

Urgent Update to American Rescue Plan Act - Effect on Towns & Villages

January 7, 2022

Dear Town Supervisors & Mayors:

On January 6, 2022, the U.S. Department of the Treasury (Treasury) issued the Final Rule over the American Rescue Plan Act's Coronavirus State and Local Fiscal Recovery Funds (ARPA). The Final Rule replaces the Interim Final Rule which provided the basis for the previous guidance. The Final Rule is effective on April 1, 2022, however, recipients can early implement this guidance.

The most significant change to the guidance is in regards to the lost revenue provision. Under the Interim Final Rule, if a recipient were to use the lost revenue provision, the recipient was required to calculate a lost revenue number based on historical trends. This resulted in many recipients not having lost revenue to report. The Final Rule has provided an option to calculate the lost revenue or simply select a "standard allowance" which is \$10 million. Under the Final Rule, all recipients are now eligible to use the standard allowance and have lost revenue to report if they choose.

By selecting the standard allowance, you can use your ARPA award for providing governmental services up to the lesser of your total ARPA award or \$10 million. Governmental services broaden the use of the funds and even includes maintenance of roads. A few items to be aware of that DO NOT qualify as governmental services are offsets to tax revenue, excess deposits to pension funds, contributions to reserves or rainy day funds, payments of settlements or judgments, payments for long-term and short-term debt and pre-existing Federal statutes and regulations.

Another major change in the Final Rule, in comparison to the previous Interim Final Rule, is that the Final Rule allows for ARPA fund to be used as a non-Federal match to other Federal grants, so long as the allocated funds have been determined to be from the lost revenue provision. The Interim Final Rule did not allow for the use of any ARPA funds as a non-Federal match for other Federal programs.

Non-entitlement unit's annual reporting of the Project and Expenditure Report is due to the Treasury on April 30, 2022. There is expected to be a section on lost revenue. If you wish to take advantage of this change, it is expected that you will have to answer that you have chosen the standard allowance in this report.

If you have any questions on the Final Rule provisions please contact us.

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