FAQ for American Rescue Plan… THE BASICS

Q. When will my county receive the funds? The allocation will be distributed directly to counties in two parts: 50 percent of the allocation paid within 60 days of enactment 50 percent paid no earlier than one year after the first payment

Q. How much will my county receive? Direct payments to counties will be based on 2019 population estimates. You can view official allocations for Kentucky counties **here**.

ALLOWABLE USES FOR FUNDS

Q. How can the funding be spent?

The U.S. Treasury is currently developing more detailed guidance on how these funds can be used. As soon as the guidance is issued, we will distribute additional analysis. However, the bill outlines that funds may be used by counties to: Respond to the public health emergency with respect to COVID-19 or its negative economic impacts. This could include, but is not limited to: assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality. Respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible county workers that are performing essential work, or by providing grants to eligible employers that have eligible workers who perform essential work. For the provision of government services to the extent of the reduction in revenue (for example, property, occupational license or insurance premium tax revenue) due to COVID, relative to revenues collected in the most recent full fiscal year of the county prior to the emergency. Make necessary investments in water, sewer, or broadband infrastructure.

BANK ACCOUNTS AND RECEIPT OF FUNDS

Q. Should the funds be deposited in a separate bank account? In consultation with the Department for Local Government, KACo recommends that a separate bank account be used to receive these funds and from which payments are made. In the event of an external audit, a separate account may help streamline the process. Note: Deposits of public funds must be adequately collateralized under state law. KACo recommends that you contact your local bank as soon as possible to inform them of your intention to deposit your ARPA funds with their institution and to ensure that your local bank is capable of complying with collateralization requirements.

Q. Can the funds be deposited in an interest-bearing account? Yes - funds can be put into an interest-bearing account. Interest is not restricted to the eligible uses of the Recovery Funds. Treasury will release further clarification on interest in future FAQ documents.

Q. What is the Assistance Listing and Catalog of Federal Domestic Assistance (CFDA) number for the program? The CFDA number is the unique 5-digit code for each type of federal assistance. The final CFDA Number for the Fiscal Recovery program is 21.027. Treasury issued initial payments under an existing CFDA number to expedite payments. If you have already received funds or captured the initial CFDA number in your records, you must update your systems and reporting to reflect the final CFDA number 21.027. Recipients must use the final CFDA number for all financial accounting, audits, subawards, and associated program reporting requirements.

COUNTY BUDGETS AND AUDITS

Q. Should my 2020-21 budget be amended to include these funds? How should these funds be addressed in my 2021-22 budget? Per 109 KAR 15:020, the 'County Budget Preparation and State Local Finance Officer Policy Manual' (SLFO Policy Manual), upon receipt of your ARPA allocation, counties should amend their current fiscal year budget. The Department for Local Government (DLG) advises that you utilize Special Fund Code 84 and revenue code 4504. If the fiscal court is unsure of where funds will be deployed when amending: expenditure code 84-9200-999 can serve as a placeholder. ARPA funds should be properly budgeted in your proposed 2021-2022 budget. KACo recommends that you reach out to your Local Government Advisor at DLG for additional assistance.

Q. Are expenditures of these funds affected by the '65-35' rule? KRS 68.310 limits expenditures for a county to 65 percent of any fund budgeted during the first half of the fourth year of each term of office, also known as the '65-35' rule. This rule is not relevant for the upcoming 2021-22 fiscal year.

Q. Will spending these funds trigger a Single Audit? A Single Audit, previously known as the OMB Circular A-133 audit, is an organization-wide financial statement and federal awards' audit of a non-federal entity that expends $750,000 or more in federal funds in one year. Dollars spent from the American Rescue Fund allocation will count toward the $750,000 per year threshold that triggers a Single Audit.

Q. What is the deadline for spending these funds? Counties have until Dec. 31, 2024 to obligate funds and all funds must be expended and all work performed and completed by Dec. 31, 2026.

Q. May funds be used to reimburse recipients for costs incurred in responding to the public health emergency and its negative economic impacts prior to passage of the American Rescue Plan?
Use of Fiscal Recovery Funds is generally forward looking. The Interim Final Rule permits funds to be used to cover costs incurred beginning on March 3, 2021. This limitation applies to costs incurred by the recipient (county).
Counties may use funds to provide assistance to households, businesses, and individuals for economic harms experienced or costs incurred prior to March 3, 2021 (e.g., rental arrears from preceding months), provided that the cost of providing assistance was not incurred by the county prior to March 3, 2021.

COUNTY PROCEDURES AND REPORTING REQUIREMENTS

Q. When spending these funds, do I have to follow county procurement requirements? Yes – you must follow all adopted county procurement requirements when spending these funds.

Q. Who has the authority to spend these funds? These funds must be spent in accordance with fiscal court authorization.

Q. What are the reporting requirements for counties receiving funds? Recovery Fund recipients will be required to submit an interim report, quarterly report, quarterly project and expenditure reports and annual recovery plan:
Interim reports: Counties will be required to submit one interim report, which will include the county's expenditures by category at the summary level. The interim report will cover spending from the date the county receives Recovery Funds to July 31, 2021. **Interim reports are due by August 31, 2021.** *Quarterly project and expenditure reports:* Counties will be required to submit quarterly project and expenditure reports, which will include financial data, information on contracts and subawards over $50,000 and other information regarding utilization of funds. The first report will cover spending from the date the county receives Recovery Funds to September 30, 2021. **First report is due by October 31, 2021.**
Recovery plan performance reports: Counties will be required to submit an annual recovery plan performance report, which will include descriptions of projects funded and information on performance indicators and objectives of each award. **Local governments with less than 250,000 residents are not required to develop Recovery Plan Performance Report.** Recovery plan is due by August 31, 2021.

Q. How is reduction in revenue defined/calculated? Recovery Funds may be used to provide government services to the extend of reduction in revenue experienced due to COVID-19. To calculated lost revenue, counties will compare their actual general revenue from FY 2019 to one of the following (whichever is greater): Average annual revenue growth over the three full fiscal years prior to the public health emergency, or4.1 percent, the national average state and local revenue growth rate from 2015-18 (the latest available data)Recipients should calculate the extent of the reduction in revenue as of four points in time: December 31, 2020; December 31, 2021; December 31, 2022; and December 31, 2023.

Q. What are the current rules or allowances regarding the transfer of funds to other entities? The bill states that a county may transfer these funds to a private nonprofit organization, a public benefit corporation involved in the transportation of passengers or cargo, or a special-purpose unit of state or local government. Counties may not transfer funds to other counties.

Q. Can counties use funds to pay interest or principal on outstanding debt, including public projects related to water and sewer? No - Expenses related to financing, including servicing or redeeming notes, would not address the needs of pandemic response or its negative economic impacts. Such expenses would also not be considered provision of government services, as these financing expenses do not directly provide services or aid to citizens. This applies to paying interest or principal on any outstanding debt instrument, including, for example, short-term revenue or tax anticipation notes, or paying fees or issuance costs associated with the issuance of new debt.

Q. Can funds be used to pay consulting fees for assistance with administration/reporting?
Yes - funds can be used towards payroll expenses and other costs associated with hiring an administrator and/or third-party consultant to support effective management and oversight, including consultation for ensuring compliance with legal, regulatory, and other requirements.

Q. Can funds be used to pay auditing costs? Yes - counties may use funds to pay for auditing costs.

Q. Can these funds be used to pay for employer pension contributions? Recipients may use funds for routine payroll contributions to pensions of employees whose wages and salaries are an eligible use.

Q. Is there a deadline to apply for funds? No - there is not a deadline to apply for funds.

Q. May funds be used for water, sewer, or broadband projects planned or started before March 3, 2021?
Counties may use funds to cover costs incurred for eligible projects planned or started prior to March 3, 2021, provided that the project costs covered by the Fiscal Recovery Funds were incurred after March 3, 2021.