2020 to 2022 was a frenzied period in Congressional history. The 116th Congress was focused on swiftly responding to the dynamic threat of COVID-19 while fighting to keep standard Congressional business moving. The Families First Coronavirus Relief Act, the CARES Act and HR133, The Stimulus Omnibus of 2020 were products of bipartisan and bicameral partnerships to secure trillions of dollars for individuals and communities in the United States to overcome the effects of the COVID-19 pandemic. What was normally one of the most important functions performed by Congress—funding the federal government—was dwarfed and frustrated by legislators’ efforts to address the ongoing public health crisis. As a result, Congress left some necessary stimulus on the table for 2021.

2021 marked not only the beginning of the 117th congress, but also the first year of the Biden Administration. The new administration entered with the swift passage of the American Rescue Plan Act (ARPA), the $1.2 trillion plan that includes the Coronavirus State and Local Fiscal Recovery Fund, which provides $350 billion to states and local governments—an acknowledgment that states and local governments were shouldering much of the pandemic’s most challenging fiscal problems. And while the law provided a good deal of stimulus relief, it left large gaps in specific detail regarding distribution methodologies, eligible expenditures, and reporting and compliance responsibilities. Throughout 2021, the U.S. Department of the Treasury filled the gaps between the law and the administrative rule. In early 2022, the Treasury Department provided the final rule and reporting and compliance guidance that followed the final rule.

ARPA Adventures: 2022 and Beyond

BY EMILY SWENSON BROCK

Despite reaching nearly the halfway point of ARPA’s covered period, many direct recipients have not yet spent their ARPA funds. Some prime recipient communities are just beginning to detail their spending plans or may just be in the early stages of planning. This is largely because many communities were waiting for the publication of the final rule. While

The Colonel Ward Pumping Station in Buffalo, New York, pictured above, pumps as much as 75 million gallons of water each day. The City of Buffalo is utilizing $40 million of their ARPA funds towards smart water and sewer infrastructure improvements.
the interim final rule provided some clarity and established processes, these communities were mostly trying to diminish any risk they would incur if any components of the administrative rule were to change.

During this rule finalization process, GFOA’s Federal Liaison Center provided the Treasury Department with anecdotes and aggregated information about types of spending, assisting the Treasury with creating key resource documents such as the Compliance and Reporting Guidance. GFOA has also been one of the department’s key points of contact as it develops the technology for governments to use as they submit the required reporting. Many governments expected the rules, calculations, and process might change—and the wait paid off.

An example of this is in the eligible expenditure of “government services.” The law stated that prime recipients can use ARPA funds to pay for government services to the extent that their government lost revenue due to COVID-19. The Treasury Department interpreted this to mean a specific, somewhat unruly calculation that would determine the revenue lost. Many governments submitted comments about the challenge of calculating that revenue loss picture and recommended that significant flexibilities be built into the law. When the final rule was finally published, the calculation of lost revenue was updated and clarified, and a standard minimum distribution was also established for all recipients who chose to claim it, easing the burden and risks for prime recipients that chose to spend in this category.

Many of the changes the Treasury Department made to finalize the rule were applauded by governments across the United States. But governments quickly turned their attention to how technology could be used to ease the reporting compliance burden. On April 30, 2022, the entire population of direct recipients are required to submit their information into the Treasury’s portal, and in preparation, GFOA has provided a roadmap.

1 The Treasury Department’s portal uses a project-based reporting structure, to organize and track your expenditures accordingly. ARPA proceeds may be spent in different areas of your organization, so you must be able to reconcile these expenditures and report by project. If an expenditure exceeds $50,000, whether it is through an established subrecipient relationship or if it is a subaward, you are required to provide additional information about the vendor or the nonprofit. Having SAM.gov registration information for all procurement relationships will be a major benefit when reporting throughout the covered period.

2 Uniform guidance and single audit eligibility are key to proper reporting. These governing principles must be adhered to in all spending categories, even when a direct recipient is spending in “government services.” The Treasury Department has not offered any universal or specific waivers to prime recipients or subrecipients, and it asks all to consider the waiver thresholds as defined in uniform guidance. In other words, because these are federal funds, payments under procurement contracts using ARPA funds must be consistent with the procurement standard set forth in Uniform Guidance 2CFR200.

3 All recipients need to be aware of the threshold for single audit eligibility. If you think your government may be near spending $750,000 in federal funds within the year (or any year under the covered period), contact an audit professional to ensure you are monitoring all Schedule of Expenditures of Federal Awards activity appropriately.

4 The covered period for ARPA will not change unless changed by Congress. Unless otherwise stated, the covered period begins on March 3, 2020, and ends on December 31, 2024. Expenditures made outside of those key dates are ineligible. The “otherwise stated” exemptions include premium pay incurred before the covered period—which is covered—as well as expenditures that were “obligated” or encumbered before December 31, 2024, to be spent or paid out by December 31, 2026.

5 Project and expenditure reports are due April 30, 2022, for all direct recipients. Beyond April, reports will be due either quarterly or annually. Consider establishing reminders that include monitoring GFOA and Treasury Department resources to ease the burden of compliance and reporting.

ARPA spending, compliance, reporting, and audit is a journey, not a race. GFOA looks forward to working with you, together with Treasury officials and members of Congress, to ensure effective spending, reporting, and compliance throughout this journey. Emily Swenson Brock is the director of GFOA’s Federal Liaison Center in Washington, D.C.

1 Local Government ARPA Investment Tracker (https://www.brookings.edu/interactives/arpa-investment-tracker)