



Coronavirus Local Fiscal Recovery Funds

Overview and Checklist to Administer a Local Cash Assistance Program for Eligible Households

A number of towns have asked how they might be able to use funds where they have no revenue loss and limited direct COVID-19 related expenses. GOFERR has engaged Guidehouse to assist localities with questions related to Local Fiscal Recovery Funds. Guidehouse prepared an outline of a Local Cash Assistance Program to assist localities planning on how to use its allocation.

Local Cash Assistance – What It Is and How It Works

Local Fiscal Recovery Funds may be used to provide cash assistance grants to qualifying local households or residents.

Summary of Key Steps

1. **Create an Application:** This is necessary to gather personal, financial, and/or household information necessary to ensure the applicant is eligible for the assistance. Guidehouse will provide an application template in the coming weeks.
2. **Eligibility:** To determine eligibility, the local government may establish certain categories of financial eligibility such as:
 - a. Unemployed workers
 - b. Low- and moderate-income households
 - c. Households facing increased food or housing insecurity
 - d. Enrollment in certain public assistance programs
3. **Determine Award Amounts:** The local government may choose to provide cash assistance as a fixed amount for all eligible recipients (up to \$1,400) or a calculated amount based on an individual's demonstrated need
4. **Payment, Tracking and Reporting:** All documentation gathered in the application process should be securely maintained and a detailed accounting of payments made should be kept for reporting purposes. Records must be maintained for 5 years after all Local Fiscal Recovery Funds have been expended.

Local governments interested in offering a cash assistance grant program should consider the following to comply with federal guidance:

- Cash assistance should not be across the board payments to all local residents
- Steps must be taken to validate that the household or individual has 1) experienced a negative economic impact from the pandemic, and 2) the assistance provided is reasonably proportional to the negative economic impact that it is intended to address.
- Guidehouse is available to assist with questions, and will be issuing FAQs to assist towns setting up a cash assistance grant program.

Local Cash Assistance – What It Is and How It Works – More Details and excerpts from federal guidance:

The American Rescue Plan Act (“ARPA”) establishes the Coronavirus Local Fiscal Recovery Funds (“LFRFs”), which provide emergency funding for local governments to support their response to the impacts of the pandemic.

One category of eligible uses as defined by ARPA and Treasury guidance is *“to respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality...”*¹

There are several LFRF uses that would be eligible under this category, including cash assistance to households or residents, like the national stimulus payments issued by the U.S. Treasury in 2020 and 2021. Some New Hampshire local governments may want to use LFRF to make similar payments to residents. The LFRF guidance issued by the U.S. Treasury permits such cash assistance as an “eligible use” but does not appear to allow across the board payments to everyone, without additional steps to validate that the household has been impacted by COVID-19. The following summary of considerations and checklist have been developed to help local governments comply with guidance issued by U.S. Treasury when designing cash assistance programs.

Eligible uses of LFRF to provide cash assistance includes a two-step test:

- 1) Whether, and the extent to which, the household has experienced a negative economic impact from the pandemic
- 2) Whether the assistance is reasonably proportional to the negative economic impact it is intended to address²

A program that gives cash assistance to anyone in a local area, regardless of need or negative COVID-19 impact, would not appear to be an eligible use of the LFRF under step #1 above. Treasury specifically addressed this question in its Frequently Asked Questions (FAQ) document (see below):

Q. May recipients use funds to respond to the public health emergency and its negative economic impacts by providing direct cash transfers to households?

Yes, provided the recipient considers whether, and the extent to which, the household has experienced a negative economic impact from the pandemic. Additionally, cash transfers must be reasonably proportional to the negative economic impact they are intended to address. Cash transfers grossly in excess of the amount needed to address the negative economic impact identified by the recipient would not be considered to be a response to the COVID-19 public health emergency or its negative impacts. In particular, when considering appropriate size of permissible cash transfers made in response to the COVID-19 public health emergency, state, local, territorial, and Tribal governments may consider and take guidance from the per person amounts previously provided by the federal government in response to the COVID crisis.³

¹ Department of the Treasury. “Interim Final Rule.” 31 CFR Part 35, p. 26787. 17 May. 2021. <https://www.federalregister.gov/d/2021-10283/p-35>.

² Department of the Treasury. “Interim Final Rule.” 31 CFR Part 35, p. 26794. 17 May. 2021. <https://www.federalregister.gov/d/2021-10283/p-35>.

³ Department of the Treasury. “Frequently Asked Questions.” FAQ 2.6., p. 4-6. 19 July. 2021. <https://home.treasury.gov/system/files/136/SLFRPFAQ.pdf>.

Local Cash Assistance Program: Key Steps of an Eligible Program

Based on this FAQ and additional Treasury guidance, local governments are urged to consider the following key steps for an eligible cash assistance program, should they choose to facilitate such a program.

#	Step	Description
1	Application/Information Gathering Process	Where it is expected that more than 100 applications will be submitted, local governments should consider hosting an application portal or using other means to collect personal, financial, and/or household information from applicants to establish a COVID-19 related need or negative economic impact. Please note that the cost of program outreach to publicize the cash assistance program is an allowed use of LFRF. ⁴
2	Eligibility Determination	<p>Treasury's LFRF eligibility guidance outlines several ways that local governments may satisfy Step 1 of the eligibility test, determining the person was impacted by the pandemic. These may include the following categories of eligible people:</p> <ul style="list-style-type: none"> • Unemployed workers⁵ • Low- and moderate-income families.⁶ The initial round of Economic Impact Payments, dispersed by the federal government, provided low- and moderate-income families with cash assistance payments. Congress determined that impacted individuals were those whose income did not exceed \$150,000 if married and filing a joint return, \$122,500 if filing as the head of the household and \$75,000 if filing as single. Additionally, payments were reduced by 5% of the amount by which an individual's income exceeds the applicable threshold above, up to \$198,000, \$136,500, \$99,000 respectively.⁷ Local governments may wish to conform their definition of low- and moderate-income families to at or below these income levels. • Households facing increased food or housing insecurity • Enrollment in certain public assistance programs (some programs to consider: Supplemental Nutrition Assistance Program—SNAP, Temporary Aid For Needy Families—TANF, free or reduced school lunch programs, Supplemental Security Income-SSI). <p>Local governments that provide cash assistance to people not negatively impacted by the pandemic may be subject to LFRF recoupment by the U.S. Treasury.</p>
3	Determine Award Amounts	Step 2 of the Treasury's eligibility guidance requires that the program address the identified need in a reasonably proportional manner. Local governments may choose to provide cash assistance as a fixed amount for all eligible recipients or a calculated amount based on an individual's demonstrated need. If a local government chooses a fixed amount, Treasury has provided the guidance that \$1,400 (the highest amount provided by Congressionally authorized stimulus payments ⁸) or less will be considered reasonably proportional. Local governments providing cash assistance above this amount should consider documenting their reasons for selecting a larger payment amount.
4	Payment, Tracking and Reporting	Local governments are subject to compliance review/audit from the U.S. Treasury and annual reporting requirements on the use of funds. Local governments should securely maintain the documentation gathered and processes followed in steps 1-3 above, as well as detailed tracking of payments, for 5 years after all LFRF have been expended. ⁹ Local governments paying cash assistance either through electronic funds transfer or paper checks need to track all payments made and account for any returned or undeliverable funds.

⁴ 2 CFR § 200.421(b)(4)

⁵ Department of the Treasury. "Interim Final Rule." 31 CFR Part 35, p. 26794. 17 May. 2021. <https://www.federalregister.gov/d/2021-10283/p-35>.

⁶ Department of the Treasury. "Interim Final Rule." 31 CFR Part 35, p. 26794. 17 May. 2021. <https://www.federalregister.gov/d/2021-10283/p-35>.

⁷ Internal Revenue Service, 7 May. 2020.

<https://www.irs.gov/newsroom/calculating-the-economic-impact-payment>.

⁸ Internal Revenue Service, 17 May. 2021.

<https://www.irs.gov/coronavirus/third-economic-impact-payment>.

⁹ Department of the Treasury. "Coronavirus State and Local Fiscal Recovery Funds Compliance and Reporting Guidance." 24 June. 2021. p. 10. <https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf>.