

Locality Funding under the American Rescue Plan Act

Background

The American Rescue Plan Act (ARPA) was signed into law by the President of the United States on March 11, 2021. As part of the Act, additional funding will be provided to state and local governments through the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund (SLFRF). In early May 2021, Treasury published Interim final rule (IFR) and has since issued the final rule which takes effect on April 1, 2022.

Allowability of Expenditures and Related Clarifications in the Final Rule

- Revenue Loss: The final rule offers a **standard allowance for revenue loss of up to \$10 million**, not to exceed a recipient's SLFRF award amount, allowing recipients to select between a standard amount of revenue loss or complete a full revenue loss calculation. Recipients that select the standard allowance may use that amount for government services. Treasury intends to amend its reporting forms to provide a mechanism for recipients to make a one-time, irrevocable election to utilize either the revenue loss formula or the standard allowance. **The standard allowance for revenue loss provides recipients with a mechanism to reduce the administrative burden that may be required for alternate uses of these funds.**
- To respond to the public health emergency and its negative economic impacts of the pandemic:
 - The final rule clarifies that recipients may use funds for capital expenditures that support an eligible COVID-19 public health or economic response.
 - The final rule presumes that an expanded set of households and communities are "impacted" or "disproportionately impacted" by the pandemic, thereby allowing recipients to provide responses to a broad set of households and entities without requiring additional analysis.
 - The final rule allows for a broader set of uses to restore and support government employment, including hiring above a recipient's pre-pandemic baseline, providing funds to employees that experienced pay cuts or furloughs, avoiding layoffs, and providing retention incentives.
- To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers: The final rule offers more streamlined options to provide premium pay, by broadening the share of essential workers who can receive premium pay without a written justification while maintaining a focus on lower-income and frontline essential workers.

- To make necessary investments in water, sewer, or broadband infrastructure: The final rule significantly broadens eligible broadband infrastructure investments to address challenges with broadband access, affordability, and reliability, and adds additional eligible water and sewer infrastructure investments, including a broad range of lead remediation and stormwater management projects.

To evaluate a potential use of funds, recipients should first identify the broad category under which a potential use falls and then review the final ruling to determine if the potential use is allowable. The Final Ruling provides commentary and examples of allowable uses of funds. In addition, the Final Ruling provides detailed considerations that should be applied in determining eligibility of proposed expenditures.

Specific Ineligible Expenditures under the Act (examples)

- Depositing funds into any pension plan.
- Directly or indirectly offsetting a reduction of net tax revenue resulting from a change in law, regulation, or administrative interpretation.
- Payments for debt service and replenishments of rainy-day funds.
- Satisfaction of settlements and judgments.
- Uses that contravene or violate the ARPA, Uniform Guidance conflicts of interest requirements, and other federal, state, and local laws and regulations.

Period of Performance

Costs incurred on or after March 3, 2021. Further, funds must be obligated by December 31, 2024, and expended by December 31, 2026.

Useful Links

[Treasury Final Rule](#)

[Overview of the Final Rule](#)

[Treasury Interim Final Rule](#)

[Treasury FAQ's](#)

[Treasury Fact Sheet](#)

[GFOA Guiding Principles](#)

[GFOA Analysis of Guidance](#)

[GFOA American Rescue Plan Analysis](#)