
The Coronavirus State Fiscal Recovery Funds (CSFRF)

updated July 2022

Assistance Listing Number (ALN): 21.027

Federal Award Identification Number (FAIN): SLFRP0002

Period of Performance:

Funds must be -

- Used for costs incurred on or after March 3, 2021
- Obligated by December 31, 2024, and expended by December 31, 2026

Sources of Guidance:

- [Coronavirus State & Local Fiscal Recovery Fund: Overview of the Final Rule](#)
U.S. Department of the Treasury
January 2022
- [Coronavirus State and Local Fiscal Recovery Funds Compliance and Reporting Guidance](#)
U.S. Department of the Treasury
February 28, 2022
- [Frequently Asked Questions](#)
U.S. Department of the Treasury
As of January 2022
- [2022 Compliance Supplement](#) for ALN 21.027
Office of Management and Budget
April 2022

OFM Accounting:

- Fund 706
- OFM appropriates funds to state agencies
- Federal Disclosure Forms – OFM records revenue, agencies record expenditures
- For questions about setting up the Appropriation in AFRS, please reach out to OFM Statewide Accounting at OFMAccounting@OFM.WA.GOV.

OFM Budget:

- Agencies are required to submit formal requests for additional federal funds. Unanticipated receipts will no longer be processed.
- Please contact OFM Budget for specific operating information and guidance.

BACKGROUND

The Coronavirus State and Local Fiscal Recovery Funds (SLFRF), a part of the American Rescue Plan, delivers \$350 billion to state, local, and Tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency.

INTERIM AND FINAL RULES

In May 2021, Treasury published the [Interim Final Rule](#) describing eligible and ineligible uses of funds and began to distribute funds.

The [Final Rule](#) delivers broader flexibility and greater simplicity in the program, with clarifications and changes based on feedback obtained from the Interim Final Rule. The Final Rule was effective on April 1, 2022.

ELIGIBLE USE CATEGORIES

As recipients of an SLFRF award, state agencies have substantial discretion to use the award funds in the ways that best suit program needs – as long as they fit into one of the following four statutory categories addressed in the Final Rule. Recipients may use SLFRF funds to:

- Replace lost public sector revenue
- Support the COVID-19 public health and economic response
- Provide premium pay for eligible workers performing essential work
- Invest in water, sewer, and broadband infrastructure

1. *Replace lost public sector revenue*

SLFRF funding may be used to provide government services up to the amount of revenue loss due to the pandemic. In order to use funds under government services, recipients should first determine revenue loss based on one of the two available prescribed options. The calculation of loss revenue for the state is handled by OFM Budget Division.

2. *Support the COVID-19 public health and economic response*

Recipients can use funds for programs, services, or capital expenditures that address COVID-19 and its impact on public health as well as addressing economic harms to households, small businesses, nonprofits, impacted industries, and the public sector.

i. Responding to the public health emergency:

Eligible uses include COVID-19 mitigation and prevention for the general public or to small businesses, nonprofits, and impacted industries in general, including medical expenses, behavioral health care, preventing and responding to violence.

ii. Responding to negative economic impacts:

The final rule recognizes that the pandemic caused broad-based impacts that affected many communities, households, and small businesses across the country, described as “impacted” and “disproportionately impacted”. Eligible uses to respond to negative economic impacts are organized by the type of beneficiary: assistance to households, small businesses, and nonprofits.

- Eligible uses for assistance to impacted households include aid for re-employment, job training, food, rent, mortgages, utilities, affordable housing development, childcare, early education, addressing learning loss, and many more uses.
- Eligible uses for assistance to impacted small businesses or nonprofits include loans or grants to mitigate financial hardship, technical assistance for small businesses, and many more uses.
- Funds can also provide assistance to impacted industries that faced substantial pandemic impacts, or address impacts to the public sector.

- Recipients can also identify (1) other populations or groups, beyond those presumed eligible, that experienced pandemic impacts or disproportionate impacts and (2) other programs, services, or capital expenditures, beyond those enumerated, to respond to those impacts.

3. *Public Sector Capacity:*

Provide premium pay for eligible workers performing essential work, offering additional support to those who have and will bear the greatest health risks because of their service in critical sectors.

4. *Capital Expenditures:*

Recipients may use funds to make necessary investments to improve access to clean drinking water, to support vital wastewater and stormwater infrastructure, and to expand affordable access to broadband internet.

RESTRICTIONS ON USE

While recipients have considerable flexibility to use funds to address the diverse needs of their communities, some restrictions on use apply across all eligible use categories. These include:

- No offsets of a reduction in net tax revenue resulting from a change in state or territory law.
- No extraordinary contributions to a pension fund for the purpose of reducing an accrued, unfunded liability.
- No payments for debt service and replenishments of rainy day funds; no satisfaction of settlements and judgments.
- No uses that contravene or violate the American Rescue Plan Act, Uniform Guidance conflicts of interest requirements, and other federal, state, and local laws and regulations.

PROGRAM ADMINISTRATION

The CSFRF final rule also details a number of administrative processes and requirements, which include the following most [frequently asked questions](#) from fund recipients:

Transfers

Recipients may undertake projects on their own or through subrecipients, which carry out eligible uses on behalf of a recipient, including pooling funds with other recipients or blending and braiding SLFRF funds with other sources of funds. Localities may also transfer their funds to the state through section 603(c)(4), which will decrease the locality's award and increase the state award amounts.

Loans

Recipients may generally use SLFRF funds to provide loans for uses that are otherwise eligible, although there are special rules about how recipients should track program income depending on the length of the loan. Recipients should consult the final rule if they seek to utilize these provisions.

Non-federal Match or Cost-share Requirements

SLFRF funds may not be used as the nonfederal share for purposes of a state's Medicaid and CHIP programs because the Office of Management and Budget has approved a waiver as requested by the Centers for Medicare & Medicaid Services pursuant to 2 CFR 200.102 of the Uniform Guidance and related regulations.

SLFRF funds beyond those that are available under the revenue loss eligible use category may not be used to meet the non-federal match or cost-share requirements of other federal programs, other than as specifically provided for by statute.

ADMINISTRATIVE EXPENSES

CLFRF funds may be used for direct and indirect administrative expenses involved in administering the program. For details on permissible direct and indirect administrative costs, recipients should refer to Treasury’s [Compliance and Reporting Guidance](#). Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs.

REPORTING

Recipients are required to comply with Treasury’s [Compliance and Reporting Guidance](#), which includes submitting one initial Interim Report, quarterly Project and Expenditure reports with subaward reporting, and annual Recovery Plan reports. Treasury’s final rule and Part 2 of the Compliance and Reporting Guidance provide more detail around SLFRF reporting requirements. The table below summarizes the reporting requirements:

Interim Report	Project and Expenditures Report	Recovery Plan Performance Report
By August 31, 2021, or 60 days after receiving funding if funding was received by October 15, with expenditures by category.	By January 31, 2022, and then 30 days after the end of each quarter thereafter.	By August 31, 2021, or 60 days after receiving funding, and annually thereafter by July 31.

OFM Statewide Accounting is responsible for compiling the statewide reports and submit to Treasury following the above schedules. State agencies are required to provide expenditure and program information to OFM on designated report templates and adhere to the submission deadlines established by OFM.

COMPLIANCE

Treasury adopted an interim final rule in May 2021 and the final rule on January 6, 2022, to implement the eligible use categories and other restrictions on the use of funds under the program. The final rule takes effect on April 1, 2022, and the interim final rule remains in effect until that time, although recipients can choose to take advantage of the final rule’s flexibilities and simplifications prior to April 1, 2022. Recipients may consult the [Statement Regarding Compliance with the CSFRF Interim Final Rule and Final Rule](#) issued by Treasury for more information on compliance with the interim final rule and the final rule.

It is the state agency’s responsibility to ensure all CSFRF award funds are used in compliance with these requirements. In addition, recipients should be mindful of any additional compliance obligations or restrictions imposed upon other sources of funds used in conjunction with CSFRF award funds, or statutes and regulations that may independently apply to water, broadband, and sewer infrastructure projects. Recipients should ensure they maintain proper documentation supporting determinations of costs and applicable compliance requirements, and how they have been satisfied as part of their award management, internal controls, and subrecipient oversight and management.

The CSFRF awards are generally subject to the requirements set forth in the Uniform Guidance applicable to the use of funds and CSFRF-funded projects. Recipients should consider how and whether certain aspects of the Uniform Guidance apply.

The OMB [2022 Compliance Supplement](#) was released on May 12, 2022. The CSFRF program is considered a “higher risk” program for 2022. Auditors are required to audit recipients on award funds they expended in fiscal year 2022 based on the requirements set forth in the [American Rescue Plan Act of 2021](#), Treasury’s Interim Final Rule, Treasury’s Final Rule, and [Frequently Asked Questions](#) that were in effect at the time of the expenditures.

The following table provides a general summary of the compliance requirements applicable to the CSFRF as described in the 2022 compliance supplement. Note that the descriptions below are only general summaries and all recipients and subrecipients are advised to carefully review the [Uniform Guidance](#) requirements and any additional regulatory and statutory requirements applicable to the program.

Compliance Requirement	General Information
Activities Allowed or Unallowed	Recipients may use CSFRF payments for any eligible expenses subject to the restrictions set forth in Treasury’s Interim Final Rule, Final Rule and FAQs.
Allowable Cost/Cost Principles	CSFRF is considered “other financial assistance” per Uniform Guidance section 200.1 and is administered as direct payments for specified use. The Uniform Guidance, Subpart E is applicable to expenditures under CSFRF unless stated otherwise.
Period of Performance	Auditors will test that recipient only used award funds to cover costs incurred from the period beginning on March 3, 2021 and ending on December 31, 2024. Auditors will also test that recipient did not incur and apply to their award any new costs during the period beginning December 31, 2024, and ending on December 31, 2026. During this two-year period, recipients are only permitted to liquidate all obligations they incurred by December 31, 2024.
Procurement	Recipients, including subrecipients of a state, are expected to have procurement policies and procedures in place and follow the procurement standards in Uniform Guidance sections 200.318 through 200.327.
Suspension and Debarment	Prior to entering into subawards and contracts with award funds, recipients must verify that such contractors and subrecipients are not suspended, debarred, or otherwise excluded pursuant to 31 CFR section 19.300.
Reporting	<ul style="list-style-type: none"> • Special Reporting - Interim Report, Project and Expenditure Report, Recovery Plan Performance Report. <ul style="list-style-type: none"> - OFM consolidates agency reports for submittal - Follow OFM guidance • Federal Funding Accountability and Transparency Act (FFATA) – not subject to audit
Subrecipient Monitoring	<p>The subrecipient or beneficiary designation is an important distinction. Pursuant to the Single Audit Act and Uniform Guidance Subpart F, subrecipient monitoring is not required for entities deemed to be beneficiaries (e.g., non-entitlement units of local government), but funding provided to subrecipients is subject to those audit requirements.</p> <p>When recipients of CSLFRF provide award funds to entities to respond to the negative economic impacts of COVID-19 as end users, and not for the purpose of carrying out program requirements, the entities receiving such funding are beneficiaries of CSLFRF. Alternatively, when recipients of CSLFRF provide award funds to an entity to carry out a program on behalf of the CSLFRF recipient, the entities receiving such funding are subrecipients.</p>

INFORMATION AND ASSISTANCE

The U.S. Department of Treasury maintains updated information on its program [website](#) including:

- Resources on determining eligible uses of funds under the Final Rule
- Recipient Compliance and Reporting
- Program updates

Questions? Please feel free to reach out to OFM Statewide Accounting (OFMAccounting@OFM.WA.GOV) for assistance.