

Navigating the ARPA SLFRF deadlines and guidelines to secure your funds

Federal Claims Services
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Recipients must obligate funding by December 31, 2024 to avoid the risk of returning funds to Treasury.

In March 2021, the American Rescue Plan Act (ARPA) was signed into law providing \$350 billion in State and Local Fiscal Recovery Funds (SLFRF) to help with the economic and public health impacts of the COVID-19 pandemic. As of September 30, 2023, approximately 30% of allocated funds had not been obligated.¹ With Treasury's obligation deadline quickly approaching, there is a critical need for recipients to obligate funds immediately while ensuring compliance with Treasury's SLFRF eligible use requirements.

Key items for recipients to consider

In November 2023, Treasury issued the Interim Final Rule to revise the definition of "obligation" and provide guidance to recipients on additional flexibility to use SLFRF. The key items for recipients to consider include:

- Funds must be obligated **by December 31, 2024** for an eligible use **through a contract, purchase order, subaward or an alternative binding transaction.**
- **Unobligated funding** and funding obligated for **ineligible projects must be returned to Treasury.**
- Administrative costs can be considered obligated based on **estimates submitted to Treasury by July 31, 2024** and can be incurred after the obligation deadline.
- **There is limited flexibility to re-obligate funds** after the obligation deadline. The few scenarios in which a contract or subaward can be replaced are limited to 1) contractor's default; 2) contract termination for convenience; and 3) contract termination due to improper award.
- All SLFRF must be expended by the recipient and any subrecipients **by December 31, 2026.**

Key steps to meet the obligation deadline

With just several months left until the obligation deadline, recipients should consider these immediate steps to secure SLFRF:

- 1 Secure contracts, subawards and amendments now.** Recipients are responsible for conducting all procurements in compliance with the Uniform Guidance. The procurement process and subaward execution can be time consuming and should be implemented as soon as possible.
- 2 Review existing projects** to identify programs that are not on track to meet the obligation and expenditure deadlines and consider reallocating funds to other projects based on state/local priorities that may qualify under eligible uses.
- 3 Prepare and submit administrative cost estimates to Treasury by July 31, 2024,** including justification for the estimate.

Key steps to meet SLFRF compliance requirements

In addition to meeting the obligation deadline, recipients must ensure that funds are used for eligible purposes and comply with the Uniform Guidance and SLFRF guidance, including the 2022 Final Rule and FAQs. One of the crucial tasks in this process is managing and monitoring projects, subrecipients and contractors.

Ineligible, improperly documented, unreasonable or out-of-scope costs may put funding at risk. Five actions that recipients can take to address the risks of noncompliance include:

- 1 Document project eligibility** based on Treasury's guidance, including reference to the relevant expenditure category and clear demonstration of how the scope of work is supported by the Final Rule and FAQs.
- 2 Perform risk assessments** to identify high-risk projects and subrecipients as required by the Uniform Guidance.
- 3 Monitor subrecipients' performance** through regular reviews of contractual documents, financial records including invoices, and progress reports.
- 4 Review contractual documents** for compliance with Uniform Guidance Procurement Standards and Cost Principles and maintain appropriate oversight of contractors.
- 5 Monitor project progress** to ensure work performed is within the approved eligible use and scope of work and is on track to be completed during the eligible period of performance.

SLFRF funding can be used to cover costs to comply with administrative and legal requirements. This includes hiring employees or consultants who can assist with the SLFRF compliance monitoring process.

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