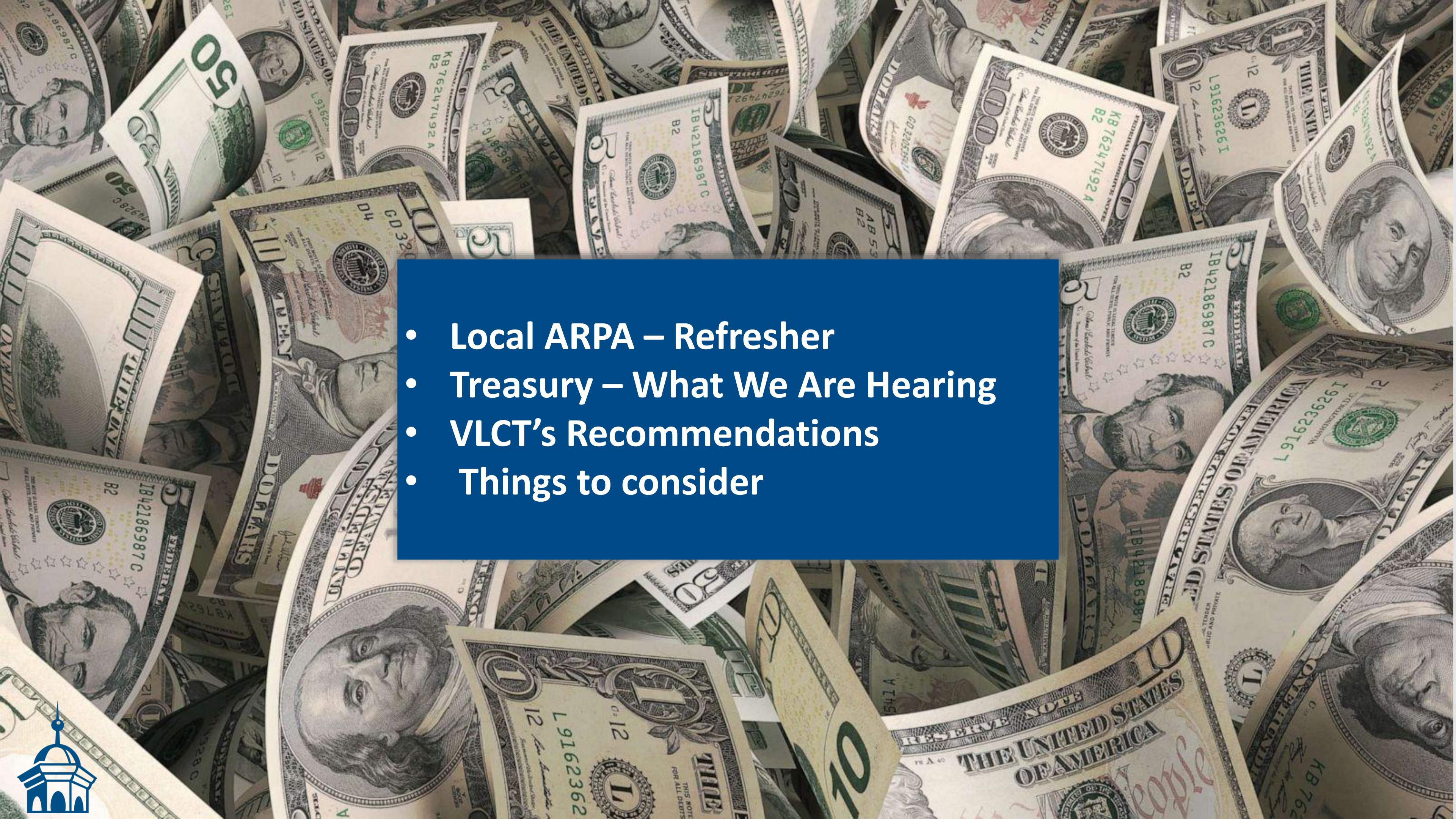


*** LOCAL ***

**American Rescue Plan Act (ARPA)
February 2024 Update**



**Vermont League
of Cities & Towns**

- 
- Local ARPA – Refresher
 - Treasury – What We Are Hearing
 - VLCT’s Recommendations
 - Things to consider



- Unlike any other federal grant program
- Not competitive; no application process; one-size-fits-all “grant agreement”
- No public process requirement (although it is a best practice!)
- Cash up front in [two tranches](#), one year apart (summer 2021, summer 2022)
- Protracted timeline to obligate (12/31/2024) and spend (12/31/2026)
- How many eligible Vermont municipalities accepted these federal funds?
ALL except one.
- The best part....the “Standard Allowance” for revenue loss = “provision of government services” = broad flexibility in spending
- How many Vermont municipalities elected the Standard Allowance? All.



Local ARPA – A Rare & Beautiful Thing



Local ARPA - Vermont's Share

- Allocated to states based on population using 2019 Census data
- “Metro cities” (based on HUD definitions)
 - Only 1 in VT = Burlington (pop. 42,819)
 - Received funding directly from Treasury
 - Largest awards in VT = \$27,176,144.49 (includes county \$)
 - More rigid, quarterly reporting requirements
- “NEUs” (non-entitlement units)
 - Everyone else
 - Received funding from Treasury distributed through the State of VT
 - Largest award = South Burlington \$5,654,533
 - Smallest award = Victory (pop. 63), \$18,956
 - Simpler, annual reporting requirements
- Local ARPA works out to be ~\$300/Vermonters
- How much did your community get? Click [HERE](#).
- How is ARPA being spent in VT? Click [HERE](#).

Local ARPA Funds:	
Metro Cities	\$20,721,902
Non-Entitlement Units of Government (NEUs)	\$58,788,245
Counties*	\$121,202,550
TOTAL Local ARPA Funds:	\$200,712,697
State of Vermont**	\$1,049,287,303
TOTAL VERMONT ARPA:	\$1,250,000,000

*County money has been reallocated to municipalities.





What We Are Hearing From Treasury & National League of Cities

- Taking a closer look at NEUs
- Noticing that many have not [obligated](#) or expended any funds
- Sending emails to entities that have not reported threatening recoupment
- Signaling stronger messages on program requirements:
 - Funds not [obligated](#) by 12/31/2024 will be returned to Treasury
 - Funds not expended by 12/31/2026 will be returned to Treasury
 - **Not** allowing de-obligation and re-obligation after 12/31/2024 – only under a few very specific circumstances.



OBLIGATION = “An order placed for property and services and entry into contracts, subawards, and similar transactions that require payment.”

[\(31 CFR 35.3\)](#)

**“Appropriating,” “Designating,” “Setting Aside,” “Reserving,” etc.
Your ARPA funds does not meet the definition for obligate!”**

In November 2023, Treasury issued the [Obligation Interim Final Rule \(IFR\)](#) to address recipients’ questions and comments regarding the definition of obligation. The Obligation IFR revises the definition of “obligation” in Treasury’s implementing regulations for the SLFRF program and provides related guidance to give additional flexibility and clarity to recipients to support their use of SLFRF funds. Treasury created a 2-page [“Quick Reference Guide”](#) that informally summarizes the 17-page Obligation IFR.

From [Treasury SLFRF FAQs](#) 13.17:

“As stated in the final rule, obligation means “an order placed for property and services and entering into contracts, subawards, and similar transactions that require payment.” See [31 CFR 35.3](#).

As contemplated by this definition, Treasury recognizes that recipients may obligate funds through means other than contracts or subawards, for example in the case of payroll costs. In these circumstances, recipients must follow state or local law and their own established practices and policies regarding when they are considered to have incurred an obligation and how those obligations are documented. For example, a recipient may have incurred an obligation even though the recipient and its employee may not have entered into an employment contract. ”



USE IT....DON'T LOSE IT!

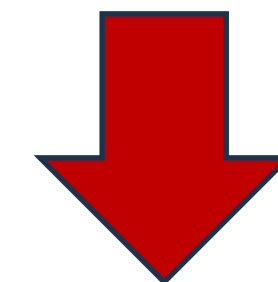


Recommendations:

- [Obligate](#) ALL your ARPA funds before October 1, 2024, if possible.
- Expend ALL ARPA funds before October 1, 2024, if possible.

Not sure how to make this happen?

Keep reading....





Given Where We Are & What We Know, What Will You Do?

Option #1: Spend directly from your ARPA special revenue fund.

OR

Option #2: Formally designate any remaining ARPA funds (backed by a decision on the record in a regular meeting of the legislative body) to pay for municipal personnel expenses*, transfer it to your general fund and use it to pay for these expenses. The municipality can then use the fund balance that this creates however it chooses.

*Be sure there is no duplication (double-dipping) with other federal programs (ex. FEMA PA).



BEFORE Choosing Option #2...Think It Through

- Do you have adopted financial policies that address the handling of fund balance? (example: VLCT's "Fund Balance Reserve Policy")?
- Is there a history for how the municipality has handled fund balance?
- Is there an existing reserve fund to which fund balance created by ARPA could be transferred? Check to see if you need voter approval.*
- Will the municipality need to create a new reserve fund for the purpose of using these funds? If so, then voter approval will be required.**
- Once you have your ARPA roadmap on how to proceed, run all the steps by your professional auditor, as applicable, to ensure they support your approach.

* ARPA cannot be used to ***directly*** fund a rainy-day fund.

** **Do not** use the term ARPA when creating a new reserve fund – not in the fund name nor the purpose.



AFTER Completing Option #2...



The federal character of the money is gone:

- “ARPA” funds freed up general fund revenue that remains as unassigned fund balance.
- The timelines of obligation (12/31/2024) and expenditures (12/31/26) disappear.
- The federal requirements – the terms and condition of your funding (including “Uniform Guidance) no longer apply; only your local policies apply.





Takeaways

- If you have unobligated ARPA funds remaining, develop a plan NOW.
- If your obligations do not meet the definition (31 CFR 35.3) and are not rock-solid (in writing), then choose Option #2.
- If possible, obligate and expend by October 1, 2024.
- Don't wait!



Questions?

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