

MEMORANDUM

TO: Municipal Chief Executives
FR: A&F Federal Funds Office (FFO)
DT: December 17, 2020
RE: Reconciliation Period Guidance

The Commonwealth of Massachusetts has made federal resources available to municipalities to address unanticipated costs associated with COVID-19 through the Coronavirus Relief Fund – Municipal Program (CvRF-MP). This memorandum provides guidance for the program's Reconciliation Period.

Key elements of this guidance include:

- CvRF-MP will open a "Reconciliation Period" to enable municipalities with a Remaining Eligible Amount to draw down funds on a reimbursement basis to address uncovered eligible costs
- Applications for eligible reimbursements will be accepted beginning December 17, 2020 and conclude on or about January 29, 2021
- Municipalities with a Remaining Eligible Amount may submit itemized expenses for reimbursement
 - As indicated in the Round 2 program guidance dated September 30, 2020, municipalities that have received their entire Total Eligible Amount are not eligible to participate in the Reconciliation Period
- Due to eligibility changes to the FEMA Public Assistance (FEMA PA) grant program, some costs may no longer be eligible for FEMA reimbursement; municipalities with a Remaining Eligible Amount can address these uncovered costs during the Reconciliation Period
- Local officials are advised that Phase 4.0 negotiations are ongoing at the federal level and may have a significant impact on CvRF-MP

Background

CARES Act and CvRF-MP

The federal Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") established the Coronavirus Relief Fund (the "Fund" or "CvRF") to aid state and local governments in responding to COVID-19 and limited eligible spending to "necessary expenditures incurred due to the public health emergency." \$2.7B was allocated to Massachusetts. Aside from Plymouth County and Boston, these funds have been provided to the Commonwealth with the expectation that the Commonwealth will use the funds for its own expenses and will facilitate and oversee municipal expenditures, ensuring that all uses comply with the CARES Act.

The CvRF is administered at the federal level by US Department of the Treasury with audit and oversight responsibilities managed by the US Department of the Treasury Office of Inspector General. The Commonwealth's Executive Office for Administration and Finance (hereafter "A&F") Federal Funds Office (FFO) is administering the CvRF in Massachusetts.

To be an eligible use of the CvRF, expenses must meet at least three major statutory conditions:

- "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
 - Treasury has clarified that to be an eligible use of the CvRF, recipients must receive the "beneficial use" of the good or service (goods delivered and in use or services rendered) by December 30, 2020. Actual payments can lag up to 90 days following the end of the covered period (March 30, 2020).

Additionally, there are at least two other significant limitations. State and local governments may use CvRF payments to address unanticipated expenses associated with COVID-19, but they may not use these funds to replace public revenue that was lost due to the pandemic. Further, the uses of these funds are subject to the heightened federal oversight measures mandated by Section 15011 of the CARES Act, which mandates quarterly reporting, and are required to comply with the provisions of the Single Audit Act and the related provisions of the Uniform Guidance, section 2 of the Code of Federal Regulations (CFR) 200.303 regarding internal controls, sections 200.330 through 200.332 regarding sub-recipient monitoring and management, and records retention requirements.

As the "prime recipient" of the Coronavirus Relief Fund resources provided by the federal government, the Commonwealth is required to comply with and enforce the heightened oversight measures proscribed in the law, including sub-recipient monitoring and management.

On May 14, 2020, A&F partnered with the Department of Revenue's Division of Local Services (DLS) to create the Coronavirus Relief Fund – Municipal Program for eligible municipalities to access the Coronavirus Relief Fund (excluding the City of Boston and municipalities in Plymouth County). CvRF-MP made up to approximately \$502 million available to eligible municipalities, allocated on per capita basis similar to the formula used by the federal government to allocate funds to states. This per capita allocation to each municipality is known as the Total Eligible Amount.

Municipalities can use these funds to address unanticipated costs associated with the public health emergency caused by COVID-19 if the use complies with the statutory limitations on the uses of the funds, again as described above. In order to help municipalities identify eligible costs, A&F created a list of Potential Municipal Uses and attached this document to the CvRF-MP program guidance as [Attachment A](#).

CvRF-MP Reconciliation Period Overview

Winding Down CvRF-MP

Under current law, the Coronavirus Relief Fund is available to address unanticipated costs incurred during the covered period of March 1, 2020 to December 30, 2020 (the “covered period”). Further, Treasury expects that all eligible expenses within the covered period will be paid within ninety (90) days of incurring those expenditures. Thus, the last possible day that an expense can be paid is **March 30, 2020**.

A&F expects to wind down CvRF-MP in three steps, including:

1. **Reconciliation Period** – Municipalities with a Remaining Eligible Amount after Round 2 can draw down funds to address uncovered costs or costs that will not be reimbursed through the FEMA Public Assistance program (FEMA PA).
2. **Return of Unspent Funds to the Commonwealth** – Municipalities with unspent balances after all eligible costs have been addressed should return the funds to the Commonwealth. A&F will provide further guidance on this item in subsequent guidance.
3. **Quarterly Spending Reports** – Treasury OIG requires quarterly spending reports related to CvRF until September 30, 2021 to reflect all necessary corrections, reconciliations, and other adjustments. Municipalities are expected to comply with these ongoing quarterly reporting requirements after CvRF-MP concludes.

Shift to a Reimbursement Program Design

In both Round 1 and Round 2 of CvRF-MP, cities and towns received advance lump sum distributions based on cost estimates in broad spending categories. In the Reconciliation Period, the Commonwealth will reimburse communities for eligible expenses.

A&F anticipates that municipalities may have remaining uncovered costs due to expenses incurred but not anticipated as of October 30, 2020 (the deadline for Round 2 applications), such as costs related to the Winter 2020 surge in COVID-19 cases, or because an application for FEMA PA has been rejected or MEMA has advised the municipality that certain expenses are not eligible for FEMA PA (See *FEMA Public Assistance Grant Program* below).

Total Eligible Amount and Remaining Eligible Amount

As described above, the Commonwealth made up to approximately \$502 million available to cities and towns through CvRF-MP on a per capita basis. This per capita allocation to each municipality is known as the Total Eligible Amount (as reflected in [Attachment C](#) of the program guidance). Approximately \$335 million was distributed during the previous two application rounds. In the Reconciliation Period, municipalities can apply for the **Remaining**

Eligible Amount, which is calculated as the Total Eligible Amount minus the distributions received in Round 1 and Round 2.

Some municipalities drew down their entire Total Eligible Amount during Round 1 and Round 2 and have a Remaining Eligible Amount of \$0. These municipalities have no remaining funds available to claim in the Reconciliation Period.

FEMA Public Assistance Grant Program

Given that the COVID-19 pandemic is a declared federal disaster, municipalities have been required to submit eligible costs for reimbursement through the Federal Emergency Management Agency Public Assistance grant program (FEMA PA) since the beginning of CvRF-MP. FEMA PA provides reimbursements, typically at a rate of 75 percent of total costs, to public entities for “emergency protective measures” as defined by FEMA without a limit on total reimbursements. Further, both FEMA and Treasury have indicated that CvRF payments can be used as the required non-FEMA match (in most cases, the remaining 25 percent of total costs).

In September 2020, FEMA issued refined guidance on the eligibility of certain COVID-19 expenses. As a result, costs incurred by the state and local governments that were presumed to reimbursable are no longer eligible for FEMA PA. Most notably, PPE procured for use by public employees other than first responders (e.g., teachers or municipal administrative staff) and cleaning and sanitation costs for public buildings not used for direct responses to COVID-19 may not be eligible for FEMA PA reimbursement.

Municipalities with a Remaining Eligible Amount can use the Reconciliation Period to address costs that are not reimbursed by FEMA.

Application Process

The Commonwealth will open the Reconciliation Period for CvRF-MP on December 17, 2020 and conclude on January 29, 2021. Please note that this deadline may be revised because of federal legislative activity or other relevant factors.

Like Round 2, the application form is an Excel workbook template. Please review the instructions included in the workbook template to complete the application form. Once the application is complete, applicants may submit the Excel workbook using this web-based submission portal: <https://www.mass.gov/forms/crf-mp-reconciliation-round-application-submission>.

A&F will review and approve applications on a rolling basis. Municipalities can submit multiple applications during the reconciliation period. However, A&F strongly recommends that municipalities minimize the number of applications to facilitate timely payment processing.

Applicants must also submit a CvRF-MP certification form ([Attachment B](#)). Note that in lieu of submitting reimbursement documentation to the Commonwealth, the form is updated to attest that the municipality has collected and retains sufficient documentation to demonstrate the eligibility and validity of each expense.

Notice Regarding “Phase 4.0” Federal Legislation

Federal policymakers continue to deliberate the elements of so-called “Phase 4.0” legislation that may have a material impact on 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 deadline on the use of funds, and other relevant items.

A&F may make modifications to CvRF-MP if federal legislation is enacted that changes the statutory or regulatory parameters of the program. Local officials are advised to proceed based on current law but be prepared to adjust to future changes as necessary.

Further Assistance

A&F is available to provide support to municipalities regarding eligible uses of the CvRF, technical issues related to the application process, or other issues. Please submit questions via the web-based question portal. A&F remains available to work with local officials as they deliver public services amid the ongoing COVID-19 pandemic.

Website link: 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](#)
Application Form: [Excel Spreadsheet Application Form](#)

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