



# Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) Funded by ARPA

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# Meeting Agenda

- Introduction and Background
- Eligible Expenditures:
  - 1 - Public Health
  - 2 - Responding to Negative Economic Impacts
  - 3 - Services to Disproportionately Impacted Communities
  - 4 - Premium Pay
  - 5 - Water, Sewer & Broadband Infrastructure
  - 6 - Revenue Replacement
  - 7 - Administrative
- Capital expenditures
- Q&A





# ARPA Introduction and Background

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# Introduction

- On March 11, 2021, ARPA was signed into law and provided \$350 billion of funding to states, territories, tribal and local governments to respond to the COVID-19 public health emergency and its economic impacts.
- Interim Final Rule outlined revenue loss calculation and allowable costs under the various categories
  - [Interim Final Rule \(treasury.gov\)](#)
- Final Rule issued on January 6, 2022
  - Clarified prior guidance and enumerated additional allowable expenditures
  - [SLFRF-Final-Rule.pdf \(treasury.gov\)](#)



# Introduction - continued

- Treasury provided a summary of the major changes under the Final Rule
  - [Coronavirus State & Local Fiscal Recovery Funds: Overview of the Final Rule \(treasury.gov\)](#)
- Compliance and reporting guidance & user guide
  - [SLFRF-Compliance-and-Reporting-Guidance \(treasury.gov\)](#)
  - [Project and Expenditure Report User Guide - State and Local Fiscal Recovery Funds \(treasury.gov\)](#)



# Introduction - continued

- General ledger implications
  - Funds, accounts, projects, budgets and more!
- ACFR and audit considerations (SEFA)
  - CFDA #21.027
- Treasury reporting
  - Recap of requirements
  - 66 different subcategories with unique requirements
  - Central repository for reporting
  - Prepare early
- Budget sustainability
  - What message are you sending to your employees or constituents?
- What other federal or state sources are available?





# Public Health

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# Treasury Reporting Eligible Uses

1: Public Health	
1.1	COVID-19 Vaccination ^
1.2	COVID-19 Testing ^
1.3	COVID-19 Contact Tracing
1.4	Prevention in Congregate Settings (Nursing Homes, Prisons/Jails, Dense Work Sites, Schools, etc.)*
1.5	Personal Protective Equipment
1.6	Medical Expenses (including Alternative Care Facilities)
1.7	Capital Investments or Physical Plant Changes to Public Facilities that respond to the COVID-19 public health emergency
1.8	Other COVID-19 Public Health Expenses (including Communications, Enforcement, Isolation/Quarantine)
1.9	Payroll Costs for Public Health, Safety, and Other Public Sector Staff Responding to COVID-19
1.10	Mental Health Services*
1.11	Substance Use Services*
1.12	Other Public Health Services





# Public Health Final Rule Overview

- COVID-19 mitigation and prevention (“Cares-like”)
- Medical Expenses
- Behavioral health care, such as mental health treatment, substance use treatment, and other behavioral health services
- Preventing and responding to violence





# Responding to Negative Economic Impacts and Services to Disproportionately Impacted Communities

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# Treasury Reporting Eligible Uses

2: Negative Economic Impacts	
2.1	Household Assistance: Food Programs* ^
2.2	Household Assistance: Rent, Mortgage, and Utility Aid* ^
2.3	Household Assistance: Cash Transfers* ^
2.4	Household Assistance: Internet Access Programs* ^
2.5	Household Assistance: Eviction Prevention* ^
2.6	Unemployment Benefits or Cash Assistance to Unemployed Workers*
2.7	Job Training Assistance (e.g., Sectoral job-training, Subsidized Employment, Employment Supports or Incentives)* ^
2.8	Contributions to UI Trust Funds
2.9	Small Business Economic Assistance (General)* ^
2.10	Aid to Nonprofit Organizations*
2.11	Aid to Tourism, Travel, or Hospitality
2.12	Aid to Other Impacted Industries
2.13	Other Economic Support* ^
2.14	Rehiring Public Sector Staff



# Treasury Reporting Eligible Uses

<b>3: Services to Disproportionately Impacted Communities</b>	
3.1	Education Assistance: Early Learning* ^
3.2	Education Assistance: Aid to High-Poverty Districts ^
3.3	Education Assistance: Academic Services* ^
3.4	Education Assistance: Social, Emotional, and Mental Health Services* ^
3.5	Education Assistance: Other* ^
3.6	Healthy Childhood Environments: Child Care* ^
3.7	Healthy Childhood Environments: Home Visiting* ^
3.8	Healthy Childhood Environments: Services to Foster Youth or Families Involved in Child Welfare System* ^

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U.S. DEPARTMENT OF THE TREASURY

3.9	Healthy Childhood Environments: Other* ^
3.10	Housing Support: Affordable Housing* ^
3.11	Housing Support: Services for Unhoused Persons* ^
3.12	Housing Support: Other Housing Assistance* ^
3.13	Social Determinants of Health: Other* ^
3.14	Social Determinants of Health: Community Health Workers or Benefits Navigators* ^
3.15	Social Determinants of Health: Lead Remediation ^
3.16	Social Determinants of Health: Community Violence Interventions* ^





# Premium Pay for Essential Workers



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# Treasury Reporting Eligible Uses

## 4: Premium Pay

4.1 Public Sector Employees

4.2 Private Sector: Grants to Other Employers





# Water, Sewer and Broadband Infrastructure

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# Treasury Reporting Eligible Uses

## 5: Infrastructure<sup>24</sup>

- |      |   |
|------|---|
| 5.1  | Clean Water: Centralized Wastewater Treatment                 |
| 5.2  | Clean Water: Centralized Wastewater Collection and Conveyance |
| 5.3  | Clean Water: Decentralized Wastewater                         |
| 5.4  | Clean Water: Combined Sewer Overflows                         |
| 5.5  | Clean Water: Other Sewer Infrastructure                       |
| 5.6  | Clean Water: Stormwater                                       |
| 5.7  | Clean Water: Energy Conservation                              |
| 5.8  | Clean Water: Water Conservation                               |
| 5.9  | Clean Water: Nonpoint Source                                  |
| 5.10 | Drinking water: Treatment                                     |
| 5.11 | Drinking water: Transmission & Distribution                   |
| 5.12 | Drinking water: Transmission & Distribution: Lead Remediation |
| 5.13 | Drinking water: Source  |
| 5.14 | Drinking water: Storage                                       |
| 5.15 | Drinking water: Other water infrastructure                    |
| 5.16 | Broadband: "Last Mile" projects                               |
| 5.17 | Broadband: Other projects                                     |







# Public Sector Revenue Loss (Section 6.1)

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# Revenue Loss – Use of funds

- The Final Rule allows recipients to elect a standard allowance of \$10 million revenue loss instead of using the calculation.
  - Allowance covers entire period of performance
  - Allowance is not dependent on the “size” of the entitlement.
- The Interim Final Rule gave recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue.
- These expenditures do *not* have to qualify under one of the other ARPA categories, but do have the same time frame for when the costs must be obligated or expended
- More resource: <https://www.claconnect.com/events/2022/demystifying-revenue-loss-and-arpa-funds>



# Spending on Government Services

- ✓ Construction of schools and hospitals
- ✓ Road building and maintenance, and other infrastructure
- ✓ Health services
- ✓ General government administration, staff, and administrative facilities
- ✓ Environmental remediation
- ✓ Provision of police, fire, and other public safety services (including purchase of fire trucks and police vehicles)

Government services generally include any service traditionally provided by a government, unless Treasury has stated otherwise.



# Restriction on Uses

## (A) statutory restrictions under the ARPA

- 1) offsetting a reduction in net tax revenue
- 2) deposits into pension funds

## (B) other restrictions on use

- 1) debt service and replenishing reserves
- 2) settlements and judgments
- 3) general restrictions.



# Restriction on Uses – Statutory Restrictions

May not “use the funds ... to either directly or indirectly offset a reduction in ... net tax revenue ... resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax ... or delays the imposition of any tax or tax increase.”

- Step by step processes for assessing potential “offset” of revenue

Prohibit all recipients, except Tribal governments, from using funds for deposit into any pension fund.

- Does not address OPEB



# Restriction on Uses - Other

## Debt service and replenishing financial reserves

- This is not considered a government service to constituents

## Settlements or judgments

- If a settlement or judgment requires a government to provide governmental services that be allowable, then those services are allowable under Revenue Loss rules

## Other

- Terms and Conditions
- Violations of Conflict of Interest (TC and OMB)
- Other Federal, State and Local rules and regulations





# Administrative

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# Treasury Reporting Eligible Uses

7: Administrative	
7.1	Administrative Expenses
7.2	Evaluation and Data Analysis
7.3	Transfers to Other Units of Government
7.4	Transfers to Non-entitlement Units (States and territories only)







# Capital Expenditures



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# Overview

- Excluding water, sewer and broadband infrastructure, capital expenditures can be incurred under the following eligible use categories
  - Public health and negative economic impact – requires additional reporting
  - Revenue loss (government services) – does not require additional reporting



# Public Health and Negative Economic Impact

## Capital Expenditure Requirements

- Except for Tribal Governments, must comply with **capital expenditure requirements**, in addition to other standards for uses of funds
- Must be related and reasonably proportional to the pandemic impact identified and reasonably designed to benefit impacted population or class
- Final Rule identifies enumerated types of capital expenditures that respond to pandemic
- Recipients may also identify other responsive capital expenditures

If a project has total capital expenditures of	and the use is enumerated by Treasury as eligible, then	and the use is beyond those enumerated by Treasury as eligible, then
Less than \$1 million	No Written Justification required	No Written Justification required
Greater than or equal to \$1 million, but less than \$10 million	Written Justification required but recipients are not required to submit as part of regular reporting to Treasury	Written Justification required and recipients must submit as part of regular reporting to Treasury
\$10 million or more	Written Justification required and recipients must submit as part of regular reporting to Treasury	



# Written Justification



Description of harm or need to be addressed and why this was exacerbated or caused by the pandemic

May provide quantitative information



Explanation of why a capital expenditure is appropriate

Should include explanation why existing facilities, equipment, policy changes or additional funding to programs or services would be inadequate



Comparison of proposed capital project against **at least 2** alternative capital expenditures and demonstrate why the proposed capital expenditure is superior



# Ineligible Use Presumptions

Construction of new correctional facilities as a response to increase in crime

Construction of new congregate facilities to decrease spread of COVID-19 in the facility

Construction of convention centers, stadiums, or other large capital projects intended for general economic development or to aid impacted industries





# Questions and Answers

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# Closing & Resources

- CLA Resources:
  - [Governments: Review This Checklist Before Spending COVID-19 Relief Funds : 2021 : Articles : Resources : CLA \(CliftonLarsonAllen\) \(claconnect.com\)](#)
  - [Demystifying Revenue Loss and ARPA Funds : 2022 : Events : CLA \(CliftonLarsonAllen\) \(claconnect.com\)](#)
  - [Managing Your ARPA Funds : 2021 : Events : CLA \(CliftonLarsonAllen\) \(claconnect.com\)](#)
  - [ARPA Basics for Governments and Potential Impact on Communities : 2021 : Events : CLA \(CliftonLarsonAllen\) \(claconnect.com\)](#)
  - [Overcoming Workforce Challenges : 2022 : Events : CLA \(CliftonLarsonAllen\) \(claconnect.com\)](#)
- ARPA Treasury:
  - [Coronavirus State and Local Fiscal Recovery Funds | U.S. Department of the Treasury](#)
  - [WEBINAR: State & Local Fiscal Recovery Funds: An Introduction to the Final Rule - YouTube](#)
- Revenue Loss Calculation classification:
  - [U.S. Bureau of the Census - Government Finance and Employment](#)
- ARPA FAQs:
  - <https://home.treasury.gov/system/files/136/SLFRPFAQ.pdf>
  - [American Rescue Plan Act: Coronavirus State & Local Fiscal Recovery Fund FAQs \(naco.org\)](#)



# Thank you for your participation!

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