

Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) – Treasury Provides Update on Final Rule

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The United States Department of Treasury (Treasury) has recently posted an update on the status of the Final Rule governing the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF), a program appropriated in the American Rescue Plan Act (ARPA).

Background

In March 2021, President Biden signed the ARPA into law, which included appropriations for the CSLFRF program. On May 10, 2021, Treasury published guidance in the form of the Interim Final Rule (IFR) on eligible uses and expenditures under CSLFRF. Eligible uses of CSLFRF monies include: 1. Response to COVID-19 and its Negative Impacts, 2. Premium Pay for Essential Workers, 3. Revenue Loss, and 4. Water, Sewer, & Broadband Infrastructure.

From the time the IFR was issued, Treasury routinely updated its Frequently Asked Questions (FAQs) based on comments and general questions Treasury staff received. Comments on the IFR were accepted through July 16, 2021, and the last update to the FAQs is dated July 19, 2021.

Latest Update

Recipients of these funds and other stakeholders have been hopeful final guidance would be issued as Fall 2021 approached, however, Treasury has recently posted an update [here](#) indicating over 1,000 unique comments were received and the review of those comments is ongoing.

Included in the update from Treasury is clarification indicating the IFR is binding and effective now and until such time the Final Rule is issued. **Specifically, “Funds used in a manner consistent with the Interim Final Rule while the Interim Final Rule is effective will not be subject to recoupment.”**

Thoughts to Consider

Due to the unique nature of these funds and the length of the period of performance (obligation must occur by December 31, 2024 while funds can be expended through December 31, 2026), it still may be advantageous to continue to wait for Treasury’s final guidance prior to finalizing plans for expenditure of CSLFRF awards. Important points to consider include:

1. These funds are subject to the Uniform Guidance (UG), a stringent set of federal compliance requirements, requiring the recipient to have written policies and procedures in place prior to obligation of these funds. Some governments may not routinely receive significant funding subject to the UG and therefore need additional time to institute UG requirements before expenditure of CSLFRF monies.
2. It is possible that the IFR may significantly change the eligible use categories, possibly broadening potential allowable costs and projects. Governing bodies may want to allow for the opportunity to consider the final guidance in regard to eligible uses and expenditures so these funds may be used in a manner having greater impact on their constituents and communities.

Final Thoughts

In summary, as with other funding provided through appropriations associated with COVID-19 and its impacts, governments are continuing to face challenges navigating the pandemic coupled with the “strings” attached to additional

appropriations. Should you have any questions in regard to CSLFRF, or other accounting and auditing topics, please reach out to your M&J professional for assistance. We are happy to help!