



# Coronavirus Local Fiscal Recovery Funds

## Frequently Asked Questions

Last Updated February 2023

### Overview

On July 27, 2022, Treasury released updated FAQs that included substantial changes to the applicability of 2 CFR 200, as known as Uniform Guidance (UG) to the use of ARPA LFRF revenue loss funds (Expenditure Category 6.1). The most substantial change was that, because there is no federal purpose being carried out by the award of revenue loss funds (Expenditure Category 6.1), subsequent disbursement of revenue loss funds by the recipient to other entities **never gives rise to a federal subrecipient relationship**.

Further, U.S. Treasury clarified that, given the purpose and very broad scope of eligible uses of the revenue replacement funds, **only a subset of the Uniform Guidance requirements applies to recipients' use of revenue loss funds**.

### Questions

[Under the revenue replacement project category, what sort of projects can we pursue?](#)

In the Final Rule, Treasury gives local government recipients the option to elect a "standard allowance" of up to \$10 million to spend on government services under the 'Revenue Replacement' category, E.C 6.1.

This option means that, as an NEU that received less than \$10 million, you can spend your entire allocation of LFRF funds on "government services". Treasury has noted that, in general, "government services" **include most services and normal expenses that NEUs would incur**. Although we don't approve or disapprove specific expenses, an eligible expense generally qualifies if it is a cost that would normally be paid for with your local budget.

Treasury describes the government services that may be eligible for LFRF funding in the context of revenue loss in its Final Rule:<sup>1</sup>

*Government services include, but are not limited to, maintenance or pay-go funded building of infrastructure, including roads; modernization of cybersecurity, including hardware, software, and protection of critical infrastructure; health services; environmental remediation; school or educational services; and the provision of police, fire, and other public safety services. The aforementioned list of government services is not exclusive. However, recipients should be mindful that other restrictions may apply, including those articulated in the section Restrictions on Use.*

### When is the next report due?

The next annual report will cover one calendar year (April 1, 2022, to March 31, 2023) and must be submitted to Treasury by April 30 of each year. Your next report will be due on **April 30, 2023**.

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<sup>1</sup> 87 FR 4408 (January 27, 2022)

## How will NEUs be required to document adherence to reasonable cost principles?

The UG requirements indicate that a NEU must follow ‘reasonable cost principles.’ Specifically, before incurring a cost, an NEU must assess if **the nature and amount of the cost does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time** the decision was made to incur the cost. This can be found in the following UG citation<sup>2</sup>

- 200.404(e) **Reasonable costs** – This requirement outlines that deviation from established practices should be considered in determining the reasonableness of costs.

Broadly speaking, **if the cost of your project is in line with your other general costs and you followed your normal procurement policies**, you will not need specific reasonable cost documentation.

Please note that there is an implicit expectation that costs for general goods and services may have increased because of the pandemic and based on economic circumstances. If this is the case, you still will not need document any reasonable cost principles adherence, as long as the increase is in line with general economic circumstances. Again, the standard is whether a “prudent person” would make the purchase under the same costs and circumstances. Treasury has not issued formal thresholds to determine cost reasonableness, but in the case that you are uncertain, or believe that there is a question about what a prudent person would do, we recommend writing a memo-to-file for your own records outlining the reason for such a cost. This document will not need to be uploaded into the Treasury Portal for reporting purposes but should be kept in your files in case of an audit.

## As we start our projects should we be filling out the documents in our portals as we go along?

It is recommended that NEUs track obligations and expenditures on an ongoing basis. This ensures that you have all of the necessary information when it is time to report. **NEUs will be unable to update the documents in the portal regularly throughout the year (it is closed outside of a window prior to the reporting deadline)** but will be able to populate the reporting portal in early April 2023 when it reopens.

## Can a project submitted under one expenditure category be adjusted to another (e.g., water to revenue replacement)?

Yes. A project’s expenditure category can be adjusted between reports. However, it is advisable for all NEUs to report all activities under the revenue replacement expenditure category.

As mentioned previously, in the Final Rule, Treasury gives local government recipients the option to elect a “standard allowance” of up to \$10 million to spend on government services under the “Revenue Replacement” category, E.C. 6.1. Choosing this option is highly recommended for all NEUs, as the requirements for Revenue Loss projects are significantly less burdensome than any other expenditure category.

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<sup>2</sup> 2 CFR 200.404(e)

## What can't my town spend LFRF funds on?

Please find the list of prohibited uses of LFRF dollars below:

- Recipients may **not** pay down debt or pay interest on debt with LFRF money
- Recipients may **not** deposit LFRF money into pension funds
- Recipients may **not** use LFRF money to undermine COVID-19 mitigation practices in line with CDC guidance and recommendations
- Recipients may **not** use LFRF money for any settlements and judgements
- Recipients may **not** use LFRF money in violation of the Award Terms and Conditions or conflict of interest requirements under the Uniform Guidance

## Is there a deadline to beginning/ending a project that has already been approved?

The following timeframes apply to use of the funds:

Timeframe to award (obligate) funds: March 3, 2021 - December 31, 2024

Timeframe to expend (liquidate) funds: March 3, 2021 - December 31, 2026

In other words, funds must be assigned to a specific project, subrecipient, contract, or beneficiary by December 31, 2024. Those funds then must be completely spent by December 31, 2026.

If a town has a capital project lined up and has quite a bit of cash on hand, it appears that the LFRF money could be used to supplement the cash on hand. If so, does the project have to be completed within a certain time frame?

LFRF funds can be used to supplement cash on hand to fund capital projects. Capital projects are any projects which contribute to a built environment such as constructing new facilities, making improvements to existing facilities or infrastructure.

If you are planning to utilize LFRF money to fund any project, **funds must be used for costs incurred on or after March 3, 2021. Further, costs must be obligated by December 31, 2024, and expended by December 31, 2026.**

These timeframes *only* apply to the LFRF portion of your intended project. If you estimate that the *entire* project may only be completed after 12/31/2026, you should provide evidence indicating that the LFRF funds were obligated and expended by 12/31/2024 and 12/31/2026 respectively, and that the remainder of the project was completed using the town's funds.

If the funds are spent prior to the deadlines, and the reporting notes that, is future reporting necessary?

At this time, even if you have spent all of your ARPA LFRF funds you will still need to access the Treasury Portal and report that you have no changes for the Project and Expenditure Report for the covered period. We anticipate Treasury to issue guidance on the closeout process and will share this information once it is released by Treasury.

If a current town manager has left our town is it possible to change his profile to the new town manager once logged in?

Yes. Once you are logged into the Treasury's reporting and compliance portal, you will be able to edit the roles assigned to individuals. For more information on how to edit these roles, please consult the [Project and Expenditure Report User Guide](#).

As I review My Projects (reported last April) I note the Project Status of each has a Warning symbol. Is that because the 2023 reporting is incomplete at this time?

Yes. When submitting the annual Project and Expenditure Report, you will have to verify the previously entered information for each individual project. The project status icons will be yellow in the portal before you verify them and will turn green once verified.