



AMERICAN RESCUE PLAN: A GENERATIONAL OPPORTUNITY

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS (FRF)

The American Rescue Plan's FRF funds are the largest and most flexible federal funding currently available to local governments. FRF funds must be obligated to projects by December 31, 2024, while the performance period is extended to December 31, 2026. These funds are meant to focus on long-term recovery and there are five primary allowable uses.

FRAMEWORK TO ASSESS ELIGIBILITY FOR PROJECTS AND SERVICES

1. Identify the harmful effect of COVID-19 that the activity will address.
2. Assess the causal or compounding connection.
3. Assess for disproportionate impact on distressed sectors or populations.
4. Determine how to prove the expense produces the expected outcome.

TREASURY RESOURCES

- [Treasury's Main SLFRF Page](#)
- [NEU Homepage](#)
- [Overview of Final Rule](#) PDF
- [Interim Final Rule](#)
- [FAQs \(Main\)](#) PDF
- [FAQs \(on Distribution of Funds to NEUs\)](#) PDF
- [Non-entitlement Unit of Local Government Checklist for Requesting Initial Payment](#) PDF
- [Award Terms and Conditions for Non-entitlement Units of Local Government](#) PDF
- [Assurances of Compliance with Title VI of the Civil Rights Act of 1964](#) PDF
- [Status of Payments to States for Distribution to Non-entitlement Units of Local Government](#) PDF
- [Compliance and Reporting](#) PDF



THE FINAL RULE

Released January 6, 2022, Treasury's final rule, effective April 1, 2022, identifies four categories of eligible expenditures:

- Replacing Lost Public Sector Revenue
- Public Health and Economic Impacts
- Premium Pay
- Water, Sewer, and Broadband Infrastructure

EXPANDED FLEXIBILITY

The final rule provides more flexibility in the use of ARPA funds.

- Many jurisdictions may now spend a standard amount – up to \$10 million – within the revenue loss category. This category provides broad latitude to use the entire standard allocation to support local government services, avoiding many of the other categories' additional requirements.
- Recipients may fund a broad range of water, wastewater, and stormwater infrastructure projects as well as addressing broadband challenges with access, affordability, and reliability. Water and sewer projects were expanded to include those eligible under the EPA's Clean Water State Revolving Fund, EPA's Drinking Water State Revolving Fund, and certain other projects.
- Local governments have more streamlined options to provide premium pay through broadening the share of eligible workers who can receive premium pay without additional justification.

TIPS AND STRATEGIES

- Look for transformative investments. The American Rescue Plan's FRF provide flexible aid to invest in long-term needs and gaps.
- Community and stakeholder engagement in the planning process strengthens your plan.
- Consider regional projects that leverage resources from multiple jurisdictions or partnerships with other recipients such as schools.
- Keep careful records and document how funds are spent.
- Use data to demonstrate how funds are used and provide regular updates.
- Tell your story about how American Rescue Plan funds are advancing your recovery and revitalizing your community. Look for ways to highlight your jurisdiction's investments with the public, the media, the Administration, and your Congressional representatives.

COMPLIANCE AND REPORTING

For updated compliance and reporting guidance, see Treasury's February 28, 2022 [manual](#) (PDF) and its April 2022 Project and Expenditure Report [User Guide](#) (PDF).

- Quarterly project and expenditure reports are required for all local governments receiving total allocations greater than \$10 million. This includes both direct recipients and NEUs.
- The first project and expenditure reports for NEUs are due April 30, 2022, and annually thereafter.
- Local governments with allocations less than \$10 million, whether direct recipients or NEUs will continue to submit annual project and expenditure reports.
- New [Federal Register guidance](#) allows the use of attestation instead of a single audit in limited circumstances and applies to jurisdictions receiving less than \$10 million. A single audit is required if the recipient spends over \$750,000 in other federal funds.
- One requirement has not changed: compliance with the federal [Uniform Guidance](#).
- This framework includes standards related to internal controls and management practices, procurement and contracting, risk-based assessment for subawards and monitoring of subrecipients, civil rights and promoting equal opportunity, programmatic and financial reporting, and closeout and audit requirements. While these requirements are familiar to any local government that routinely receives federal funding, many smaller local governments will need to identify and address any blind spots now.

Note: this fact sheet was updated April 8, 2022. For the latest Treasury guidance, see Treasury's [FRF home page](#).

ALLOWABLE, ENCOURAGED, AND PROHIBITED USES

- Allowable expenses include intervention for qualified census tracts, public health, direct aid, community and economic development, and infrastructure.
- Encouraged expenditures include addressing racial disparities, inequities, and disproportionate harm.
- Prohibited expenditures include paying unfunded pension liabilities, legal settlements, and certain federal match requirements.

LEVERAGING ALL FEDERAL RESOURCES

There are other federal resources that may be tapped for specific needs in your community, including grants from the Department of Transportation, Small Business Administration, Economic Development Agency, Department of Agriculture, and the Federal Emergency Management Agency. Use these dedicated grant programs first and reserve your FRF for priorities not eligible for targeted grant programs. Recipients also can use their FRF allocation for administering the FRF program, including costs of consultants to support effective management and oversight and to ensure compliance with legal and regulatory requirements.

Generally, funds available in the revenue loss category can be used to meet the nonfederal cost share or matching requirement. For example, the Infrastructure Investment and Jobs Act permits FRF to be used as a match on certain broadband deployment projects.

INFRASTRUCTURE INVESTMENT & JOBS ACT

The White House released a [guide](#) (PDF) that breaks down how IJJA funds will be distributed. The guide is organized by key issue areas and includes upcoming deadlines and how to apply. Although much of the IJJA flows through state governments and is distributed by formula, local governments can apply directly for a number of competitive grant programs. The Department of Transportation is working to reduce the burden on state and local government grant applications. For example, DOT has combined three major discretionary grant programs into one Multimodal Projects Discretionary Grant opportunity. Applications are due May 23, 2022; the NOFO, Frequently Asked Questions and other resources are [here](#).

ICMA RESOURCES

ICMA works with its partners, the Big 7, GFOA, and others to provide members with updates on resources, regulations, and legislation on local government priority issues. See [ICMA's American Rescue Plan website](#) for information about recent and upcoming events, resources, articles, and ICMA's ARPA coordinator networking opportunities. [Provide your contact information via this form](#) if you would like to be part of this network and notified of future learning opportunities.

For more information on ICMA resources related to COVID-19, visit icma.org/coronavirus.

