



AMERICAN RESCUE PLAN ACT

# Final Rule Brief

## Economic Development Update

The U.S. Treasury released the final rule on January 6, 2022 for the State and Local Coronavirus Fiscal Recovery Fund (SLFRF) authorized under the American Rescue Plan Act (ARPA.) The final rule goes into effect on April 1, 2022; however, cities and other recipients can choose to take advantage of the final rule's flexibility and simplifications immediately.

In this overview, we've highlighted expanded provisions and new details specifically related to economic development programs and initiatives in cities and other localities. The full text of Treasury's [final rule](#) can be found here.

### Immediate Action

The final rule will take effect April 1, 2022; however, cities can choose to take advantage of the final rule's flexibility and simplifications immediately.



## Broad Flexibility & Simplicity

The final rule “provides state, local, and tribal governments with even broader flexibility to pursue a wider range of uses to respond to local public health and economic needs — as well as greater simplicity, so they can focus on responding to the needs in their communities and maximizing the impact of their funds,” according to the Treasury’s press release.

### The Largest Update in the Final Rule

Permits localities to utilize up to \$10,000,000 (often a localities entire allotment) in general governmental services, without having to account for a specific loss or without having to adhere to formulas.

**In layman’s terms:** This funding has allowability for **BROAD** use, with **MINIMAL** restrictions, and **NO** requirement for justification of lost revenue during the pandemic.

## Economic Development Specifics

### Standard Allowance for Lost Revenue

A significant update to the final rule relates to the calculation of lost revenues, which now allows a city to use the funds for almost any governmental purpose. The rule now provides an alternative to the complex calculation of lost revenues by allowing recipients to use a “standard allowance” option, which assumes the recipient experienced a revenue loss equal to the lesser of their full ARPA distribution or \$10 million.

Recipients that select the standard allowance may use that amount — in many cases their full award — for government services, with streamlined reporting requirements.

Recipients must choose one of the two options (calculating actual lost revenue or taking the standard allowance) and cannot switch between these approaches after an election is made.

### What’s classified as a government service?

Government services generally include any service traditionally provided by a government, unless Treasury has stated otherwise. Government services is the most flexible eligible use category under the SLFRF program, and funds are subject to streamlined reporting and compliance requirements. Recipients should be mindful that certain restrictions, which are detailed further in the Restrictions section and apply to all uses of funds, apply to government services as well.



# Acquisition of Property & Capital Expenditures

The final rule clarifies that recipients may use funds for programs, services, and capital expenditures that respond to the public health and negative economic impacts of the pandemic.

## Negative Economic Impacts of COVID

### Supporting Disproportionately Impacted Small Businesses

Treasury presumes that the following small businesses are disproportionately impacted by the pandemic:

- Small businesses operating in Qualified Census Tracts
- Small businesses operated by Tribal governments or on Tribal lands
- Small businesses operating in the U.S. territories

Assistance to disproportionately impacted **small businesses** includes the following uses:

- Rehabilitation of commercial properties, storefront improvements & façade improvements
- Technical assistance, business incubators & grants for start-up or expansion costs for small businesses

### General Capital Expenditures

Expenditures must be related and reasonably proportional to the pandemic impact identified and reasonably designed to benefit the impacted population or class.

No pre-approval is required; however, some expenditures require recipients to complete and meet the requirements of a written justification for capital expenditures as part of their regular reporting.

The following capital projects are considered **ineligible**:

- Construction of new correctional facilities as a response to an increase in rate of crime
- Construction of new congregate facilities to decrease spread of COVID-19 in the facility
- Construction of convention centers, stadiums, or other large capital projects intended for general economic development or to aid impacted industries



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# Additional Resources

## Restrictions

While recipients have considerable flexibility to use funds to address the diverse needs of their communities, some restrictions on use apply across all eligible use categories. These include:

- For all recipients except for Tribal governments: No extraordinary contributions to a pension fund for the purpose of reducing an accrued, unfunded liability.
- For all recipients: No payments for debt service and replenishments of rainy-day funds; no satisfaction of settlements and judgments; no uses that contravene or violate the American Rescue Plan Act, Uniform Guidance conflicts of interest requirements, and other federal, state, and local laws and regulations.

## Treasury Documents

1. The Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule and Final Rule provides information on the effective date and a brief summary of changes and additional requirements.
2. The Overview of the Final Rule, is a user guide that boils the rule text down into an easy-to-understand summary. The Overview of the Final Rule includes a non-exhaustive list of projects that recipients can undertake with ARPA funds without undergoing additional independent analysis.

If you have questions on how your dollars can be spent for economic development initiatives, contact us at [info@retailstrategies.com](mailto:info@retailstrategies.com)