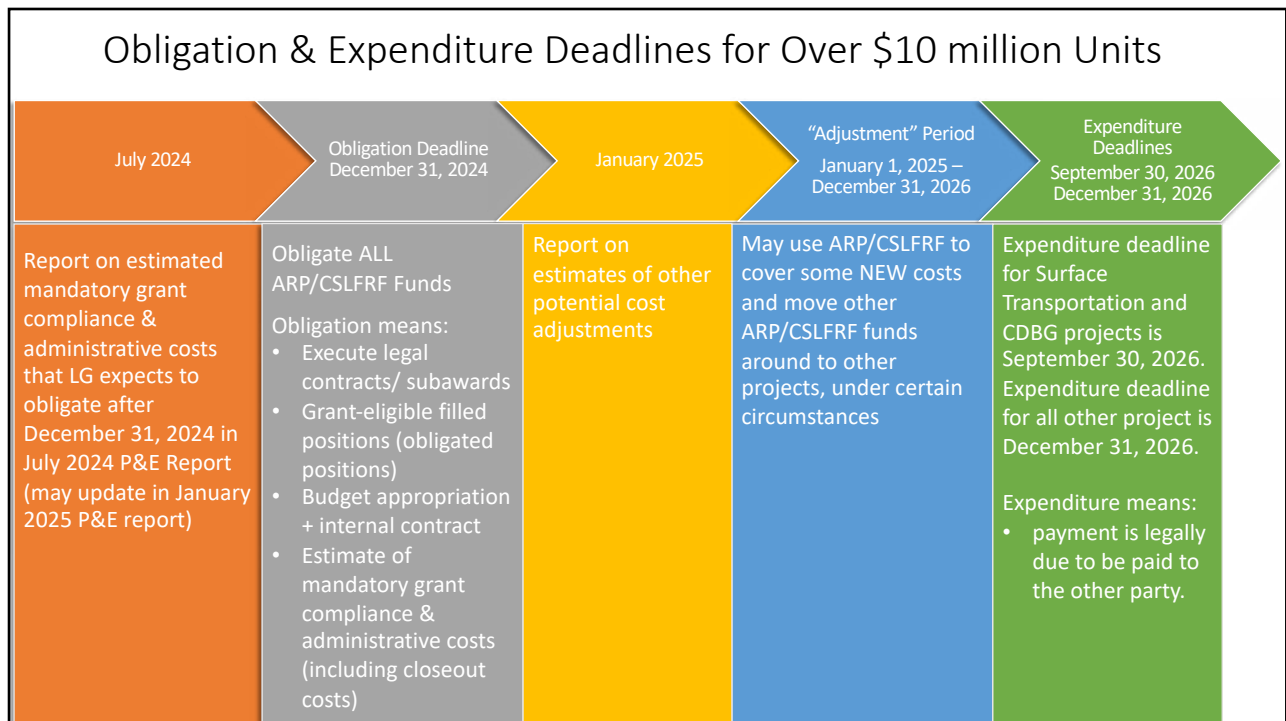
A LG may use ARP/SLFRF funds to hire new employees, or rehire employees, in any position to fill a specified number of positions above its pre-pandemic baseline



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What does it mean to Obligate?

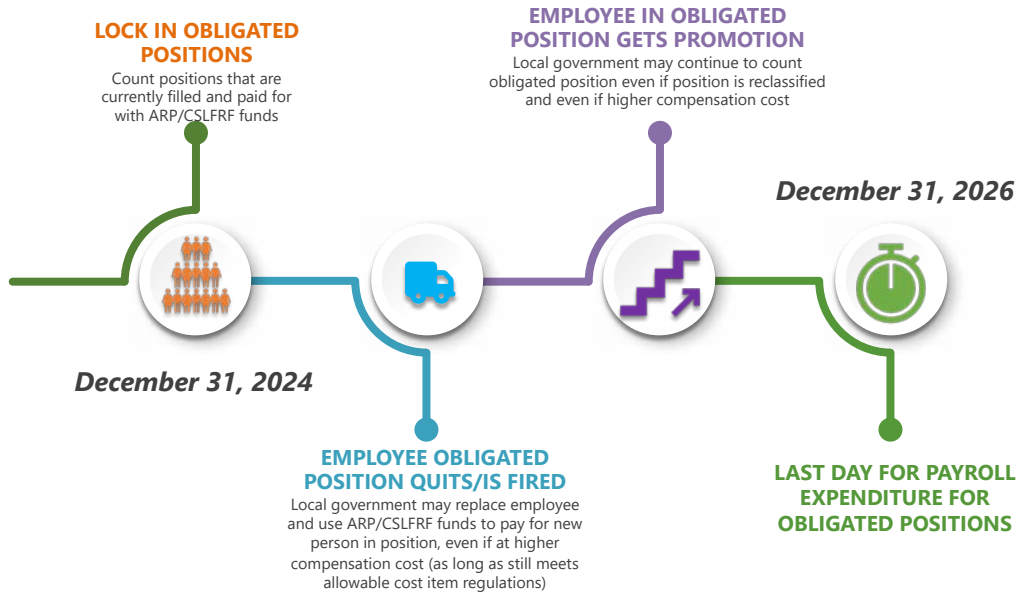
An **obligation** is satisfied by December 31, 2024 if:

- Traditional Obligation** 1. LG executes legal contract or subaward committing the local government to pay money to another (including hiring at-will employee) by December 31, 2024
- Position Obligation** 2. LG documents total # of eligible positions **funded with ARP/CSLFRF and filled** on December 31, 2024, for grant-eligible projects or activities that extend beyond this date
- Mandated Future Compliance Costs** 3. LG documents reasonable and justifiable estimate of mandatory grant compliance costs (including close-out costs and subrecipient monitoring costs) that will be incurred between January 1, 2025 and December 31, 2026. Original estimates due July 2024 but may be adjusted January 2025.
- Internal Obligation** 4. LG makes budget appropriation plus internal contract between board or manager and department head that serves as binding commitment to spend money for a particular ARP/CSLFRF-eligible purpose by December 31, 2024
- Other ARP/CSLFRF Eligible Obligation** 5. LG executes legal contract committing LG to pay money to another entity by December 31, 2024. Expenditure would have been ARP/CSLFRF-eligible, but LG planned to use local monies to fund.

RISKY! Only use if absolutely necessary

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Position Obligation



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Mandated Future Compliance Costs

A local government may enter into a new contract/agreement for costs related to “a requirement under federal law or regulation or a provision of the [ARP/CSLFRF] award terms of conditions to which the [local government] becomes subject as a result of receiving or expending the [ARP/CSLFRF] funds.” This includes close out costs, pursuant to [2 CFR 200.344](#). It also includes subrecipient monitoring costs.

Single audit costs attributable to ARP/CSLFRF grant	Costs to perform reporting, documentation, other internal controls, & subrecipient monitoring Mandated grant close-out costs	Complying with environmental laws	<p>A local government must:</p> <ul style="list-style-type: none"> • estimate that amount of ARP/CSLFRF funds it will use to cover these expenditures; • document a reasonable justification for the estimate and how it was made; and • report the estimate to Treasury in the July 2024 P&E Report (may update in Jan. 2025 P&E report) <p><i>At award closeout the local government must report on the final amount expended for these costs. If a local government's estimate exceeds what it ultimately expends, it may use left over funds on another ARP/CSLFRF-eligible obligated project / expense.</i></p>
Complying with civil rights laws	Complying with property management requirements	Other similar costs mandated as part of administration of ARP/CSLFRF grant	

If using indirect cost recovery, may continue to charge indirect rate on MDTC through expenditure deadline

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Internal Obligation

May treat a **budget appropriation + internal contract** as an obligation if the agreement:

- Imposes conditions on the use of funds by the department;
- Governs the provision of funds to carry out an eligible use of ARP/CSLFRF funds; or
- Governs procurement of goods or services by the department.

The agreement must:

- set forth specific requirements, such as scope of work and project deliverables;
- Be signed by both the governing board designee and the department head/staff member that will carry out agreement; and
- NOT include language that disclaims any binding effect or state that it does not create rights or obligations.

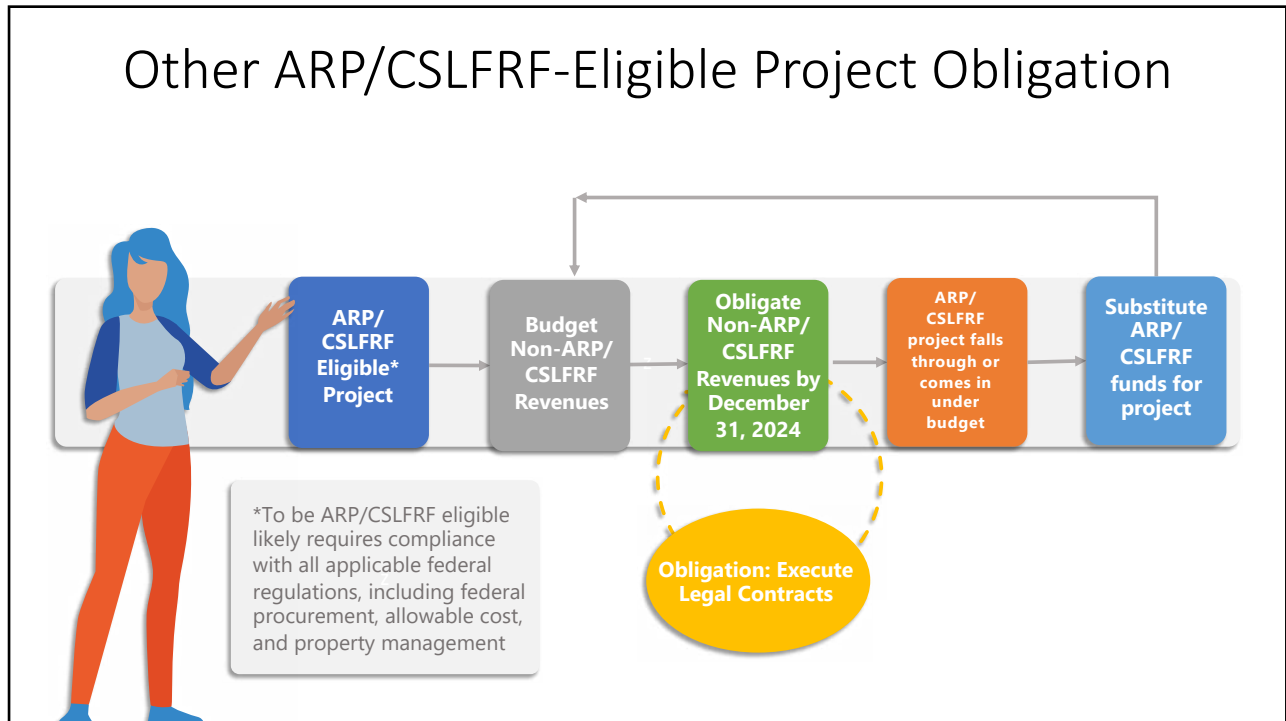
Example 1:

City council appropriates ARP/CSLFRF funds for a public safety-related project to the law enforcement department. City council and police chief enter into a agreement, whereby police chief commits to spending funds for specific ARP/CSLFRF-eligible public safety project and to comply with all applicable regulations, documentation, record-keeping, and other requirements.

Example 2:

County commissioners appropriates ARP/CSLFRF funds to the social services department to cover operational costs of a grant-eligible lease assistance program for low-income senior citizens. The county manager, as budget officer, enters into a contract with the social services director, whereby the director agrees to perform and complete in a satisfactory and proper manner the scope of work specified in accordance with all the ARP/CSLFRF award terms and conditions.

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Adjustment Period January 1, 2025 – December 31, 2026

Certain new legal obligations allowed

But must provide estimate & justification to Treasury in advance

1. Substituting new hires or other staff into an Obligated Position, even if nature of position changes
2. New contracts executed related to Mandated Future Compliance Costs (including for personnel)
3. New contracts executed to carry out Internal Obligation (including for personnel)
4. Substitute ARP/CSLFRF funds for local funds on ARP/CSLFRF-eligible project that was obligated by December 31, 2024
5. Change Orders or Contract Contingencies that were expressly allowed in original contract executed by December 31, 2024
May use ARP/CSLFRF to fund increase in costs
6. Amendments to contracts executed by December 31, 2024, if amended contract is of substantially the same scope and for substantially the same purpose as original contract
May use ARP/CSLFRF to fund increase in costs
7. *Substituting Contractors or Subawards for certain purposes, if new contract or subaward is of substantially the same scope and for substantially the same purpose as original executed by December 31, 2024
May use ARP/CSLFRF to fund new contract or subaward, even if it imposes higher costs

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*Substituting Contractors or Subrecipients

A local government may “replace” a contract or subaward after December 31, 2024 if any of the following occur:

1. The local government terminates a contract or subaward because of the contractor or subrecipient’s default, because the contractor or subrecipient goes out of business, or because the recipient otherwise determines that the contractor or subrecipient will not be able to perform under the contract or carry out the subaward; or
2. The local government and contractor or subrecipient mutually agree to terminate the contract or subaward for convenience (As part of required federal contract terms, all contracts greater than \$10,000 must include provisions for termination for cause and convenience by the contractor.); or
3. The local government terminates the contract or subaward for convenience if the contract or subaward was not properly awarded (such as if the contractor was not eligible to receive the contract), there is clear evidence that the contract or subaward was improper, the local government documents its determination that the contract or subaward was not properly awarded, and the original contract or subaward was entered into by the recipient in good faith.

Substitute contract or subaward must be for substantially the same purpose as original

May use ARP/CSLFRF to fund any increase costs necessary to accomplish the substitution

Must follow all UG and state law processes to select new contractor/subrecipient

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What Funds for What Purpose?

Cost Type After Obligation Deadline	Source(s) of ARP/CSLFRF Revenue That Can Be Used to Cover Costs
1. New Staff in Obligated Position	<ul style="list-style-type: none"> • ARP/CSLFRF funds that LG no longer needs for other obligated projects • Estimated Mandated Future Compliance Costs not needed • Program Income
2. Mandated Future Compliance Costs	<ul style="list-style-type: none"> • ARP/CSLFRF funds in the amount estimated in July 2024 (and revised in Jan. 2025) • ARP/CSLFRF funds that LG no longer needs for other obligated projects • Program Income
3. Change Orders and Contingencies	<ul style="list-style-type: none"> • ARP/CSLFRF funds in the amount estimated in January 2025 • ARP/CSLFRF funds that LG no longer needs for other obligated projects • Program Income
4. Contract Amendments	<ul style="list-style-type: none"> • ARP/CSLFRF funds in the amount estimated in January 2025 • ARP/CSLFRF funds that LG no longer needs for other obligated projects • Program Income
5. Replacement Contractors or Subrecipients	<ul style="list-style-type: none"> • ARP/CSLFRF funds in the amount estimated in January 2025 • ARP/CSLFRF funds that LG no longer needs for other obligated projects • Program Income

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What Funds for What Purpose?

Cost Type After Obligation Deadline	Source(s) of ARP/CSLFRF Revenue That Can Be Used to Cover Costs
6. Substitute Project	<ul style="list-style-type: none"> ARP/CSLFRF funds that LG no longer needs for another obligated project Program Income
7. Internal Obligation	<ul style="list-style-type: none"> Amount of ARP/CSLFRF funds obligated by budget appropriation and internal agreement executed before December 31, 2024

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Cost Estimates

July 2024 P&E Report	January 2025 P&E Report
<ul style="list-style-type: none"> Estimate of Mandated Grant Compliance “new” obligations between January 1, 2025 and December 31, 2026 (does not include costs that will be obligated by December 31, 2024) <p style="text-align: center; font-style: italic;">Must provide reasonable justifications/documentation for estimates</p>	<ul style="list-style-type: none"> Modified estimate of Mandated Grant Compliance obligations Estimate of costs for personnel in Obligated Positions between January 1, 2025 and December 31, 2026 Estimate of amounts needed for contract modifications (change orders, amendments, contingencies, or substitutes) Estimate of amounts needed for new legal obligations for Internal Obligations <p style="text-align: center; font-style: italic;">Must provide reasonable justifications/documentation for estimates</p>

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Obligation Deadline Does Not Apply to Subrecipients

Applies to local governments receiving subawards from State ARP/CSLFRF funds, but still must comply with state agency deadlines

- A local government must execute its subaward by the December 31, 2024 deadline
- But a subrecipient does not have to incur its obligations by this deadline.
- A subrecipient must still expend all funds by December 31, 2026 (or September 30, 2026 for Title I and Surface Transportation projects)