



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**Shad White**  
AUDITOR

Memorandum

Date: 12/22/2021  
To: Mississippi Association of Supervisors  
From: Technical Assistance Division  
Re: Coronavirus State and Local Fiscal Recovery Funds

Below are questions our office is receiving in regards to spending under the Coronavirus State and Local Fiscal Recovery Funds. ("CSLFRF"). We have pulled these questions and answers from the Frequently Asked Questions for Coronavirus State and Local Fiscal Recovery Funds ("FAQS") provided by the Department of Treasury ("Treasury").

Q: How may CSLFRF be used by Local Governments?

A: As of December 15, 2021 Section 603(c)(1) provides CSLFRF may be used for the following four purposes:

- (a) 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;
- (b) To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers;
- (c) For the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and
- (d) To make necessary investments in water, sewer, or broadband infrastructure.

Q: Where can I find additional guidance as to how CSLFRF may be used?

A: Treasury has published guidance in the Interim Final Rule and FAQs. For your convenience we have linked them here:

Interim Final Rule:

<https://www.govinfo.gov/content/pkg/FR-2021-05-17/pdf/2021-10283.pdf>

Frequently Asked Questions for Coronavirus State and Local Fiscal Recovery Funds:

<https://home.treasury.gov/system/files/136/SLFRPFAQ.pdf>

Please be aware these documents are both frequently updated by Treasury, and guidance is subject to change. We encourage you review the guidance on a regular basis to stay abreast of any changes.

Q: How long do we have to spend the CSLFRF?

A: Funds should be obligated by December 31, 2024 and expended by December 31, 2026.

Q: What provisions of the Uniform Guidance for grants apply to these funds?

A: Most of the provisions of the Uniform Guidance (2 CFR Part 200) apply to this program, including Cost Principles and Single Audit Act requirements. Recipients should refer to the Assistance Listing for detail on specific provisions of the Uniform Guidance that do not apply to this program. The Assistance Listing for the program is 21.027.

Q: What is the time period for estimating revenue loss and if a loss is calculated how may the funds be used?

A: Recipients calculate the extent of reduction in revenue as of four points in time:

- December 31, 2020;
- December 31, 2021;
- December 31, 2022;
- December 31, 2023.

This approach recognizes that some recipients may experience lagged effects of the pandemic on revenues.

A reduction in a recipient's General Revenue equals:

Max {[Base Year Revenue\*<sup>1</sup> (1+Growth Adjustment) ( $\frac{n_t}{12}$ )] - Actual General Revenue<sub>t</sub>; 0}

Once a recipient has identified a reduction in revenue, there are still restrictions on how recipients use funds up to the amount of the revenue reduction. The Interim Final Rule gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue. Government services can include, but are not limited to, maintenance of infrastructure or pay-go spending for building new infrastructure, including roads; modernization of cybersecurity, including hardware, software, and protection of critical infrastructure; health services; environmental remediation; school or educational services; and the provision of police, fire, and other public safety services.

However, paying interest or principal on outstanding debt, replenishing rainy day or other reserve funds, or paying settlements or judgments would not be considered provision of a government service

Based on the current guidance the best practice is to account for CSLFRF funds, calculate revenue loss, and distribute revenue loss funds for allowable governmental services on a reimbursement basis. This will provide proper documentation that expenditures were for allowable government services.

---

<sup>1</sup>*Base Year Revenue* is General Revenue collect in the most recent full fiscal year prior to the COVID-19 public health emergency. [Generally FY 2019].

*Growth Adjustment* is equal to the greater of 4.1 percent (or 0.041) and the recipient's average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency.

*n* equals the number of months elapsed from the end of the base year to the calculation date.

*Actual General Revenue* is a recipient's actual general revenue collected during 12-month period ending on each calculation date.

*Subscript t* denotes the calculation date.