



Overview and FAQs for the American Rescue Plan Act

Below are several frequently asked questions the League has received from its membership regarding the American Rescue Plan Act (ARPA) as it pertains to local government. If your question is not listed below, please see the Interim Final Rule (IFR) or the Compliance and Reporting Guidance. Both documents are available online at: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>. **NOTE:** this document is *not* a replacement for U.S. Treasury guidance or the advice of your municipal attorney. Your municipality should review the interim final rule from U.S. Treasury.

ALM's team continues to submit questions to the U.S. Department of Treasury for further clarification and will update this document as further guidance is received.

I. Eligible Uses

I.1) How can my municipality use ARPA Funding?

Fiscal Recovery Funds must be used in one of the four eligible use categories specified in the ARPA and implemented in IFR:

- 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. However, it is important to keep in mind that the Alabama Constitution generally prohibits the use of public funds for private purpose. If your municipality is considering using funds to directly benefit individuals, businesses or nonprofits, please consult your municipal attorney. For more information on using public funds, please review the article titled "The Public Purpose Doctrine" in the *Selected Readings for the Municipal Official* on p. 309 at: <https://almonline.org/Assets/Files/ConferenceResources/2020OrientationConference/2020%20Selected%20Readings%20Manual-FINAL.pdf>.
- b) To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers. Essential workers are those in critical infrastructure sectors who regularly perform in-person work, interact with others at work, or physically handle items handled by others. As with a) above, the Alabama Constitution places restrictions on retroactive pay. When using funds for premium pay, please work with your municipal attorney on doing so as a one-time pay increase.

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

I.2) How is revenue loss determined?

A reduction in revenue is calculated through a specific formula established by Treasury guidance. A municipality cannot use its own budget shortfall calculation for the purpose of determining reduction in revenue. The formula can be found in the IFR at: <https://www.govinfo.gov/content/pkg/FR-2021-05-17/pdf/2021-10283.pdf>.

I.3) Can I use ARPA funding for other infrastructure projects beyond water, sewer and broadband?

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 or a specific negative economic impact of the pandemic.

I.4) What type of water and sewer projects can my municipality invest in?

For water and sewer projects, the IFR refers to the EPA Drinking Water and Clean Water State Revolving Funds (SRFs) for the categories of projects and activities that are eligible for funding. Eligible uses for the SRFs can be found at: <http://adem.alabama.gov/programs/water/srf.cnt>.

I.5) Are there any restrictions on how my municipality can use funds calculated as lost revenue?

The IFR gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue. 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. 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.

I.6) Can my municipality use ARPA funds to cover cost occurring prior to receiving funds?

The IFR permits funds to be used to cover costs incurred beginning on March 3, 2021. This limitation applies to costs incurred by the recipient (i.e., the state, local, territorial or Tribal government receiving funds).

I.7) Is there a deadline to spend funds?

Funds you receive must be allocated/obligated by December 31, 2024 and spent by December 31, 2026.

I.8) What happens if funds are not spent by the deadline?

After the deadline, the municipality will need to return any remaining fund to U.S. Treasury.

I.9) Can a municipality use ARPA funds to match federal grants?

APRA 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.

II. Applying for Funds

II.1) How does my municipality apply for funding?

Metro cities should apply for funding through the U.S. Department of Treasury at: **home.treasury.gov**. Non-entitlement units (NEUs) should apply for funding through the state of Alabama at https://frf.alabama.gov/local_government.aspx.

II.2) To receive funding, is a municipality required to submit projects/plans on how they will choose to spend funds?

No, but your municipality will need to comply with reporting requirements on how you use those funds.

II.3) Can other revenues (utilities, court costs, etc..) be included in the budget cities/towns submit?

All revenue sources can be included, even if they are not budgeted in your general fund budget. With regard to utilities, keep in mind that a utility can be included as part of the municipality's budget as long as the utility shares the same federal tax id as the municipality.

II.4) Can a municipality decline ARPA funds?

Yes, if a municipality does not want to receive ARPA funding, it should still complete the application process and select the decline funds option.

II.5) Does my city/town have to have a separate bank account for the American Rescue Plan funds we receive?

It is not necessary to keep these funds in a separate account. However, the League encourages municipalities to keep these funds in a separate bank account as a best practice for reporting requirement purposes.

II.6) Can municipalities put funds in an interest-bearing account?

Municipalities can place funds in interest-bearing accounts and do not need to remit interest to Treasury and are not limited to using that interest for eligible uses as outlined in I. above.

III. Reporting Requirements

III.1) What are the reporting requirements for non-entitlement units (NEU)?

NEUs are required to submit Project and Expenditure Report annually. The initial Project and Expenditure Report will cover from the date of the award to March 31, 2022 and must be submitted to U.S. Treasury by April 30, 2022.

III.2) What are the reporting requirements for metropolitan cities with a population below 250,000 residents which received less than \$5 million in SLFRF funding?

These municipalities are required to submit Project and Expenditure Report annually and submit a onetime Interim Report. The initial Project and Expenditure Report will cover from the date of the award to December 31, 2021, and must be submitted to U.S. Treasury by January 31, 2022.

III.3) What are the reporting requirements for Metropolitan cities and counties with a population below 250,000 residents which received more than \$5 million in SLFRF funding?

These municipalities are required to submit Project and Expenditure Report quarterly and submit a onetime Interim Report. The initial quarterly Project and Expenditure Report will cover two calendar quarters from the date of award to December 31, 2021 and must be submitted to Treasury by January 31, 2022.

III.4) How long do I need to keep financial records and supporting documents?

Financial records and supporting documents related to the award must be retained for a period of five years after all funds have been expended or returned to Treasury, whichever is later. This includes those which demonstrate the award funds were used for eligible purposes in accordance with the ARPA, Treasury’s regulations implementing those sections, and Treasury’s guidance on eligible uses of funds.

III.5) Does my municipality need to follow Uniform Guidance?

Most of the provisions of the Uniform Guidance (2 CFR Part 200) apply to this program, including the Cost Principles and Single Audit Act requirements. Recipients should refer to the Assistance Listing for detail on the specific provisions of the Uniform Guidance that do not apply to this program. The Assistance Listing will be available on beta.SAM.gov.

III.6) What are the Expenditure Categories for the Project and Expenditure Report?

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
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
3: Services to Disproportionately Impacted Communities	
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* ^
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* ^
4: Premium Pay	
4.1	Public Sector Employees
4.2	Private Sector: Grants to Other Employers
5: Infrastructure²⁷	
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
6: Revenue Replacement	
6.1	Provision of Government Services
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)

*Denotes areas where recipients must identify the amount of the total funds that are allocated to evidence-based interventions (see Use of Evidence section above for details)

^Denotes areas where recipients must report on whether projects are primarily serving

IV. Additional

IV.1) Can funds be used to pay a consultant to do reporting?

Yes, municipalities may use funds for administering the funds including the costs of consultants to support effective management and oversight. However, costs must be reasonable and allocable as outlined in 2 CFR 200.404 and 2 CFR 200.405.