



# Commonwealth of Massachusetts

Executive Office for Administration & Finance

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## CARES Act Coronavirus Relief Fund – Municipal Program Round 2 Guidance

*October 1, 2020*



## Background

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### CARES Act

- The federal Coronavirus Aid, Relief, and Economic Security Act (the “CARES” Act) created a new \$150 billion Coronavirus Relief Fund for state and local governments to pay for COVID-19 response costs.
- The Commonwealth of Massachusetts created the **CARES Act Coronavirus Relief Fund – Municipal Program (CvRF-MP)** to provide up to approximately \$502 million for municipalities to address unanticipated costs incurred as a result of the public health emergency caused by COVID-19. These funds were allocated on a per capita basis.

### Round 1

- Round 1 of the CvRF-MP opened on May 15, 2020 and closed on June 12, 2020. The program distributed approximately \$96 million to 258 cities and towns.



## CARES Act Coronavirus Relief Fund – Municipal Program (CvRF-MP)

### There are three components to CvRF-MP:

Applications	Reporting	Technical Assistance
<ul style="list-style-type: none"> <li>• Municipalities may apply for Round 2 of the CvRF-MP beginning on <b>October 1, 2020</b>.</li> <li>• The deadline for applications is <b>October 30, 2020</b>.</li> <li>• The application form is provided as an Excel workbook included in guidance.</li> <li>• Please ensure you review all guidance and complete the application in its entirety.</li> <li>• Completed application and certification (Attachment B) should be submitted through link included in guidance.</li> <li>• After submission, A&amp;F will review application for eligibility, follow up if needed, and notify of award through grant letter.</li> </ul>	<ul style="list-style-type: none"> <li>• First reporting submission for relevant expenses incurred between 3/1/2020 – 6/30/2020 was due on <b>September 25, 2020</b>.</li> <li>• A&amp;F is currently reviewing municipal submissions and will follow up as needed.</li> <li>• The next reporting submission will cover relevant expenses incurred between 7/1/2020 – 9/30/2020 and is due on <b><u>November 13, 2020</u></b>.</li> <li>• Guidance on the second reporting submission will be provided in the coming weeks.</li> </ul>	<ul style="list-style-type: none"> <li>• If you have questions regarding the CvRF-MP (eligible uses, process, etc.) please submit a question through the link included in the guidance.</li> <li>• We will review questions daily and respond as soon as possible (likely within 1-2 days).</li> <li>• If the question requires follow up with a broader group, we will notify you of a delay in response as we collaborate to answer the question (likely within a week).</li> </ul>

**Today, we will focus on the Round 2 guidance and application process.**



## CvRF – MP Round 2 Overview

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### Application Process

- Municipalities may apply for Round 2 of the CvRF-MP beginning on **October 1, 2020**. The deadline for applications is **October 30, 2020**.
- For CvRF-MP Round 2, the application form is provided in the Excel workbook template. Please review the instructions contained in the Excel workbook template to complete the application form.
- Once the application is complete, a municipality may submit the Excel workbook using the link provided in the guidance.



## CvRF – MP Round 2 Overview

### Certification to Participate in CvRF-MP

- Municipalities are responsible for ensuring the eligibility of all uses of funds provided through the CvRF-MP. A&F requires municipal chief executives to complete and submit the CvRF-MP Certification form.
- The Certification form is included in the Excel-based application workbook. The Excel-based form updates automatically based on the application data.
- Municipalities are strongly encouraged to use the Certification form generated in the application workbook. Alternatively, municipalities may use the Certification form attached to this guidance as Attachment B.
- This document attests that a municipality will comply with all relevant rules and regulations associated with the CARES Act CvRF, including but not limited to:
  - › Eligible uses
  - › Application for reimbursement through the FEMA PA
  - › Quarterly reports on CvRF-supported spending as required by A&F
  - › Acknowledges that the municipality is obligated to return the balance of unspent funds as directed by A&F; and
  - › If the Treasury determines that the municipality did not comply with all relevant rules and regulations, the Commonwealth will recover such funds through an assessment or deduction from the municipality's periodic unrestricted local aid distribution.



## CvRF – MP Round 2 Overview

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### Application Amendments

- Applicants can amend submissions by re-submitting the Excel workbook template if A&F has not yet reviewed the most recent submission.
- A&F will only review the most recent application form; however, once applications have been reviewed by A&F, further amendments will not be considered.
- A&F will review applications on a **rolling basis**.



## CvRF – MP Round 2 Overview

### Eligible Uses of the CARES Act Coronavirus Relief Fund

- The CARES Act CvRF provides resources for municipalities to address unexpected costs associated with the COVID-19 pandemic. The Fund is subject to at least three major conditions. These include:
  - › “Necessary expenditures incurred due to the public health emergency with respect to ... COVID-19”
  - › Expenses must be unbudgeted as of March 27, 2020
  - › Expenses must be incurred between March 1, 2020 and December 30, 2020
- Attachment A of the guidance provides a list of expense categories that A&F anticipates municipalities may incur. This includes three general areas: core municipal services in a declared state of emergency, expanded public health mission, and services and support for residents in their home.
- The US Department of the Treasury has clarified that in order to be eligible for the Coronavirus Relief Fund, users must receive a beneficial use from the expense by December 30, 2020. This means that goods must be delivered and in use or services rendered by December 30, 2020.
  - › Also, note that the deadline is **December 30, 2020**. The deadline is not December 31, 2020.



## CvRF – MP Round 2 Overview

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### Eligible Uses of the CARES Act Coronavirus Relief Fund

- In Round 2, A&F has added several categories of eligible uses\*, including:
  - › Social distancing measures in public buildings – plexiglass barriers, stanchions, small building modifications
  - › Legal fees – must be related to COVID-19
  - › Unemployment claims – must be related to COVID-19
  - › Election expenses – costs beyond the budgeted amount to hold elections

*\*The eligible uses described in Attachment A are as currently described in federal law and relevant guidance from the Treasury. If these uses are modified by future federal actions, A&F will update this guidance accordingly.*



## CvRF – MP Round 2 Overview

### Total Eligible Amount and Remaining Eligible Amount

- The Commonwealth made up to approximately \$502 million available to municipalities through the CvRF-MP. These funds were allocated on a per capita basis.
- The allocation made a Total Eligible Amount available to municipalities (excluding Boston and municipalities in Plymouth County). Attachment C includes the Total Eligible Amount for each municipality
- Municipalities can apply for up to the Total Eligible Amount over the course of Round 1 and Round 2. In Round 2, municipalities can apply for the **Remaining Eligible Amount** which is calculated as the Total Eligible Amount minus the Round 1 distribution plus other adjustments as described in the guidance.
  - › Municipalities that received their entire Total Eligible Amount in Round 1 have a Remaining Eligible Amount of \$0 and are not eligible to receive funds in Round 2.
  - › Municipalities that did not participate in Round 1 have a Remaining Eligible Amount equal to the Total Eligible Amount and can apply for up to this entire amount in Round 2.
- Allocating Round 1 Cashflow Requests
  - › If a municipality received funds in Round 1 to support municipal cashflow (cashflow requests), they are required to allocate their Round 1 cashflow requests to an appropriate Attachment A category as part of the Round 2 application form.



## Special Instructions for CvRF – MP Round 2 Applications

### Earmarks

- On July 24, 2020, Chapter 124 of the Acts of 2020 (hereafter, the “COVID supplemental appropriations law” or the “COVID supp”) was signed into law. This statute appropriated funds to support COVID-related costs for state agencies and municipalities.
- The COVID supp includes numerous earmarks for specific purposes, many of which have either already been addressed prior to the law's enactment or are eligible uses of federal funds already available to municipalities, including through CvRF-MP.
- Municipalities identified in such earmarks may request funds as described in the COVID supplemental appropriations law by allocating incurred or expected expenses to the specified purposes from their existing Total Eligible Amount.

### Cashflow Requests

- Round 1 of the CvRF-MP, A&F explicitly allowed cities and towns to use CvRF-MP as a liquidity facility to support municipal cashflow.
- In Round 2, applying for cashflow support is no longer a permissible request. A&F expects municipalities to seek funds only for eligible uses as specified in Attachment A.
- Municipalities that received funds to support municipal cashflow in Round 1 are required to reallocate those funds to eligible uses as specified in Attachment A as part of the Round 2 application process.



## Special Instructions for CvRF – MP Round 2 Applications

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### Other Requests

- In Round 1, municipalities could request funds to support uses not specified in Attachment A by using the “Other Request” field.
- In CvRF-MP Round 2, the “Other Request” field is again available to applicants.
- Please note that given the need to verify the eligibility of the requests included in this field, use of “Other Requests” necessarily slows the application review and approval process. Further, federal law requires municipalities to receive the benefits of expenses supported by the CvRF by December 30, 2020.
- A&F strongly recommends that municipalities limit the use of the “Other Requests” field to facilitate the timely review and approval of CvRF-MP applications.



## CvRF – MP Parameters

### Prohibited Uses

- Documenting that costs were for eligible uses is essential to managing compliance risk and to minimizing the possibility that the costs are deemed ineligible, thereby requiring the state to return funds to the federal government.
- It is within this discretionary framework and mindful of the significant audit and compliance risk that A&F established specific, permitted uses for which cities and towns could request funds and instructed municipalities to contact A&F if they contemplated requesting funds for any other purpose (recommended before submitting using the “Other Requests” field discussed above).
- These prohibited expense categories include, but are not limited to, the following:
  - › Municipal business assistance programs
  - › Vehicle purchases
  - › New building construction
  - › Most items that would be otherwise purchased through the issuance of municipal bonds



## CvRF – MP Parameters

### FEMA Public Assistance Reimbursements

- FEMA announced revisions to the eligibility standards used to evaluate FEMA PA reimbursement applications. These changes may have the effect of curtailing a state or local government's ability to receive FEMA PA reimbursement for certain expenses.
  - › Most notably, PPE procured for use by public employees other than first responders (e.g., teachers or municipal administrative staff) may not be considered eligible for reimbursement for costs incurred *on or after* September 15, 2020.
- Given the significant uncertainty around FEMA PA reimbursements and the potential for further eligibility revisions, A&F is not modifying the approach to assumed FEMA reimbursement categories at this time. Once there is greater clarity as to the federal approach, A&F will revise the CvRF-MP program accordingly.
- MEMA has established a deadline of October 15, 2020 for municipalities to submit FEMA PA reimbursement applications for costs incurred prior to September 15, 2020
  - › This is aimed at clearly delineating between pre-September 15 costs and post-September 15 costs



## “Phase 4.0”

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### **Warning About Still-Evolving Federal Guidance and the Possibility of Further Legislative Action**

- Federal policymakers continue to deliberate the elements of so-called “Phase 4.0” legislation that may have a material impact on the laws and regulations governing the Coronavirus Relief Fund. Proposed changes include modifications to the eligible uses of the Coronavirus Relief Fund, changes to the amount of money available to state and local governments, amendments to the statutory deadlines on use of funds, and other relevant items.
- If further federal action modifies the parameters of the Coronavirus Relief Fund, A&F will review CvRF-MP and make modifications as necessary to comply with all federal and state laws and regulations.



## Ending CvRF

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### Reconciliation Period

- The Commonwealth will open a reconciliation period beginning on or about December 1, 2020.
- During this period, CvRF-MP will change from an advance lump sum payment program to a reimbursement program.
- A&F will issue further guidance for the CvRF-MP reconciliation period in November 2020.

### Returning Unspent Funds to the Commonwealth

- A&F expects that municipalities with an unspent balance from the CvRF-MP will return this money to the Commonwealth in January 2021. Municipalities should anticipate further guidance related to this matter in December 2020.
- The Commonwealth reserves the right to recover such funds through an assessment or deduction on local aid payments to municipalities that fail to return an unspent balance in a timely manner.



## Contact Information

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### New Question and Answer Process

- In order to streamline the process of submitting questions to A&F/DLS related to CvRF-MP, we are also announcing today a new contact form for submitting questions
  - This replaces the DLS Local Cares Act e-mail address that was used previously; this e-mail account has been disabled
- The link to the new contact form appears in the guidance and on the DLS website:  
[https://massgov.formstack.com/forms/municipal\\_covid\\_spending\\_questions](https://massgov.formstack.com/forms/municipal_covid_spending_questions)

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