

## MEMORANDUM

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**TO:** Interested Parties  
**FR:** A&F Federal Funds Office (FFO)  
**DT:** February 19, 2021  
**RE:** Supplemental Guidance for the Coronavirus Relief Fund – Municipal Program

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The Coronavirus Relief Fund – Municipal Program (CvRF-MP) made up to \$502 million in federal assistance available to support local government’s response to the COVID-19 pandemic. Federal policy changes announced in recent weeks intersect with CvRF-MP. This memorandum summarizes these changes and provides updated guidance for CvRF-MP recipients.

### **Key takeaways include:**

- The Reconciliation Period application deadline is revised from **February 26, 2021** until at least **June 30, 2021**
- Federal policy changes imply that municipalities will receive more support for eligible costs than originally anticipated through the FEMA Public Assistance grant program (“FEMA PA”)
- Municipalities should review all COVID-related expenses to maximize the use of available federal funds
  - Expenses related to school reopening costs and rental assistance programs should be reviewed in the context of new federal assistance in addition to CvRF-MP
- Complying with all relevant rules and regulations established by the federal government remains an ongoing focus for state and local governments; municipalities are required to take proactive steps to address duplication of benefits and other compliance issues
- Municipalities should submit their quarterly spending report, due on March 5, 2021, in the same manner as previous reports
  - A&F will centrally manage the removal of expenditures indicated as applied to FEMA PA, and therefore reported as at 25 percent cost share
  - A&F will provide additional guidance on this process and the reporting of newly reallocated funds
- Municipalities are advised that the federal government is considering further COVID relief legislation that may provide additional resources to state and local governments

## Summary of Federal Policy Changes

### *FEMA PA Policy Changes*

The President of the United States instructed FEMA to increase the reimbursement rate for eligible COVID-19 costs submitted to FEMA PA from 75 percent to **100 percent** for costs incurred between January 20, 2020 and September 30, 2021.<sup>1</sup> A&F's current understanding is that applicants do not need to take further action to receive additional funding for eligible expenses that have already been submitted.

Further, the President indicated that FEMA PA should cover certain costs that were previously ineligible for the program related to personal protective equipment, cleaning and sanitation costs, and school reopening costs. As of the date of this memorandum, FEMA has not issued further guidance to define these new eligibility standards. Once that guidance is available, municipalities should review their COVID-related expenses to identify costs that may be eligible for FEMA PA under the new standards. Additionally, the Division of Local Services (DLS) will issue guidance on accounting information at that time.

### *Phase 4.0 COVID Relief*

On December 27, 2020, the Consolidated Appropriations Act, 2021 was signed into law. This legislation included a \$900 billion COVID relief package. As indicated in the A&F memo dated December 29, 2020, this legislation modified the deadline to receive the beneficial use of the Coronavirus Relief Fund from December 30, 2020 to **December 31, 2021**.<sup>2</sup>

This legislation included a second round of Elementary and Secondary School Emergency Relief (ESSER) grants for school districts. In total, ESSER II will provide approximately **\$735 million** to Local Education Agencies (LEAs) across the Commonwealth for school-related costs. Allocation amounts are available on the Department of Elementary and Secondary Education's (DESE) [website](#).

Further, the law provided approximately **\$457 million** to Massachusetts for a new Emergency Rental Assistance Program (ERAP). The Commonwealth's Department of Housing and Community Development (DHCD) is working quickly to design the new program. The interplay between ERAP, the state's Eviction Diversion Initiative (EDI), the Rental Assistance for Families in Transition (RAFT) program, and other efforts is still being determined.

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<sup>1</sup> Memorandum to Extend Federal Support to Governors' Use of the National Guard to Respond to COVID-19 and to Increase Reimbursement and Other Assistance Provided to States, [January 21, 2021](#) and Memorandum on Maximizing Assistance from the Federal Emergency Management Agency, [February 2, 2021](#)

<sup>2</sup> Extension of CARES Act Coronavirus Relief Fund Covered Period Memorandum dated [December 29, 2020](#)

## Updated Guidance for CvRF-MP

### *Reconciliation Period*

On December 17, 2020, A&F opened a Reconciliation Period for CvRF-MP for municipalities to draw down any remaining portion of their allocation on a reimbursement basis. A&F extended the deadline for the Reconciliation Period to February 26, 2021 in January 2021. As of the date of this memorandum, approximately \$175 million remains available to municipalities.

Given the changes described above and the prospect of further federal legislation (see *Update on Phase 5.0 Legislation* below), **A&F is extending the deadline for Reconciliation Period applications to at least Wednesday, June 30, 2021.** A&F will revisit this deadline again if and when further federal legislation has been passed and signed into law.

The other parameters of the program, including Potential Municipal Uses, application process, and quarterly reporting requirements remain unchanged. For more information, please refer to the original Reconciliation Period guidance: <https://www.mass.gov/doc/coronavirus-relief-fund-municipal-program-reconciliation-guidance/download>.

### *Review Coronavirus Relief Fund – Municipal Program Expenditures*

CvRF-MP was designed as a complement to FEMA PA, providing the non-FEMA cost share (25 percent) for eligible expenses under the prior policy. Municipalities are required to pursue FEMA reimbursement for all eligible expenditures as a condition of participating in CvRF-MP.

As described above, A&F anticipates municipalities will receive 100 percent reimbursement for FEMA-eligible costs under the new policy, which will “free up” resources provided through CvRF-MP for the same purpose.

Municipalities can reallocate these funds to eligible uses as defined in the Potential Municipal Uses document ([Attachment A](#)) of the CvRF-MP guidance without seeking further approval from A&F. The Commonwealth estimates this change may free up approximately \$70 million for reallocation. Put another way, of the \$324 million in funds distributed to municipalities through CvRF-MP to date, the FEMA policy change may make about 22 percent of these funds available again to support other expenses.

Moreover, A&F observes that many municipalities allocated a portion of their CvRF-MP resources to costs that are now addressed by other federal sources, such as school reopening costs and rental assistance programs. In order to maximize federal dollars, municipalities should review all COVID-related expenditures incurred or anticipated and consider the most appropriate federal funding source to support these expenses, including but not limited to ESSER for school reopening costs, ERAP for rental assistance programs, or FEMA PA for other eligible costs.

## Compliance Risk Management

### *Desk Reviews*

As communicated in previous memoranda, the Commonwealth is required to conduct desk reviews of municipal transactions as part of its subrecipient monitoring obligations under the CARES Act. These reviews are ongoing and are expected to consist of multiple rounds of transaction sampling. Municipalities selected in round 1 should expect to receive feedback shortly and round 2 will begin in the coming weeks. The Commonwealth appreciates the timely responses received to date and looks forward to working with municipalities to ensure compliance with federal regulations and to avoid recoupment.

### *Rental and Mortgage Assistance*

As described above, the new Emergency Rental Assistance Program (ERAP) will make significant new resources available to address rental arrearages and other related costs facing eligible Massachusetts residents.

The new program, however, creates a significant risk of “duplication of benefits”, or charging the federal government twice for the same cost. For example, if a municipal rental assistance program supported by federal funds (like CvRF-MP) and ERAP provided a tenant with support for the same month of rental arrearage, this would be a duplication of benefits. In such a case, the Commonwealth may be subject to the recoupment process for returning funds to the federal government from *both* programs (CvRF and ERAP).

The Commonwealth is developing robust methods for detecting potential compliance concerns proactively, including a new database and software system, and building fraud-detection processes into the ERAP application review workflow because of this risk.

Municipalities that are operating rental assistance programs with federal funds (from CvRF or other federal programs) should be aware of the potential compliance issues posed by multiple efforts supported by federal dollars in the same policy area. Municipalities are responsible for developing, implementing, and enforcing policies to ensure compliance with all relevant federal rules and regulations.

### *Hazard Pay*

Hazard pay is a complex aspect of the federal guidance. It is an eligible use of the CvRF, however, the standards determining whether an expense qualifies as “hazard pay” have changed throughout the life of CvRF. Treasury has very specific requirements regarding what types of hazard pay are eligible for funding under the CARES Act. These requirements are *much narrower* than traditional definitions of hazard pay. Hazard pay may be covered using payments from the CvRF only if it is provided for performing hazardous duty or work involving physical

hardship that in each case is related to COVID–19. This means that hazard pay specifically may only be covered to the extent it is related to COVID–19.

Notwithstanding any previous agreements or collective bargaining terms to the contrary, hazard pay that is provided in compensation for employees working during a state of emergency is *not* eligible to be paid using the CvRF. Municipalities who have provided hazard pay using the CvRF must be able to document the specific COVID-related hazardous duty in each instance where said hazard pay was provided. Given this level of specificity, municipalities who have previously offered hazard pay using the CvRF should contact the FFO to confirm they have proper documentation and identify alternative eligible uses of their funds if necessary.

### **Quarterly Spending Reports**

A&F recognizes the implications of the changes discussed above on both previously reported CvRF expenditures and CvRF expenditures to be reported in the report due on March 5, 2021.<sup>3</sup>

Given the continued evolution of FEMA PA guidance, A&F asks that for the forthcoming quarterly reporting submission, due on March 5, 2021, municipalities report in the same manner as previous reports. In this submission, please continue to indicate if expenditures have been, or will be, applied for through FEMA PA. As in the past, the reporting template will automatically calculate the 25% cost share for expenditures indicated as applied for through FEMA PA.

In future reporting submissions beyond the March 5<sup>th</sup> deadline, for expenditures previously reported as FEMA PA eligible, the Commonwealth will assume these costs will now be reimbursed at 100%. A&F will back out the 25% cost share from the reporting submissions submitted to date. This will reduce the amount reported to date and allow municipalities to report reallocation of CvRF-MP funds that are “freed up” due to the increase to 100 percent reimbursement for FEMA-eligible costs. Municipalities should ensure proper tracking and documentation of reallocation of “freed up” CvRF funds to be reported in future reporting submissions.

As FEMA guidance is finalized and the next round of reports are submitted, A&F will provide further guidance on the reconciliation process for removing expenditures reported as FEMA PA cost share and reporting the reallocation of funds to new expenditures.

### **Update on Phase 5.0 Federal Legislation**

The President of the United State proposed a \$1.9 trillion COVID-19 response plan that includes \$350 billion for state and local governments. This plan is currently being considered by the US Congress. According to very preliminary information released by the US House Oversight and

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<sup>3</sup> CvRF quarterly spending report due on March 5, 2021 includes eligible expenditures incurred between 10/1/2020 and 12/31/2020. Guidance was provided on February 8, 2021 and the template for the report can be found [here](#).

Government Reform Committee, this plan would provide approximately \$4.5 billion to the Commonwealth and approximately \$3.7 billion to local governments, including **\$2.3 billion** to municipalities and additional support for school districts through a new round of ESSER grants (ESSER III). Eligible uses appear to be more expansive than currently allowed by CvRF-MP, including the ability to use a portion of the funds to replace revenue loss due to the pandemic.

Municipalities should be aware of this legislation and begin to consider potential uses for funds provided by the federal government. Preliminary local allocations for state and local government aid are available from the US House Committee on Oversight and Reform:

<https://oversight.house.gov/news/press-releases/oversight-committee-passes-long-awaited-350-billion-aid-package-to-help-states>. These estimates should be viewed as projections that are subject to change or further revision as the legislative process continues. A&F is not responsible for these projections and cannot provide further guidance about potential legislative developments.

### **Contact Us**

Municipalities can contact A&F FFO with CvRF-MP questions using the web-based question submission form: [https://massgov.formstack.com/forms/municipal\\_covid\\_spending\\_questions](https://massgov.formstack.com/forms/municipal_covid_spending_questions).

For more information about the role of COVID-related federal funds in Massachusetts, visit: <http://www.mass.gov/federalfunds>.