



How Can Michigan Townships Use the American Rescue Plan Act Funds?

As of January 14, 2022, with issuance of Final Rule

Almost all Michigan townships have chosen to accept their American Rescue Plan Act (ARPA) payments from the federal government. Although the first “tranche” (payment) of half of each township’s full amount has been paid out, many townships have been considering—and wrestling—with questions on how they may or may not spend those funds.

The “good news” is that townships are not required to decide or know how they will spend those funds for some time to come. Although the federal reporting requirements will kick in in April (unless extended further by the U.S. Treasury), you do not have to have used or obligated any funds to fulfill those reporting requirements. Funds can be spent upon receipt and must be obligated by December 31, 2024, but funds are not required to be used or obligated before then. Funds must be expended by December 31, 2026.

Funds can be used for costs incurred from March 3, 2021, through December 31, 2024 (except premium pay for essential employees can be retroactive to January 27, 2020).

The “great”—and we are happy to say we really mean GREAT—news is that as of January 6, 2022, the Final Rule (replacing the previous versions of the Interim Final Rule), which will take effect April 1, 2022, now offers a **“standard allowance” for revenue loss of \$10 million**, allowing recipients to select either 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. **Because all but one Michigan township ARPA recipient received a total payment of less than \$10 million, all those townships may choose to use the revenue loss formula OR instead use any or all of their ARPA payment up to a maximum of \$10 million without having to make the revenue loss calculation.**

This is an enormous change from previous guidance and the “interim final rule” for the funds. Previously the “revenue loss” category of allowable uses would allow townships to use their ARPA funds for various sorts of general governmental services BUT only if a township could demonstrate or project a “revenue loss” as defined by a very complicated formula, which still might limit the township to using only part of its total payment. We know that most townships really only want to use—or only have realistic options for using—their ARPA funds for “normal” Michigan township need, such as facility improvements, road projects, improving or adding township programs or services that may or may not have any connection with

the COVID pandemic. The new \$10 million “standard allowance” gives much more flexibility, which is incredibly welcome news, allows townships to do just that.

As of January 7, 2022, the actual Final Rule has not yet been published in the Federal Register, so references to the “Final Rule” are to the [Final Rule Summary](#) provided by U.S. Treasury.

Although the Final Rule does not take effect until April 1, 2022, the [Coronavirus State & Local Fiscal Recovery Funds: Overview of the Final Rule, January 2022](#), issued along with the Final Rule, states the following:

“The final rule takes effect on April 1, 2022. Until that time, the interim final rule remains in effect; funds used consistently with the IFR while it is in effect are in compliance with the SLFRF program. **However, recipients can choose to take advantage of the final rule’s flexibilities and simplifications now, even ahead of the effective date. Treasury will not take action to enforce the interim final rule to the extent that a use of funds is consistent with the terms of the final rule, regardless of when the SLFRF funds were used.**” [Emphasis added]

Note on Qualified Census Tracts:

Some townships may also include [Qualified Census Tracts](#) (listing of townships with QCTs; view a [QCT map here](#)), which are “those in which 50% or more of the households are income eligible and the population of all census tracts that satisfy this criterion does not exceed 20% of the total population of the respective area.” ([HUD](#)) Some uses may be available because a township includes a QCT.

Disclaimer:

This resource was developed with information and excerpts from the [U.S. Treasury’s Coronavirus State and Local Fiscal Recovery Funds Frequently Asked Questions](#) (as of July 14, 2021), and [Michigan Department of Treasury resources](#) and staff input, along with the federal [Interim Final Rule](#) and [NATaT FAQs](#), and updated with the January 2022 [Final Rule Summary](#) and the [Coronavirus State & Local Fiscal Recovery Funds: Overview of the Final Rule, January 2022](#).

This information is provided as a general overview, with some potential uses listed in the federal information edited out by MTA staff because they are not allowable expenditures for Michigan townships under Michigan law. This was done to make it easier for township boards to sort through the information and see uses and needs that are familiar to Michigan townships. It is not, however, a legal opinion on the specific lawfulness or appropriateness of any use listed or not listed for individual townships. Township boards should work with your consultants (auditor, attorney) to determine how your township’s Coronavirus Local Fiscal Recovery Fund allocation (CLFRF) through the American Rescue Plan Act (ARPA) can be put to use in your community.

1. COVID-19 Eligible Expenditures / Negative Economic Impact

Allowable Use #1: COVID-19 Eligible Expenditures

Eligible Uses	Details
<p>Containing/Mitigating COVID-19</p> <p>Retained in Final Rule, summary page 22: “Assessing whether a program or service “responds to” the COVID-19 public health emergency requires the recipient to, first, identify a need or negative impact of the COVID-19 public health emergency and, second, identify how the program, service, or other intervention addresses the identified need or impact. ... <i>eligible uses under this category must be in response to the disease itself or the harmful consequences of the economic disruptions resulting from or exacerbated by the COVID-19 public health emergency.</i>”</p>	<p>1. Personal protective equipment (for township EMS, fire, police and others while working)</p> <p>2. Capital investments in public facilities to meet pandemic operational needs. Consider the following examples:</p> <ul style="list-style-type: none"> • Install or upgrade building ventilation/filtration system • Expand or reconfigure building space to provide social distancing or improved sanitation • NATaT FAQs: Expand cemetery? If you require more space at the cemetery due to COVID-related deaths, there is an argument to be made, but if not, you may want clarification from Treasury. (If not, see also 3. Revenue Loss) • NATaT FAQs: Expand transfer station? Sanitation equipment is an eligible use. But expanding the transfer station because more people may be staying at home would require clarification from Treasury. (See instead 3. Revenue Loss) • NATaT FAQs: Our town rents space for our equipment with other tenants. May town purchase land and build a building so our employees do not have to share space with other people? If you can show that the reason for building the new space is to ensure adequate social distancing. (If you cannot, see 3. Revenue Loss)
<p>Payroll/Benefits to:</p> <p>Public health/safety</p> <p>Human services</p> <p>Similar employees</p> <p>Public Employees who are sick or quarantining due to COVID-19:</p>	<ul style="list-style-type: none"> • Eligible to the extent that the work completed was for COVID-19 response/mitigation. • Use funds to cover the full payroll and covered benefits costs for employees or operating units or divisions primarily dedicated to the COVID-19 response. • Payroll and covered benefits payments can also be used by an employee as part of their payroll contribution to their pensions. BUT township CANNOT use ARPA funds for deposit into any pension fund. (MI Treasury ARPA presentation) <p>Final Rule Summary, starting page 414: § 35.6 Eligible Uses. ... (b)(1)(xiv) “Expenses of providing paid sick and paid family and medical leave to public employees to enable compliance with COVID–19 public health precautions” (Added Dec. 2021)</p>

Allowable Use #1: Negative Economic Impact

Eligible Uses	Details
<p>Rebuilding Public Sector Capacity to Pre-Pandemic Levels</p>	<ul style="list-style-type: none"> • Rehiring public-sector staff: The IFR includes as an eligible use payroll, covered benefits, and other costs associated with rehiring public sector staff, up to the pre-pandemic staffing level of the government. FR Summary, starting page 171 • Replenishing Unemployment Trust funds: <i>Note that only a few townships are contributing employers. Most townships are reimbursing employers and pay the full amount assessed.</i>
<p>Hardest-Hit Communities</p> <p>Final Rule Summary starting page 416: The Final Rule provides that Treasury will presume that certain types of services, outlined here, are eligible uses when provided in a Qualified Census Tract or to families and individuals living in QCTs. (View a map of QCTs here.)</p> <p>Recipients may also provide these services to other populations, households, or geographic areas disproportionately impacted by the pandemic. See Final Rule Summary starting page 30. Recipients should be able to support their determination that the pandemic resulted in disproportionate public health or economic outcomes to the specific populations, households, or geographic areas to be served.</p>	<ul style="list-style-type: none"> • Building Stronger Communities through Investments in Housing and Neighborhoods. For example, if a township provides housing under the Housing Facilities Act, Public Act 18 of 1933, MCL 125.651, et seq.) • NATaT FAQs: Expanded law enforcement presence to handle the overwhelming amount of people moving into our area from the cities due to pandemic? This would be eligible if you are in an area disproportionately impacted by the pandemic or if you are in a Qualified Census Tract. (If not, see also 3. Revenue Loss) • NATaT FAQs: Park/trail and park/trail improvements? This would be eligible if you are in an area disproportionately impacted by the pandemic or if you are in a Qualified Census Tract. (If not, see also 3. Revenue Loss)

2. Premium Payments

Allowable Use #2: Premium Payments

Eligible Uses	Details
<p>Workers Performing Essential Work During COVID</p> <p>Townships may provide premium pay retrospectively for work performed at any time since the start of the COVID-19 public health emergency.</p> <p>Such premium pay must be “in addition to” wages and remuneration already received and the obligation to provide such pay must not have been incurred by the recipient prior to March 3, 2021.</p> <p>Treasury encourages recipients to consider providing premium pay retroactively for work performed during the pandemic, recognizing that many essential workers have not yet received additional compensation for their service during the pandemic.</p>	<p>Eligible workers are those: “...needed to maintain continuity of operations of essential critical infrastructure sectors and additional sectors.”</p> <p>Examples include:</p> <ul style="list-style-type: none"> • Janitors and sanitation workers • Truck drivers, transit staff and warehouse workers • Public health and safety staff • Social service and human services staff • Other sectors can be added, as long as they are deemed critical to protect the health and well-being of residents • ADDED IN FINAL RULE: ‘Eligible workers’ means workers needed to maintain continuity of operations of essential critical infrastructure sectors, including ... elections work...” Final Rule (FR Summary, pages 406-407) <p>Eligible workers:</p> <p>The Final Rule (FR Summary starting page 229) provides that premium pay is responsive to eligible workers performing essential work during the public health emergency if each eligible worker who receives premium pay falls into one of three categories: (1) the worker’s pay is below the wage threshold, (2) the worker is not exempt from the FLSA overtime provisions, or (3) the recipient has submitted a written justification to Treasury.</p> <p>Allowable Payment:</p> <ul style="list-style-type: none"> • Additional pay up to \$13/hour for all work (including overtime pay already received) • Cannot reduce or substitute normal earnings • May not exceed \$25,000/person (for entire period of performance, not annual cap) • Justification required if worker’s pay will be above 150% state or county average annual wage • Retroactive pay allowed

3. Revenue Loss

Allowable Use #3: Revenue Loss

Eligible Uses	Details
<p>Per the Final Rule, townships may determine their revenue loss by choosing between two options:</p> <ul style="list-style-type: none"> • A standard allowance of up to \$10 million in aggregate, not to exceed your township’s award amount, during the ARPA fund period <p>OR</p> <ul style="list-style-type: none"> • Calculating the township’s specific revenue loss each year using federal Treasury’s formula, which compares actual revenue to a counterfactual trend. <p>The calculation of lost revenue begins with the township’s revenue in the last full fiscal year prior to the COVID-19 public health emergency and includes the 12-month period ending December 31, 2020. Revenue loss can be calculated at four points in time: December 31, 2020, December 31, 2021, December 31, 2022, and December 31, 2023. The calculation assumes at least a 4.1% growth adjustment for each year.</p> <p>NATaT Revenue Loss Calculator GFOA Revenue Loss Calculator</p> <p>“Revenue” that you <u>can</u> count toward loss:</p> <ul style="list-style-type: none"> • Taxes, current charges, rentals, miscellaneous revenues • All revenue streams (i.e., entity-wide) • Other government transfers (i.e., revenue sharing) <p>Excludes (you <u>cannot</u> count toward loss):</p> <ul style="list-style-type: none"> • Federal Transfers (including CRF) • Refunds and other correcting transactions • Proceeds issuance of debt • Sale of investments • Revenue generated by utilities (water supply, electric power, gas supply, and public mass transit systems) 	<p><i>With the issuance of the Final Rule, most townships will choose to use the “standard allowance” of up to \$10 million dollars of its total ARPA payment INSTEAD of calculating lost revenue.</i></p> <p>Use of funds for government services must be forward-looking for costs incurred by the township after March 3, 2021.</p> <p>Government Services includes (not limited to):</p> <ul style="list-style-type: none"> • Providing police, fire, or other public safety services • Maintenance of infrastructure OR pay-as-you-go spending for building new infrastructure, including: <ul style="list-style-type: none"> ○ Roads, bridges ○ Township hall, fire station or other building construction, including new or expansion ○ Parks or outdoor recreation facilities ○ Installation/maintenance of utilities ○ Modernization of cybersecurity, including hardware, software, and protection of critical infrastructure ○ Election equipment ○ GIS mapping system and programs ○ Environmental remediation <p>“Pay-as-you-go” means paying directly for new infrastructure you just built or are building, including paying current contractors without financing.</p> <p>Does NOT include:</p> <ul style="list-style-type: none"> • Issuance of new debt or payment of outstanding debt (you cannot spend the funds on the issuance cost of new debt or on debt that you issued for the new infrastructure) • Reserves • Paying settlements/judgements

4. Investment in Water, Sewer and Broadband Infrastructure

Allowable Use #4: Investment in Infrastructure

Eligible Uses	Details
<p>Recipients may use funds to make “necessary investments” in water/sewer or broadband infrastructure.</p> <p>Funds may be used to cover costs incurred for eligible projects planned or started prior to March 3, 2021, provided that the project costs were incurred after March 3, 2021.</p> <p>Water and Sewer Infrastructure</p> <p>“Treasury considers a necessary investment in infrastructure to be one that is (1) responsive to an identified need to achieve or maintain an adequate minimum level of service, which may include a reasonable projection of increased need, whether due to population growth or otherwise and (2) a cost-effective means for meeting that need, taking into account available alternatives. ...</p> <p>In the case of investments in infrastructure that supply drinking water in order to meet projected population growth, the project must be projected to be sustainable over its estimated useful life.” (Final Rule Summary starting page 261)</p> <p>The Final Rule eliminates requirement in the interim final rule that the project be unlikely to be made using private sources of funds. Treasury has eliminated this standard from the meaning of necessary but still encourages recipients to prioritize projects that would provide the greatest public benefit in their respective jurisdictions.</p> <p>[Continued on next page]</p>	<p>NATaT FAQs: May include drinking water/sanitary facilities for township hall, park, etc.</p> <p>Clean Water State Revolving Fund (CWSRF)</p> <ul style="list-style-type: none"> • Construct, improve and repair wastewater treatment plants • Control non-point sources of pollution • Improve resilience of infrastructure to severe weather events • Create green infrastructure • Protect waterbodies from pollution • Includes stormwater, cybersecurity, physical security, green infrastructure and climate change <p>Drinking Water State Revolving Fund (DWSRF)</p> <ul style="list-style-type: none"> • Building or upgrading facilities and transmission, distribution, and storage systems, including replacement of lead service lines • Includes consolidation, cybersecurity and climate change <p>Additional Reporting (<i>additional guidance at later date</i>)</p> <ul style="list-style-type: none"> • Workforce plans and practices related to water, sewer and broadband projects undertaken with Fiscal Recovery Funds

<p>DWSRF and CWSRF eligible projects continue to be presumed to be necessary investments under the final rule, with the exception of projects for the rehabilitation of dams and reservoirs (Per Final Rule Summary, page 266)</p>	
<p>Broadband Infrastructure</p> <p>“Necessary investments” in broadband infrastructure that increase access over the long term, as well as the necessary supports to purchase internet access or gain digital literacy skills needed to complete activities of daily living during the pandemic. (Final Rule Summary, page 86)</p> <p>“The final rule (FR Summary, page 308) provides additional requirements to address the affordability needs of low-income consumers in accessing broadband networks funded by SLFRF. Recipients must require the service provider for a completed broadband infrastructure investment project that provides service to households to:</p> <ul style="list-style-type: none"> • Participate in the Federal Communications Commission’s (FCC) Affordable Connectivity Program (ACP); or • Otherwise provide access to a broad-based affordability program to low-income consumers in the proposed service area of the broadband infrastructure that provides benefits to households commensurate with those provided under the ACP.” 	<p>Unserved or Underserved</p> <ul style="list-style-type: none"> • Less than 25 Mbps download and 3 Mbps upload • Prioritize provision of at least 100 Mbps download/20 Mbps upload <p>Required level</p> <ul style="list-style-type: none"> • 100 Mbps symmetrical upload/download • Exception for lower speed due to geography or excessive costs

General FAQs

Excerpted from [U.S. Treasury's Coronavirus State and Local Fiscal Recovery Funds Frequently Asked Questions](#) (as of November 15, 2021). See the [complete FAQs](#) for additional information.

Note that those FAQs currently have the following disclaimer as of January 2022:

Update (January 2022): The FAQs in this document pertain to the Interim Final Rule (IFR), which is in effect until April 1, 2022. In addition to this document, recipients are encouraged to consult the Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule and Final Rule, which provides guidance on use of funds until the Final Rule takes effect. Treasury anticipates issuing FAQs for the Final Rule at a later date. Recipients may find helpful the Overview of the Final Rule, which provides a summary of major provision of the Final Rule for informational purposes.

2. Eligible Uses – Responding to the Public Health Emergency / Negative Economic Impacts

2.3. If a use of funds is not explicitly permitted in the Interim Final Rule as a response to the public health emergency and its negative economic impacts, does that mean it is prohibited?

The Interim Final Rule contains a non-exclusive list of programs or services that may be funded as responding to COVID-19 or the negative economic impacts of the COVID-19 public health emergency, along with considerations for evaluating other potential uses of Fiscal Recovery Funds not explicitly listed. The Interim Final Rule also provides flexibility for recipients to use Fiscal Recovery Funds for programs or services that are not identified on these non-exclusive lists but which meet the objectives of section 602(c)(1)(A) or 603(c)(1)(A) by responding to the COVID-19 public health emergency with respect to COVID-19 or its negative economic impacts.

2.4. May recipients use funds to respond to the public health emergency and its negative economic impacts by replenishing state unemployment funds?

Consistent with the approach taken in the Coronavirus Relief Fund, recipients may make deposits into the state account of the Unemployment Trust Fund up to the level needed to restore the prepandemic balances of such account as of January 27, 2020, or to pay back advances received for the payment of benefits between January 27, 2020, and the date when the Interim Final Rule is published in the Federal Register.

2.7. May funds be used to reimburse recipients for costs incurred by state and local governments in responding to the public health emergency and its negative economic impacts prior to passage of the American Rescue Plan?

Use of Fiscal Recovery Funds is generally forward looking. The Interim Final Rule permits funds to be used to cover costs incurred beginning on March 3, 2021.

2.14. The Coronavirus Relief Fund (CRF) included as an eligible use: "Payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency." What has changed in CLFRF, and what type of documentation is required under CLFRF? [5/27]

Many of the expenses authorized under the Coronavirus Relief Fund are also eligible uses under the Coronavirus Local Fiscal Recovery Fund. However, in the case of payroll expenses for public safety, public

health, health care, human services, and similar employees (hereafter, public health and safety staff), the CLFRF does differ from the CRF. This change reflects the differences between the ARPA and CARES Act and recognizes that the response to the COVID-19 public health emergency has changed and will continue to change over time.

In particular, funds may be used for payroll and covered benefits expenses for public safety, public health, health care, human services, and similar employees, including first responders, to the extent that the employee's time that is dedicated to responding to the COVID-19 public health emergency. For administrative convenience, the recipient may consider a public health and safety employee to be entirely devoted to mitigating or responding to the COVID-19 public health emergency, and therefore fully covered, if the employee, or his or her operating unit or division, is primarily dedicated (e.g., more than half of the employee's time is dedicated) to responding to the COVID-19 public health emergency. Recipients may use presumptions for assessing whether an employee, division or operating unit is primarily dedicated to COVID-19 response. The recipient should maintain records to support its assessment, such as payroll records, attestations from supervisors or staff, or regular work product or correspondence demonstrating work on the COVID-19 response. Recipients need not routinely track staff hours. Recipients should periodically reassess their determinations.

2.15. What staff are included in “public safety, public health, health care, human services, and similar employees”? Would this include, for example, 911 operators, morgue staff, medical examiner staff, or EMS staff? [5/27]

As discussed in the Interim Final Rule, funds may be used for payroll and covered benefits expenses for public safety, public health, health care, human services, and similar employees, for the portion of the employee's time that is dedicated to responding to the COVID-19 public health emergency. Public safety employees would include police officers (including state police officers), sheriffs and deputy sheriffs, firefighters, emergency medical responders, correctional and detention officers, and those who directly support such employees such as dispatchers and supervisory personnel. Public health employees would include employees involved in providing medical and other health services to patients and supervisory personnel, including medical staff assigned to schools, prisons and other such institutions, and other support services essential for patient care (e.g., laboratory technicians, medical examiner or morgue staff) as well as employees of public health departments directly engaged in matters related to public health and related supervisory personnel. Human services staff include employees providing or administering social services; public benefits; child welfare services; and child, elder or family care, as well as others.

2.18. Would investments in improving outdoor spaces (e.g., parks) be an eligible use of funds as a response to the public health emergency and/or its negative economic impacts? [6/23]

There are multiple ways that investments in improving outdoor spaces could qualify as eligible uses; several are highlighted below, though there may be other ways that a specific investment in outdoor spaces would meet eligible use criteria.

First, in recognition of the disproportionate negative economic impacts on certain communities and populations, the Interim Final Rule identifies certain types of services that are eligible uses when provided in a Qualified Census Tract (QCT), to families and individuals living in QCTs, or when these services are provided by Tribal governments. Recipients may also provide these services to other populations, households or geographic areas disproportionately impacted by the pandemic. These programs and services include services designed to build stronger neighborhoods and communities and to address health

disparities and the social determinants of health. The Interim Final Rule provides a non-exhaustive list of eligible services to respond to the needs of communities disproportionately impacted by the pandemic, and recipients may identify other uses of funds that do so, consistent with the Rule’s framework. For example, investments in parks, public plazas and other public outdoor recreation spaces may be responsive to the needs of disproportionately impacted communities by promoting healthier living environments and outdoor recreation and socialization to mitigate the spread of COVID-19. ...

Third, many governments saw significantly increased use of parks during the pandemic that resulted in damage or increased maintenance needs. The Interim Final Rule recognizes that “decrease[s] to a state or local government’s ability to effectively administer services” can constitute a negative economic impact of the pandemic.

3. Eligible Uses – Revenue Loss

3.8. Once a recipient has identified a reduction in revenue, are there any restrictions on how recipients use funds up to the amount of the reduction?

The Interim Final Rule gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue. Government services can include, but are not limited to, maintenance of infrastructure or pay-go spending for building new 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.

However, paying interest or principal on outstanding debt, replenishing rainy day or other reserve funds, or paying settlements or judgments would not be considered provision of a government service, since these uses of funds do not entail direct provision of services to citizens. This restriction on paying interest or principal on any outstanding debt instrument, includes, for example, short-term revenue or tax anticipation notes, or paying fees or issuance costs associated with the issuance of new debt. In addition, the overarching restrictions on all program funds (e.g., restriction on pension deposits, restriction on using funds for non-federal match where barred by regulation or statute) would apply.

4. Eligible Uses – General

4.1. May recipients use funds to replenish a budget stabilization fund, rainy day fund or similar reserve account?

No. Funds made available to respond to the public health emergency and its negative economic impacts are intended to help meet pandemic response needs and provide immediate stabilization for households and businesses. Contributions to rainy day funds and similar reserves funds would not address these needs or respond to the COVID-19 public health emergency, but would rather be savings for future spending needs. Similarly, funds made available for the provision of governmental services (to the extent of reduction in revenue) are intended to support direct provision of services to citizens. Contributions to rainy day funds are not considered provision of government services, since such expenses do not directly relate to the provision of government services.

4.2. May recipients use funds to invest in infrastructure other than water, sewer and broadband projects (e.g., roads, public facilities)?

Under 602(c)(1)(C) or 603(c)(1)(C), recipients may use funds for maintenance of infrastructure or pay-go spending for building of new infrastructure as part of the general provision of government services, to the extent of the estimated reduction in revenue due to the public health emergency.

Under 602(c)(1)(A) or 603(c)(1)(A), a general infrastructure project typically would not be considered a response to the public health emergency and its negative economic impacts unless the project responds to a specific pandemic-related public health need (e.g., investments in facilities for the delivery of vaccines) or a specific negative economic impact of the pandemic (e.g., affordable housing in a Qualified Census Tract).

4.3. May recipients use funds to pay interest or principal on outstanding debt?

No. Expenses related to financing, including servicing or redeeming notes, would not address the needs of pandemic response or its negative economic impacts. Such expenses would also not be considered provision of government services, as these financing expenses do not directly provide services or aid to citizens. This applies to paying interest or principal on any outstanding debt instrument, including, for example, short-term revenue or tax anticipation notes, or paying fees or issuance costs associated with the issuance of new debt.

4.4. May recipients use funds to satisfy nonfederal matching requirements under the Stafford Act? May recipients use funds to satisfy nonfederal matching requirements generally?

Fiscal Recovery Funds are subject to pre-existing limitations in other federal statutes and regulations and may not be used as non-federal match for other federal programs whose statute or regulations bar the use of federal funds to meet matching requirements. For example, expenses for the state share of Medicaid are not an eligible use. For information on FEMA programs, please [see here](#).

4.5. Are governments required to submit proposed expenditures to Treasury for approval? [5/27]

No. Recipients are not required to submit planned expenditures for prior approval by Treasury. Recipients are subject to the requirements and guidelines for eligible uses contained in the Interim Final Rule.

4.6. How do I know if a specific use is eligible? [5/27]

Fiscal Recovery Funds must be used in one of the four eligible use categories specified in the American Rescue Plan Act and implemented in the Interim Final Rule:

a) To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses and nonprofits, or aid to impacted industries such as tourism, travel and hospitality

For recipients evaluating potential uses under (a), the Interim Final Rule contains a non-exclusive list of programs or services that may be funded as responding to COVID-19 or the negative economic impacts of the COVID-19 public health emergency, along with considerations for evaluating other potential uses of Fiscal Recovery Funds not explicitly listed. See Section II of the Interim Final Rule for additional discussion.

b) To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers

For recipients evaluating potential uses under (a), the Interim Final Rule contains a non-exclusive list of programs or services that may be funded as responding to COVID-19 or the negative economic impacts of the COVID-19 public health emergency, along with considerations for evaluating other potential uses of Fiscal Recovery Funds not explicitly listed. See Section II of the Interim Final Rule for additional discussion. See Sections 5 and 6.

c) For the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency

For recipients evaluating potential uses under (c), the Interim Final Rule gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue. See FAQ #3.8 for additional discussion.

d) To make necessary investments in water, sewer or broadband infrastructure.

For recipients evaluating potential uses under (d), see Sections 5 and 6.

Recipients should consult Section II of the Interim Final Rule for additional information on eligible uses.

4.8. How can I use CLFRF funds to prevent and respond to crime, and support public safety in my community? [6/23]

[Excerpt] Under Treasury’s Interim Final Rule, there are many ways in which the State and Local Fiscal Recovery Funds (“Funds”) under the American Rescue Plan Act can support communities working to reduce and respond to increased violence due to the pandemic. Among the eligible uses of the Funds are restoring of public sector staff to their pre-pandemic levels and responses to the public health crisis and negative economic impacts resulting from the pandemic. The Interim Final Rule provides several ways for recipients to “respond to” this pandemic-related gun violence, ranging from community violence intervention programs to mental health services to hiring of public safety personnel.

Below are some examples of how Fiscal Recovery Funds can be used to address public safety:

- In all communities, recipients may use resources to rehire police officers and other public servants to restore law enforcement and courts to their pre-pandemic levels. Additionally, Funds can be used for expenses to address COVID-related court backlogs, including hiring above pre-pandemic levels, as a response to the public health emergency. See FAQ 2.19.
- In communities where an increase in violence or increased difficulty in accessing or providing services to respond to or mitigate the effects of violence is a result of the pandemic, they may use funds to address that harm. This spending may include:
 - Hiring law enforcement officials – even above pre-pandemic levels – or paying overtime where the funds are directly focused on advancing community policing strategies in those communities experiencing an increase in gun violence associated with the pandemic
 - Community Violence Intervention (CVI) programs, including capacity building efforts at CVI programs like funding and training additional intervention workers
 - Additional enforcement efforts to reduce gun violence exacerbated by the pandemic, including prosecuting gun traffickers, dealers, and other parties contributing to the supply

of crime guns, as well as collaborative federal, state and local efforts to identify and address gun trafficking channels

- Investing in technology and equipment to allow law enforcement to more efficiently and effectively respond to the rise in gun violence resulting from the pandemic

As discussed in the Interim Final Rule, uses of CLFRF funds that respond to an identified harm must be related and reasonably proportional to the extent and type of harm experienced; uses that bear no relation or are grossly disproportionate to the type or extent of harm experienced would not be eligible uses.

- Recipients may also use funds up to the level of revenue loss for government services, including those outlined above. *[Excerpt]*

4.9. May recipients pool funds for regional projects? [7/14]

Yes, provided that the project is itself an eligible use of funds and that recipients can track the use of funds in line with the reporting and compliance requirements of the CSFRF/CLFRF. In general, when pooling funds for regional projects, recipients may expend funds directly on the project or transfer funds to another government that is undertaking the project on behalf of multiple recipients. To the extent recipients undertake regional projects via transfer to another government, recipients would need to comply with the rules on transfers specified in the Interim Final Rule, Section V. A recipient may transfer funds to a government outside its boundaries (e.g., county transfers to a neighboring county), provided that the recipient can document that its jurisdiction receives a benefit proportionate to the amount contributed.

5. Eligible Uses – Premium Pay

5.1. What criteria should recipients use in identifying essential workers to receive premium pay?

Essential workers are those in critical infrastructure sectors who regularly perform inperson work, interact with others at work, or physically handle items handled by others. Critical infrastructure sectors include healthcare, education and childcare, transportation, sanitation, grocery and food production, and public health and safety, among others, as provided in the Interim Final Rule. Governments receiving Fiscal Recovery Funds have the discretion to add additional sectors to this list, so long as the sectors are considered critical to protect the health and well-being of residents. The Interim Final Rule emphasizes the need for recipients to prioritize premium pay for lower income workers. Premium pay that would increase a worker's total pay above 150% of the greater of the state or county average annual wage requires specific justification for how it responds to the needs of these workers.

5.2. What criteria should recipients use in identifying third-party employers to receive grants for the purpose of providing premium pay to essential workers?

Any third-party employers of essential workers are eligible. Third-party contractors who employ essential workers in eligible sectors are also eligible for grants to provide premium pay. Selection of third-party employers and contractors who receive grants is at the discretion of recipients. To ensure any grants respond to the needs of essential workers and are made in a fair and transparent manner, the rule imposes some additional reporting requirements for grants to third-party employers, including the public disclosure of grants provided.

5.3. May recipients provide premium pay retroactively for work already performed?

Yes. Treasury encourages recipients to consider providing premium pay retroactively for work performed during the pandemic, recognizing that many essential workers have not yet received additional compensation for their service during the pandemic

6. Eligible Uses – Water, Sewer, and Broadband Infrastructure

6.1. What types of water and sewer projects are eligible uses of funds?

The Interim Final Rule generally aligns eligible uses of the Funds with the wide range of types or categories of projects that would be eligible to receive financial assistance through the Environmental Protection Agency's Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF). Under the DWSRF, categories of eligible projects include: treatment, transmission and distribution (including lead service line replacement), source rehabilitation and decontamination, storage, consolidation and new systems development. Under the CWSRF, categories of eligible projects include: construction of publicly owned treatment works, nonpoint source pollution management, national estuary program projects, decentralized wastewater treatment systems, stormwater systems, water conservation, efficiency and reuse measures, watershed pilot projects, energy efficiency measures for publicly owned treatment works, water reuse projects, security measures at publicly owned treatment works, and technical assistance to ensure compliance with the Clean Water Act. As mentioned in the Interim Final Rule, eligible projects under the DWSRF and CWSRF support efforts to address climate change, as well as to meet cybersecurity needs to protect water and sewer infrastructure. Given the lifelong impacts of lead exposure for children, and the widespread nature of lead service lines, Treasury also encourages recipients to consider projects to replace lead service lines.

6.2. May construction on eligible water, sewer or broadband infrastructure projects continue past December 31, 2024, assuming funds have been obligated prior to that date?

Yes. Treasury is interpreting the requirement that costs be incurred by December 31, 2024, to only require that recipients have obligated the funds by such date. The period of performance will run until December 31, 2026, which will provide recipients a reasonable amount of time to complete projects funded with Fiscal Recovery Funds.

[See FAQs 6.5. through 6.12. for more information on broadband projects.](#)

10. Miscellaneous

10.3. Are recipients required to remit interest earned on CSFRF/CLFRF payments made by Treasury?

[5/27, updated 7/14]

No. CSFRF/CLFRF payments made by Treasury to states, territories, and the District of Columbia are not subject to the requirement of the Cash Management Improvement Act and Treasury's implementing regulations at 31 CFR part 205 to remit interest to Treasury. CSFRF/CLFRF payments made by Treasury to local governments and Tribes are not subject to the requirement of 2 CFR 200.305(b)(8)–(9) to maintain balances in an interest-bearing account and remit payments to Treasury. Moreover, interest earned on CSFRF/CLFRF payments is not subject to program restrictions. Finally, States may retain interest on payments made by Treasury to the State for distribution to NEUs that is earned before funds are distributed to NEUs, provided that the State adheres to the statutory requirements and Treasury's guidance

regarding the distribution of funds to NEUs. Such interest is also not subject to program restrictions. Among other things, States and other recipients may use earned income to defray the administrative expenses of the program, including with respect to NEUs.