



MICHAEL
HEFFERNAN
SECRETARY

Commonwealth of Massachusetts

EXECUTIVE OFFICE FOR ADMINISTRATION AND FINANCE

STATE HOUSE, ROOM 373
BOSTON, MASSACHUSETTS 02133
TELEPHONE (617) 727-2040
WWW.MASS.GOV/ANF

TO: Chief Executives of Massachusetts Cities and Towns
FR: Michael J. Heffernan, Secretary of Administration and Finance
RE: CARES Act Coronavirus Relief Fund – Municipal Program Round 2
DT: September 30, 2020

On May 14, 2020, the Commonwealth of Massachusetts announced 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. In Round 1, 258 municipalities received nearly \$100 million in payments through CvRF-MP. This memorandum provides guidance for Round 2 of the CvRF-MP and offers further instruction on various aspects of the program.

Key elements of this guidance include:

- In Round 2, municipalities may apply for their **Remaining Eligible Amount**, which is calculated as their Total Eligible Amount minus their Round 1 distribution plus other adjustments as described in the Round 2 special instructions below.
- Municipalities may apply for Round 2 of the CvRF-MP beginning on **October 1, 2020**. The deadline for applications is **October 30, 2020**, and the application form is provided in this Excel workbook template ([CvRF-MP Application Template](#)).
- A few key changes from Round 1:
 - Please note that 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 may have received one or more **earmarks** in recent state legislation. This guidance includes information about how to access these funds through CvRF-MP.
 - The **Potential Municipal Uses document (Attachment A) has been updated** with four additional categories to better capture eligible uses.

Background

On March 27, 2020, the President of the United States signed into law the federal Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). In conjunction with three other pieces of federal legislation adopted to address the COVID-19 pandemic, the CARES Act created or expanded over 100 federal funding opportunities for state and local governments.

Most notably, the CARES Act created the federal Coronavirus Relief Fund (“CvRF”) administered by the US Department of the Treasury (hereafter, “the Treasury” or “Treasury”) with oversight provided by the US Treasury Office of Inspector General (“Treasury OIG”). The federal CvRF included \$150 billion for state and local governments allocated on a per capita basis. The Commonwealth of Massachusetts (the “Commonwealth”) received approximately \$2.67 billion, with approximately \$121 million provided directly to the City of Boston, and approximately \$91 million provided directly to Plymouth County. These funds have been critical to mitigating the state’s costs of the COVID-19 response and have in part made it possible to sustain local aid funding commitments despite severe fiscal pressures.

The Commonwealth created a state-level CvRF to receive and distribute funds from the federal CvRF. Up to \$502 million of the CvRF is available to municipalities (excluding Boston and municipalities in Plymouth County) through CvRF-MP to address unanticipated expenses incurred in response to the public health emergency caused by COVID-19. Other CARES Act funds provided to local officials include \$202 million in School Reopening Grants, \$193 million to schools through the Elementary and Secondary School Emergency Relief Fund, \$32 million to the Remote Learning Technology Essentials grant program, and other grants. The CvRF-MP dollars are available to cities and towns as advance lump sum payments provided over two rounds and allocated on a per capita basis in a similar fashion as the federal distribution of CvRF dollars.

The CvRF-MP is administered by the Commonwealth's Executive Office for Administration and Finance (hereafter, “A&F”) Federal Funds Office (FFO) in partnership with the Department of Revenue’s Division of Local Services (DLS). Round 1 of the CvRF-MP opened on May 15, 2020 and closed on June 12, 2020. The program distributed nearly \$100 million to 258 cities and towns, or approximately 25 percent of the total eligible amount for those communities.

The City of Boston and Plymouth County are administering their own CvRF allocations. Interested parties should contact city or county officials for more information about accessing CvRF resources.

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:

1. “Necessary expenditures incurred due to the public health emergency with respect to ... COVID-19”
2. Expenses must be unbudgeted as of March 27, 2020
3. Expenses must be incurred between March 1, 2020 and December 30, 2020

Further, while the CvRF is available to address unexpected costs caused by COVID-19, the fund is prohibited from being used to address revenue shortfalls because of COVID-19.

For a list of expense categories that A&F anticipates municipalities may incur, see the attached list of potential uses ([Attachment A](#)). If a municipality contemplates the use of funds outside the potential uses described in Attachment A, please contact the A&F FFO to determine the eligibility of this use by submitting a question using the web form:

https://massgov.formstack.com/forms/municipal_covid_spending_questions.

The list of potential municipal uses (Attachment A) has been revised for 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

Note that the deadline for CvRF-MP spending is December 30, 2020. Further, Treasury has clarified that to comply with this rule, goods must be delivered and used or services rendered by December 30, 2020 to be an eligible use.

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.

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 ([Attachment B](#)).

For administrative convenience, the Certification form is included in the Excel-based application workbook for Round 2. The Certification in the Excel template updates automatically based on the application data. Municipalities are strongly encouraged to use the Certification form generated in the application workbook, print the document, sign it, and then scan and upload the file with the application form submission. Alternatively, users may print the Certification form attached to this guidance ([Attachment B](#)) and submit with the application using a similar procedure.

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.

Total Eligible Amount and Remaining Eligible Amount

As described above, the Commonwealth made up to approximately \$502 million available to municipalities through the CvRF-MP. These funds were allocated on a per capita basis. This allocation made a Total Eligible Amount available to municipalities (excluding Boston and municipalities in Plymouth County). Please see the Total Eligible Amounts Round 1 and 2 document ([Attachment C](#)) for 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 CvRF-MP Round 2 Special Instructions section of this guidance (see *Cashflow Requests* below).

Note that 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. Although a municipality may have a Remaining Eligible Amount of \$0, they are still required to complete an application form for CvRF-MP Round 2 in order to allocate their Round 1 cashflow requests to an appropriate Attachment A category (See *Cashflow Requests* below).

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.

CvRF-MP is an advance lump sum payment program. Municipalities shall apply for a payment to address estimated or incurred eligible expenses between March 1, 2020 and December 30, 2020 that have not already been covered by other sources including but not limited to CvRF-MP Round 1 and FEMA reimbursements. Municipalities are strongly encouraged to apply for sufficient funds to address expenses through December 30, 2020. The municipality must receive a beneficial use of the good or service by December 30, 2020 to be an eligible use.

Application Process and Amendments

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 this Excel workbook template ([CvRF-MP Application 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 this website: https://massgov.formstack.com/forms/crf_mp_round_2_application_submission.

A&F will review applications on a rolling basis. 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.

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. Expressly, the law requires the Secretary of Administration and Finance to identify federal funding sources to address these

costs. Further, 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. Alternatively, a municipality may choose to forego the earmark and retain the ability to expend CvRF-MP funds on any eligible use. The earmarks do not change a municipality's Total Eligible Amount.

Example: A municipality known as the town of “Yourtown” has an earmark in the COVID supp for \$10,000 for personal protective equipment (PPE). Yourtown may have already accessed CvRF-MP for these funds; if not, it can request these funds through CvRF-MP Round 2. As with all earmarks, requesting earmarks is at the discretion of the earmark recipient, and Yourtown is free to forego the request.

The CvRF-MP Round 2 Application Form includes additional guidance on this element of the program.

Cashflow Requests

Given concerns about the ability of municipalities to access credit markets, in 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. Fortunately, municipal credit markets have continued to function throughout the public health emergency period.

Please note that 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.

Further, 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. The CvRF-MP Round 2 Application Form includes additional guidance on this element of the program.

Other Requests

During CvRF-MP 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, however, 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

The guidance issued by the Treasury provides that all of the Commonwealth's expenditures from the Fund—whether spent on Commonwealth expenses or distributed to cities and towns to address local costs—are subject to the Single Audit Act, 31 U.S.C. §§ 7501-7507, and related provisions of the Uniform Guidance, including those regarding the monitoring and management of subrecipients, 2 C.F.R. §§ 220.330-200.332.

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. Accordingly, to facilitate state compliance with these requirements, the guidance expressly allows states to impose restrictions and requirements on transfers of funds to local governments.

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 expenses include, but are not limited to, the following:

- Municipal business assistance programs
- Vehicle purchases
- New building construction
- Most purchases that would be otherwise purchased through the issuance of municipal bonds

FEMA Public Assistance Program (FEMA PA) Reimbursements

Per guidance from the Treasury and FEMA, state and local governments can use the CvRF as the non-FEMA cost share for the FEMA PA. The non-FEMA cost share (typically 25 percent of the total costs eligible for reimbursement through FEMA PA) enables state and local governments to maximize the value of the CvRF and effectively reach full reimbursement (100 percent of total FEMA eligible costs) by combining the two programs. A&F continues to expect that municipalities will pursue reimbursement through FEMA PA for all eligible costs.

In recent weeks, FEMA issued new guidance on the eligibility of certain COVID-19 expenses incurred *on or after September 15, 2020*. In short, state and local governments may discover that certain COVID-19 expenses indicated to be eligible under previous FEMA guidance are no longer eligible for FEMA PA reimbursement under this new policy. 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 if costs were incurred *on or after September 15, 2020*. Similarly, cleaning and sanitation costs for public buildings not used for direct responses to COVID-19 may not be eligible for FEMA PA reimbursement under this policy. To clearly delineate costs between those subject to previous guidance and those impacted by the new policy, MEMA now recommends that applicants divide their costs into those incurred before September 15, 2020 and those 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. To the extent that changing guidelines leave municipalities with unreimbursed costs, municipalities will be able to receive support for these costs during the Reconciliation round (See *Reconciliation round* below).

Transfers to Other Government Entities

Municipalities are the only entity eligible to receive funds under CvRF-MP. Per the program FAQs ([updated September 30](#)), however, municipalities are allowed, but not required, to make further grants to political subdivisions (e.g. regional school districts, independent districts, or other public entities).

If a municipality chooses to transfer CvRF monies to a political subdivision, A&F requires that municipalities provide funds as a reimbursement for incurred expenses, collect a certification modeled on Attachment B that commits the recipient to compliance with all aspects of CvRF-MP, and retain all documentation related to the reimbursement in anticipation of future federal audits. Further, such documentation should be retained to be provided to the Commonwealth upon request to properly substantiate all claims for payment and expenditures made under the grant.

Note that municipalities that transfer funds to other public entities remain liable to the Commonwealth for the eligibility of all expenses incurred by the political subdivision. If a political subdivision expends funds for ineligible uses, the Commonwealth will claw back such funds from the municipality through an assessment on the municipality's local aid payments.

Flexibility for Municipalities with Disproportionate Impact from COVID-19

A&F remains cognizant of the disproportionate impact of COVID-19 on certain municipalities in Massachusetts. If such a municipality has a concern or need that cannot be addressed within the existing parameters of CvRF-MP, please contact A&F for further consideration using this web form: https://massgov.formstack.com/forms/municipal_covid_spending_questions.

Reporting Requirements & Documentation Collection Procedures

To comply with all relevant federal and state laws and regulations, A&F has established a quarterly reporting process. Municipalities receiving funds through the CvRF-MP are required to adhere to all elements of the reporting requirements described in the relevant guidance.

At this time, A&F is in the process of establishing procedures to collect documentation associated with expenditures supported through CvRF-MP. Municipalities should anticipate further guidance related to documentation collection and retention in the coming weeks.

“Phase 4.0”

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-MP

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 for municipalities with a Remaining Eligible Amount after Round 2. 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 A&F

Please submit CvRF-MP questions using this web form:

https://massgov.formstack.com/forms/municipal_covid_spending_questions

Attachments

Attachment A: [Potential Municipal Uses](#)

Attachment B: [Certification Form](#)

Attachment C: [Total Eligible Amount by Municipality](#)

Attachment D: [Excel Spreadsheet Application Form](#)

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Attachment A – Potential Municipal Uses

Municipalities shall apply for a payment to address estimated or incurred eligible expenses between March 1, 2020 and December 30, 2020 that have not already been covered by other sources including but not limited to CvRF-MP Round 1 and FEMA reimbursements.

Municipalities are strongly encouraged to apply for sufficient funds to address expenses through December 30, 2020. The municipality must receive a beneficial use of the good or service by December 30, 2020 to be an eligible use.

- Core municipal services, in a declared state of emergency
 - First responder costs, including:
 - Direct staffing costs – Overtime, additional hires, and/or backfilling staff who test positive
 - Quarantine/isolation costs for first responders who may be infected and should not put household members at risk – or who should be kept apart from potentially infected household members
 - Including hotel/motel space, sanitization of first responder vehicles, etc.
 - Temporary staff to backfill sick or quarantined municipal employees including:
 - City/town management
 - Phone/administrative support
 - Janitorial
 - Police, fire, EMT
 - Trash collection
 - Other
 - Staff for compliance and reporting associated with this funding
 - Accelerated telework capacity – infrastructure, subscriptions for meeting services, hardware (laptops)
 - Hiring and training, including training for employees and contractors hired for COVID-19 response
 - PPE, including first responders, grocery store employees, gas station attendants and others who interact with public
 - Sanitation and Refuse Collection
 - Food inspection
 - Cleaning/disinfection of public buildings
 - Municipal buildings, including fire stations
 - Public housing
 - Specialized cleaning equipment
 - Air filtration / HVAC
 - Social distancing measures in public buildings – plexiglass barriers, stanchions, small building modifications
 - School distance learning, to the extent not funded from other sources, including
 - Planning and development, including IT costs

- Incremental costs of special education services required under individual education plans (IEPs) in a remote, distance, or alternative location
 - Food for families that rely on food through the school system
 - Costs of debt financing related to COVID-19 investments – short-term borrowing and construction carrying costs
 - Health insurance claims costs in excess of reasonably budgeted claims costs, and directly related to COVID-19 medical costs
 - 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
- Expanded public health mission
 - Boards of health staffing needs – to the extent not addressed with public health funding
 - Use of public spaces/ building as field hospitals
 - Shelter for those who are homeless or otherwise have nowhere they can go without significant risk to themselves or other household members, and are at high risk of or recovering from COVID-19
 - Food banks / food pantries – need tied to COVID-19
 - Travel expenses – for distribution of resources
 - Transporting residents to COVID-19 medical and testing appointments
 - Signage and communication including translation services
 - Educational materials related to COVID-19
 - Testing for COVID-19
- Services and supports to residents in their homes
 - Grocery and/or meals delivery – modeled on COA activities
 - Expanded participation
 - Replacement of meals delivery volunteer staff (often retirees)
 - Wellness check-ins with vulnerable elders
 - Short-term rental or mortgage support
 - Prescription drug delivery

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Attachment B - CERTIFICATION

I, **[Insert name of signatory]**, am the chief executive of **[insert name of municipality]**, and I certify that:

1. I have the authority on behalf of **[insert name of municipality]** to request payment from the Commonwealth of Massachusetts. At this time, I am requesting payment in the amount of **[\$X – reflecting current estimate of eligible costs]** for costs from March 1, 2020 to December 30, 2020 in connection with section 601 of the Social Security Act, as added by section 5001 of the Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, div. A, Title V (Mar. 27, 2020) (“section 601”).
2. I understand that the Commonwealth will rely on this certification as a material representation in making a payment to **[insert name of municipality]**.
3. As required by federal law, **[Insert name of municipality]**'s proposed uses of the funds provided as payment in response to this request will be used only to cover those costs that-
 - a. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
 - b. were not accounted for in the budget most recently approved as of March 27, 2020, for **[insert name of municipality]**; and
 - c. were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.
4. I will report quarterly on incurred expenses in a form prescribed by the Secretary of Administration and Finance, and will cooperate with the Executive Office for Administration and Finance in creating and retaining appropriate documentation to demonstrate that the proposed uses meet the requirements of section 601.
5. I will coordinate with the Executive Office for Administration and Finance in optimizing federal funds from section 601 and other potentially available federal sources. In particular, I will prioritize and coordinate application for FEMA reimbursement where available.
6. To the extent actual expenditures are less than the amount requested per item 1 above, I agree to return the balance of unspent funds to the Commonwealth. If the United States Department of the Treasury recoups funds from the Commonwealth based on a determination they were used by **[insert name of municipality]** in a manner not in compliance with section 601, I agree that the Commonwealth may recover funds from the city or town through an assessment or deduction from the city or town’s periodic unrestricted local aid distribution.

By: _____ Signature: _____

Title: _____ Date: _____