

MEMORANDUM

To: Municipal Recipients of State and Local Fiscal Recovery Funds
From: A&F Federal Funds Office
Date: 8/3/2022
Re: Updated Treasury Guidance for Coronavirus State and Local Fiscal Recovery Funds

Summary: On July 27, 2022, U.S. Treasury updated the Coronavirus State and Local Fiscal Recovery Fund's FAQs. Of particular importance to municipal recipients of SLFRF, Treasury has clarified that only limited provisions of the Uniform Guidance apply to expenditures under the "Revenue Replacement" eligibility category.

Background: On March 11, 2021, the American Rescue Plan Act was signed into law, and established the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, which together make up the Coronavirus State and Local Fiscal Recovery Funds ("SLFRF") program. This program is intended to provide support to State, territorial, local, and Tribal governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses.

The Coronavirus State and Local Fiscal Recovery Funds Final Rule details several administrative processes and requirements, including on distribution of funds, timeline for use of funds, transfer of funds, treatment of loans, use of funds to meet non-federal match or cost-share requirements, administrative expenses, reporting on use of funds, and remediation and recoupment of funds used for ineligible purposes. Recipients of these funds, such as municipalities, are accountable to Treasury for compliance with these requirements as well as the requirements of 2 CFR 200: [Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#) (the "Uniform Guidance").

New Guidance: Treasury's new [FAQs](#) clarify that there are no subawards for expenditures under the "Revenue Replacement" eligibility category.¹ This has important consequences for compliance with 2 CFR 200. Specifically, Treasury has stated that the majority of subparts D and E of the Uniform Guidance are not

¹ See FAQ 13.14: "Treasury has determined that there are no subawards under this eligible use category. The definition of subrecipient in the Uniform Guidance provides that a subaward is provided for the purpose of "carrying out" a portion of a federal award. Recipients' use of revenue loss funds does not give rise to subrecipient relationships given that there is no federal program or purpose to carry out in the case of the revenue loss portion of the award."

applicable to expenditures reported under Category Group 6 “Revenue Replacement.”² Of particular note, *the subrecipient monitoring, property standards, and procurement standards provisions of the Uniform guidance do not apply to expenditures reported as “Revenue Replacement.”*

Municipalities are still required to comply with Subparts A, B, C, and F of the Uniform Guidance and generally, should not deviate from their established practices and policies regarding the incurrence of costs. They should expend and account for the funds in accordance with laws and procedures for expending and accounting for the municipality’s own funds. In determining whether a “Revenue Replacement” cost is allowable, municipalities should refer to 2 CFR 200.404(e) “Reasonable Costs.” Municipal use of “Revenue Replacement” funds remains subject to the other applicable requirements of the SLFRF program, including among other things the deadlines for obligations and expenditures and the application of federal antidiscrimination requirements.

Conclusion: This change in guidance significantly lessens the compliance and reporting burden on municipal use of SLFRF funds. Municipalities must still comply with applicable provisions of Treasury’s guidance and the Uniform Guidance. All SLFRF expenditures are still subject to outside audit and compliance with these requirements must be clear from both an accounting and documentation perspective.

² See FAQ 13.15 “However, given the purpose and very broad scope of eligible uses of the revenue replacement funds, only a subset of the requirements in Subparts D and E of the Uniform Guidance apply to recipients’ use of such funds. The applicable requirements are listed below: 200.300 Statutory and national policy requirements, 200.302 Financial management, 200.303 Internal controls, 200.328 Financial reporting, 200.329 Monitoring and reporting program performance, Record Retention and Access (2 C.F.R. 200.334 – 200.338), 200.400(a) - (c), and (e) Policy guide, 200.403(a), (c), (d), (g), and (h) Factors affecting allowability of costs, and 200.404(e) Reasonable costs.