The Final Rule, Compliance & Reporting

April 5, 2022
What We’ll Cover:

• The Final Rule Changes
  • Spending
  • The “Standard Allowance”

• NEU Reporting
  • Portal Set Up
  • Project and Expenditure Report

• Accounting Considerations with Examples

• Q&A
• **American Rescue Plan Act (ARPA)** - $1.9 trillion stimulus package signed into law March 11, 2021

• **Coronavirus State and Local Fiscal Recovery Funds** (“CSLFRF” or “ARPA”) - $350 billion for eligible state, local, territorial and Tribal governments

• **Purpose** – To support governments in their response to and recovery from the COVID-19 public health emergency

• **U.S. Department of the Treasury** (“Treasury”) will distribute the funding

• **Final Rule**, issued by Treasury on January 6, 2022 (replaces the “interim final rule”) lays out the requirements of CSLFRF/ARPA funding
The Final Rule

General Information

- Issued January 6th, it takes effect April 1, 2022
- Funds must be obligated by 12/31/2024 and spent by 12/31/2026
- The legislative body of a municipality is the ultimate arbiter of how funds will be spent; there is no higher authority or approval process
- All municipalities will be required to report on their spending directly to Treasury using an online portal
- All municipalities, excluding Burlington, have an annual reporting schedule, due by April 30th each year, 2022-2027
What You **CAN NOT** Spend $ On

Changes Between the Interim Final Rule and the Final Rule

You still cannot “directly fund”:

- “Extraordinary” deposits into pension funds
- Contributions to rainy day funds, reserve funds, or satisfaction of a settlement or judgement
- Outstanding Debt service

But now you **can** fund this:

- Non-Federal Match is now allowed, explicitly for IIJA/BIL programs, but also generally as it is included under Section G., page 368 of the final rule, up to the amount of the recipient’s reduction in revenue; there is a new Expenditure Category for it – 6.2 Non-Federal Match for Other Federal Programs.

(Why do we ❤️ this change? Because it allows towns to stretch their local ARPA awards!)
What You **CAN** Spend $ On

The Final Rule: Same **Categories** but broader uses with more clarity and this............
Category 6: Revenue Replacement

You can either calculate your actual revenue loss using this formula......

\[
\text{Max} \left\{ \left[ \text{Base Year Revenue} \times \left(1 + \text{Growth Adjustment}\right)^{\frac{n}{12}} \right] - \text{Actual General Revenue}_t ; 0 \right\}
\]
The $10 Million Standard Allowance!

Replacing Lost Public Sector Revenue

The final rule offers a standard allowance for revenue loss of $10 million, allowing recipients to select between a standard amount of revenue loss or complete a full revenue loss calculation. Recipients that select the standard allowance may use that amount – in many cases their full award – for government services, with streamlined reporting requirements.

(Should you take it? YES, you absolutely should!)
Expenditure Category 6
Revenue Replacement

- Recipients will make “a one-time, irrevocable election to utilize either the revenue loss formula or the standard allowance”

- For NEUs, the entire amount of your municipality’s ARPA award may be taken as lost revenue

- Treasury “presumes” this amount is revenue loss – there is no need to calculate, demonstrate or document it

- EC 6.1 Government services generally include any service traditionally provided by a government
You only have one chance to take the Standard Allowance

If your town/city/village will take the standard allowance approach, you MUST make this election during the April 30, 2022 reporting period.
For in depth information on reporting, please visit VLCT’s Compliance and Reporting webpage.
Treasury’s Portal - Getting Set Up

• Before you can complete your first Project and Expenditure Report, you must set up your town/city/village in Treasury’s online Portal

• Read the NEU User Guide

• You must create a Login.gov account to access the Portal (unless you already have an ID.me account)

• You must designate people for the three roles for users of the Portal:
  • Account Administrator*
  • Point of Contact (POC) for Reporting
  • Authorized Representative for Reporting

• You can assign a person to one or more roles; multiple people can be assigned the same role

• After designating all roles, don’t forget to hit the “Complete” button

*Please note, for NEUs, the primary point of contact initially provided to the State during the certification process was automatically designated as an Account Administrator by Treasury.
After assigning roles and before completing your first Project and Expenditure Report, you must upload these:

1. **Award Terms and Conditions** – signed by the Authorized Representative and dated with your **Date of Award**

2. **Assurance of Compliance With Civil Rights Requirements** – signed by the Authorized Representative and dated with your **Date of Award**

3. **Copy of actual budget docs.** This is the document that shows the budget number entered under Question 8 when you certified to received funds in summer 2021:
NEU Reporting - Project and Expenditure Report

• Choose the “fast and simple” option of submitting all “projects” (spending) under ONLY Expenditure Category 6: Revenue Replacement

• Even if you have not spent any of your ARPA award yet, you still must complete the P&E Report

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**Step 1:**
Create a project under EC 6.1 “Provision of Government Services”

**Step 2:**
Complete the Revenue Replacement fields in the “Recipient Specific” module.
→ Choose “YES” to elect the Standard Allowance.
→ Complete the required fields.

**Step 3:**
Certify and submit!
NEU Reporting - Takeaways

• If your municipality has not yet set itself up in Treasury’s Reporting Portal, don’t wait any longer – **DO IT NOW.**

• Whoever was named as the **Authorized Representative** when you certified to accept funds last summer is the **Account Administrator**. They must go into the Portal **first** to designate roles.

• Create a user account at [Login.gov](https://www.vlct.org/arpa)

• You must complete a **Project and Expenditure Report**, even if you have not spent any ARPA funds yet.

• **Take the standard allowance for the entire amount of your ARPA award** – there are no downsides to this approach – and you **must make this election during the April 30, 2022**. It is your **ONLY** chance to do this.

• Bookmark these pages:
  - [https://www.vlct.org/arpa](https://www.vlct.org/arpa)
  - [https://www.vlct.org/arpa-faqs](https://www.vlct.org/arpa-faqs)
Accounting Considerations with Examples
**Recommendation:**
Account for ARPA funds in a Special Revenue Fund (SRF)

Money can be expensed directly from the SRF or transferred to other funds to be spent

An audit and reporting trail is created by using the SRF as a launch pad for everything ARPA
Example #1

**Scenario:**
- $500k in ARPA Funds Received in FY22
- Nothing spent as of the end of the year

**Steps:**
1. Record Cash and Unearned Revenue

<table>
<thead>
<tr>
<th>Account Name</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 500,000</td>
<td></td>
</tr>
<tr>
<td>Unearned Revenue</td>
<td></td>
<td>$ 500,000</td>
</tr>
</tbody>
</table>

*To record receipt of grant funds*
Scenario:
- Use $100k to pay for police salaries

Steps:
1. Recognize revenue
2. Transfer funds
3. Process payroll as normal

<table>
<thead>
<tr>
<th>Sample Journal Entry</th>
<th>Fund</th>
<th>Account Name</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRF</td>
<td>Unearned Revenue</td>
<td>$ 100,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SRF</td>
<td>Grant Revenue</td>
<td></td>
<td>$ 100,000</td>
<td></td>
</tr>
<tr>
<td>SRF</td>
<td>Transfer Out</td>
<td></td>
<td>$ 100,000</td>
<td></td>
</tr>
<tr>
<td>GF</td>
<td>Transfer In</td>
<td></td>
<td>$ 100,000</td>
<td></td>
</tr>
<tr>
<td>GF</td>
<td>Police Salaries Expenditure</td>
<td>$ XXX,XXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GF</td>
<td>Cash</td>
<td></td>
<td>$ XXX,XXX</td>
<td></td>
</tr>
</tbody>
</table>

To record payment of police salaries (automatic posting from payroll system - process payroll as normal)
Scenario:
• Use $100k to pay for police salaries

Steps:
1. Recognize revenue
2. Record the associated expenditure in the SRF by moving it from the GF

Sample Journal Entry

<table>
<thead>
<tr>
<th>Fund</th>
<th>Account Name</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRF</td>
<td>Unearned Revenue</td>
<td>$ 100,000</td>
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</tr>
<tr>
<td>SRF</td>
<td>Grant Revenue</td>
<td></td>
<td>$ 100,000</td>
</tr>
<tr>
<td>SRF</td>
<td>Police Salaries Expenditure</td>
<td>$ 100,000</td>
<td></td>
</tr>
<tr>
<td>GF</td>
<td>Police Salaries Expenditure</td>
<td></td>
<td>$ 100,000</td>
</tr>
</tbody>
</table>

To recognize grant revenue
Example #3

Scenario:
• $8k spent out of SRF to purchase PPE

Steps:
1. Recognize revenue
2. Pay invoice

Sample Journal Entry

<table>
<thead>
<tr>
<th>Account Name</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unearned Revenue</td>
<td>$ 8,000</td>
<td></td>
</tr>
<tr>
<td>Grant Revenue</td>
<td></td>
<td>$ 8,000</td>
</tr>
<tr>
<td>Supplies Expenditure</td>
<td>$ 8,000</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td>$ 8,000</td>
</tr>
</tbody>
</table>

*To recognize grant revenue*
*To purchase PPE*
Other Considerations

Transition from DUNS number to Unique Entity Identifier
- Effective April 4, 2022 DUNS numbers are no more
- UEI now the authoritative identifier
- Anyone with an active or expired registration in SAM.gov already has a UEI

**Action Item**: log on to SAM.gov, make note of your UEI

Make reporting a priority early this month so you have an opportunity to get help if you need it, don’t wait!

Document everything you are doing with the APRA funds
- Notes in journal entries
- Memos and spreadsheets
- Save everything to an electronic ARPA file
Planning Framework for Maximum Impact and Best Use of Municipal ARPA Funds

1. PRIORITIZE GOOD GOVERNANCE
   - Convene all Stakeholders & Build Consensus
   - Follow Allowable Uses Under ARPA
   - Meet all Accounting & Reporting Rules
   - Comply w/ all Local & State Laws/Ordinances
   - Ensure Transparency Throughout
   - Do Not Create Future Budget Deficits

2. LEVERAGE YOUR ARPA AID
   - Use a Thoughtful Strategic Planning Process
   - Leverage w/ ARPA, FEMA & Other $ Fed Sources
   - Coordinate w/ Other State & Local Programs
   - Collaborate w/ Community Partners & Orgs
   - Use Existing Delivery Systems for Efficiency
   - Don’t Reinvent the Wheel: Learn from Others

3. INVEST IN BEST USES FOR LONG-TERM RECOVERY
   - Invest in Urgent Health and Economic Needs
   - Prioritize Short-Term Investments w/ Lasting Benefits
   - ID and Address Pre-COVID Inhibitors to Growth
   - Measure Progress Throughout to Inform Ongoing Plans
ARPA Assistance and Coordination Program

- Guidance and project eligibility analysis
- Webinars, targeted trainings, technical assistance, best practices
- In-person and virtual meetings with local officials and staff
- Answer questions (arpa@vlct.org)
- Guidance with compliance, reporting, and transparency
- Collaboration/partnerships with RPCs, SOV, RDCs, statewide non-profits, private consultants, etc. to ensure needs of municipalities are met related to project ideation, implementation and management
- ARPA resources webpage:
  - https://www.vlct.org/resources/american-rescue-plan-information
Regional Planning Commission Assistance

- Identify needs and top priorities for designing and building projects that are consistent with existing State, regional and local plans.

- Respond to inquiries on eligibility to facilitate local discussions among stakeholders on specific projects.

- Provide other assistance as needed from local communities in coordination with VLCT.

- Work with VLCT, regional development corporations, and private consultants working with municipalities to ensure needs of local communities are met, especially related to project development and management.

- For more information on the State of Vermont’s 11 Regional Planning Commissions visit: [www.vapda.org](http://www.vapda.org)
Thank You!

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