

ARPA Accounting Questions and Answers

In OML's ongoing effort to assist local governments with the use and administration of ARPA monies, the following information has been developed.

Although the Interim Final Rule for ARPA funds does not provide much guidance for the "accounting" of the revenues, expenditures and remaining unspent ARPA proceeds, the OML task force has put together a list of commonly asked questions and recommendations below in an effort to provide some consistent guidance.

Q1: Do we need to set up a new depository bank account in order to account for these ARPA funds?

A1: No. There are no requirements to deposit these monies into a separate bank account.

Q2. Is there a requirement that we set up a separate fund in our internal accounting records?

A2. No. There is no requirement to set up a separate fund in your internal accounting records. HOWEVER, the OML task force **highly recommends** that each government consider establishing a separate fund in their internal accounting records in order to facilitate the ease of tracking both the receipt and use of these ARPA monies. If your government decides not to set up a separate fund, be sure to create the proper line items within an existing fund in order to account for the ARPA related revenues, expenditures, remaining unspent proceeds and related fund balance restrictions.

Q3. Can these ARPA monies be placed into a certificate of deposit until the government decides what to spend the monies on?

A3. Yes. There is no prohibition in the regulations that prevents a local government from placing the ARPA monies into a Certificate of Deposit. However, be sure to spend or commit to spend the ARPA monies by the regulations deadline, and don't lock the monies up longer than the timeframe you intend to spend the funds.

Q4. Can the unspent ARPA monies earn interest while in the local government's bank accounts or certificates of deposit?

A4. Yes. There are no prohibitions in the regulations that state that the government is not allowed to earn interest on unspent ARPA proceeds.

Q5. If interest is earned by the local government on unearned ARPA proceeds, must that interest be returned to the Federal Government?

A5. No. The regulations state that interest earned by local governments is not required to be returned to the Federal Government, and instead may be used to defray the administrative costs of the program, among other things.

Q6. Can we spend the ARPA proceeds immediately?

A6. Yes. As long as the local government has satisfied all of the procurement requirements in the regulations and the ARPA monies are being used for allowable costs, the money can be spent immediately. However, see questions #7 and #8 below regarding the possible need for a budget amendment.

Q7. Do we need to adopt a budget amendment before we spend the ARPA monies?

A7. Yes, unless you anticipated receiving these ARPA monies when adopting the original budget for FY 21-22 and had included the ARPA revenues and expenditures in that original budget.

Q8. If we do need a budget amendment, does such a budget amendment require City Council or Town Trustee approval?

A8. Yes. Since these budget amendments are actually budget supplements, increasing the total amount of expenditures originally adopted, they must be approved by the governing body prior to the encumbering of the money.

Q9. If our total ARPA award is less than \$10 million, and we elect to use the provisions in the Final Rule to take the \$10 million standard allowance for revenue loss (instead of having to calculate it), are there any restrictions on what the money can be used for?

A9. Recipients may use funds up to the \$10 million standard allowance (or if more than \$10 million, they may calculate revenue loss) amount of revenue loss for **government services**; generally, services traditionally provided by recipient governments are government services, unless Treasury has stated otherwise. The following are the restrictions that Treasury has stated:

1. Do not use to offset a reduction in tax revenue. In other words, you can't cut your tax rate (think sales tax rate, income tax rate, franchise tax rate, or property tax rate) and use the money to offset the reduction in tax revenue caused by the rate change.
2. Do not use to make an extraordinary contribution to a pension fund to offset an accrued unfunded liability. Regular contributions via payroll contributions are allowed, just not any extra payments that would be considered extraordinary. However this restriction does not apply to tribal governments.
3. No debt service payments and no contributions into a rainy day fund or a reserve fund.
4. No payments of judgments or claims.
5. Additional general restrictions, such as you can't spend the money on anything that contradicts or contravenes the ARPA statute award terms or conditions, or conflict of interest rules under Uniform Guidance, or other applicable rules and regulations.