

## Treasury Issues Final Rule on Use of ARPA Money

On Thursday, Jan. 6, 2022, the U.S. Department of the Treasury issued its [Final Rule](#) regarding the use of Public Law 117–2 (American Rescue Plan Act of 2021) money by state, local and Tribal governments, specifically that which was appropriated for Coronavirus State and Local Fiscal Recovery Funds (SLFRF).

The Final Rule, effective April 1, essentially confirmed Treasury's previous guidance in May 2021, and also provided some additional clarity regarding specific allowed or restricted uses. Under the Final Rule, the single audit requirement will be applicable whenever a state or local government spends \$750,000 or more in one fiscal year of either direct federal financial assistance or federal money passed through a state or county government. SLFRF money will count against that \$750,000. COVID-19-related costs incurred prior to March 3, 2021 are ineligible. All funds must be obligated by Dec. 31, 2024 and be spent by Dec. 31, 2026.

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### How State, Local and Tribal Governments Can Use ARPA Money

Permitted	Disallowed
Assistance to households, small businesses, non-profits or "impacted industries", via public health responses to the general public, addressing negative economic impacts and additional services for disproportionately impacted communities	Pension fund deposits
Premium pay to essential workers and to "restore and support" government employment. Examples of the latter would include making whole those who were furloughed or saw pay cuts to their previous levels of compensation	To offset a reduction in net tax revenue that was caused by a change in law, regulation, or administrative interpretation (applicable only to states and territories)
To maintain the provision of government services at a pre-pandemic level that would have otherwise not been possible due to a reduction in revenues when compared to the previous full fiscal year prior to the pandemic. "Revenue loss" was given greater clarity including a standard allowance of \$10 million.	Reserve replenishments
Investments in water, sewer, or broadband infrastructure. The final rule broadens the guidelines for eligible projects	Debt service payments
Capital expenditures that aim to improve public health or reduce negative economic impacts such as vaccination or testing sites, healthcare facilities or day cares	Any purpose that contradicts or contravenes the statutory purpose of ARPA; or that creates a conflict of interest or ethical violation; or that violates any existing federal law or rule

Source: U.S. Department of Treasury and Hilltop Securities Inc.

## Contact Us

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