



PENNSYLVANIA STATE ASSOCIATION OF TOWNSHIP SUPERVISORS

**PSATS Town Hall: What the American Rescue Plan Act Means for Your Township**

**Questions and Answers for 3/22/21 and 3/23/21 sessions – Posted on April 12, 2021**

**This document is based on the information that we have received to date and is not to be considered legal advice to the township. Please double-check before making expenditures that the information has not been revised based on U.S. Department of Treasury regulations.**

**Overview of the American Rescue Plan**

Q. Will a copy of this presentation be made available?

A. [Click here](#) for a copy of the presentation.

Q. Can you explain what is meant by an entitlement community?

A. A municipality with more than 50,000 residents.

**Amount and Timing of Distributions and Spending**

Q. Where can we find how much we will receive and when?

A. [Click here](#) to find out how much your township will receive. The first payment of half of this number is expected to arrive in June 2021 and the second half will arrive within a year of the first distribution.

Q: Where did data come from, is it based on population?

A: The data came from the U.S. House Oversight Committee and the distributions are based on population.

Q: Is the amount [listed here](#) the final number?

A: Yes.

Q: Is this payment just for us or will it be split with the school district or county?

A: The payment is just for your township. Other entities, including your county and school districts, will receive their own distributions.

Q: How do we access these funds? Do we need to apply, or will the funds come directly to us?

A: The funds will come directly to your township through the Commonwealth. You do NOT need to apply for the funds. PSATS does not know the specific mechanics of the distribution at this time but will let members know once we do.

Q: What is the 75% of 2020 budget limitation: is that the entire (100%) amount or does it refer to each of the two year's distribution of 50%? And does this refer to our entire budget for all funds or just the general fund?

A: The budget limitation is on the entire amount. And your budget would be for all funds.

Q: How long do we have to use the funds?

A: ARP funds can be spent until December 31, 2024.

Q: Do we know what will happen with any unspent money at the end of 2024?

A: Funds not spent by December 31, 2024 will need to be returned to the state. PSATS anticipates that these funds will then be redistributed, but understands that this will be addressed in the regulations.

Q: Can we invest the money and use the funding as needed?

A: PSATS is not aware of any restrictions on investing the ARP funds in an interest-bearing account. However, PSATS understands that any interest earned must be used for one of the four allowable use categories discussed below.

Q: As a small township with no sewer or public water and was not negatively impacted and not looking to give away just to give it away. Could we bank the money to collect interest and then at the end of 2024 just give the original money back?

A: PSATS is not aware of any restrictions on investing the funds in an interest-bearing account. Interest earned on the funds would need to be spent on one of the allowable uses. In addition, if the township does not wish to spend the funds, it may be more beneficial to the local and state economy for it to return the funds so that they can be allocated and used in a timelier manner. PSATS will work with you to find valid expenditures that will enable “capacity building” for the township.

Q: Any sense of the impact of prior distributions to municipalities or any designees of the municipality etc. of Covid funds on the distribution of this money?

A: Prior distributions had no impact on these funds.

## Uses Generally

Q: How much latitude do we have on types of projects that qualify for the funding?

A: The funds must be used for one of the four permitted uses in the ARP.

Q: Can money be given to affected entities outside of the geographic boundaries of the township, for example, the volunteer fire company or library in the neighboring borough? Or are expenditures limited by geography?

A: PSATS is not aware of any geographical limitations on the use of the funds. In fact, your township may wish to partner with neighboring municipalities to better maximize the value of the ARP funds.

Q: Can money be split between employees, water, etc. or does it have to all go to same project?

A: The funds may be used for more than one category, purpose, or project, if all uses are allowable as discussed below.

Q: Under which of the "Permitted Uses" categories would building repairs relative to COVID be found?

A: Building upgrades that are in response to the COVID-19 emergency would be permissible under Permitted Use #1.

Q: We need to replace our very leaky roof, would that qualify? There is concern for mold due to the leakage.

A: Repairs to a leaky roof would not be a response to the COVID-19 emergency or its negative economic impacts (see discussion under Permitted Use #1), but the township could use "revenue replacement" funds for those repairs (see discussion under Permitted Use #3).

Q: Are the allowable costs for the funding limited to the four buckets noted today or do they include the original allowable costs under the coronavirus relief funds through the CARES Act.

A: Use of ARP funds is limited to the four permitted uses set forth in the law and addressed below.

Q: We are constructing a new shared emergency services facility, that includes ambulance, fire, and Emergency Operations. Could these funds be used for construction?

A: If the township is constructing the facility to respond to the COVID-19 public health emergency (i.e., making it easier for the township to provide emergency response, etc.), then that would fall under Permitted Use #1. In addition, the township could use "revenue replacement" funds (see discussion under Permitted Use #3).

Q: Can funds be earmarked for long-term stability of a rural township, allowing the supervisors to freeze tax rates over a 3-year period?

A: PSATS would need additional detail as to the future use of those funds in order to provide guidance in response to this question.

Q: Can the funds be used to reduce existing debt from previous building or equipment loans?

A: The township could use “revenue replacement” funds (see discussion under Permitted Use #3) for that purpose. However, reducing existing debt would not appear to fall within any of the other permitted uses.

Q: Can we use it to purchase new township equipment for use in emergency response?

A: If the township is purchasing the equipment to respond to the COVID-19 public health emergency (i.e., making it easier for the township to provide emergency response, etc.), then that would fall under Permitted Use #1. In addition, the township could use “revenue replacement” funds (see discussion under Permitted Use #3).

Q: Can we use the funds to redo our zoning ordinance?

A: The township could use “revenue replacement” funds (see discussion under Permitted Use #3) for that purpose. However, using funds to redo the township’s zoning ordinance would not appear to fall within any of the other permitted uses.

Q: It seems as if our county is positioning to request funds from municipalities to support countywide organizations. Are we required to support county agendas?

A: No. It is up to your board of supervisors to determine how best to use the funds allocated to your township.

Q: With the CARES Act, we were able to use regular pay of front-line workers to automatically qualify (ie: police officers). Can we also do this with the ARP funds?

A: The township may use ARP funds to provide premium pay to eligible workers.

Q: Could the funds be used to create a police station on township property? We do not have a police station for our part-time force.

A: If the township is building the police station to respond to the COVID-19 public health emergency (i.e., making it easier for the township to provide emergency response, etc.), then that would fall under Permitted Use #1. In addition, the township could use “revenue replacement” funds (see discussion under Permitted Use #3).

Q: Are any funds being directed to Municipal Authorities?

A: Municipal authorities will not be direct recipients of ARP funds. However, the township would be permitted to provide some or all of its ARP funds to authorities, including for the purpose of water and sewer infrastructure.

Q: Can we allocate some of these funds to an authority? If so, what are the allowable expenditures of the authority?

A: Yes, the township could allocate some of these funds to an authority for one or more of the following permitted use categories below. Based on the information currently available, there are no restrictions on the use of funds provided to third parties.

Q: Can emergency power generators be covered with these funds? Either adding a new system or replacing a failed system?

A: If the township is purchasing the emergency power generator to respond to the COVID-19 public health emergency (i.e., making it easier for the township to provide emergency response, services to residents, etc.), then that would fall under Permitted Use #1. In addition, the township could use “revenue replacement” funds (see discussion under Permitted Use #3).

## **Permitted Use #1: Response to COVID-19 emergency or its negative economic impacts**

Under Permitted Use #1, townships may use ARP funds to respond to the COVID-19 public health emergency or its negative economic impacts. This may include providing assistance to: (1) households, small businesses and non-profits; or (2) providing aid to impacted industries such as tourism, travel and hospitality. One of the threshold questions for townships will be whether they dedicate the funds to township-specific uses, such as upgrading their meeting spaces and facilities to account for COVID response (capability for remote meetings and recording meetings, air handling, scanners, etc.), to entities that provide township-related services to residents (VFDs, EMTs, etc.), or whether they wish to also distribute funds into the broader community (non-profits, restaurants, hotels, etc.). At this time, PSATS is not aware of any requirements that townships impose restrictions on the use of the distributed funds, but they may wish to implement such restrictions. In addition, townships will need to consider what type of application process that they may wish to implement and whether they wish to partner with neighboring municipalities on larger projects.

Q: Do fire and ambulance companies count as nonprofits?

A: If they are organized as nonprofits, yes.

Q: What would help to local non-profits look like? We can grant 'x' amount to non-profits that have been affected in the past year?

A: That will ultimately be left to the discretion of the township. One example could be the establishment a grant program to help non-profits replace lost revenue during the COVID-19 emergency. Another example could be increased funding to your local volunteer fire department that was hit hard by the inability to conduct robust fundraising during the pandemic.

Q: Can funds be allocated to Volunteer fire company to replace money lost due to canceled fundraisers?

A: Yes.

Q: Could we just transfer it to the fire department, and would they only be required to use it on certain things?

A: Based on the information currently available, PSATS is not aware of any restrictions on the use of funds distributed to third parties. However, there may be additional guidance forthcoming in the regulations.

Q: Can we use \$ to help local ambulance service, because of the loss/reduction in their reimbursement due to COVID from those they pick up refusing to go to hospital (early in 2020)?

A: Yes.

Q: Does a contribution to the fire department need to be for a specific expense like a new truck?

A: Based on the information currently available, PSATS is not aware of any restrictions on the use of funds distributed to third parties. However, there may be additional guidance forthcoming in the regulations.

Q: Can we donate to the volunteer ambulance department to use for EMT staffing needed due to lack of volunteers because of COVID?

A: Yes.

Q: How would Regional Organizations of EMS be dealt with since they involve several municipalities?

A: If they serve your township, you could provide funding to them to offset negative impacts. Other municipalities served could contribute as well. Therefore, you may wish to consult with other participating municipalities to ensure a coordinated plan that maximizing the use of the ARP funds.

Q: What about PPE? Would new radios for the volunteer fire company qualify?

A: PSATS believes that both expenses would be appropriate under this category.

Q: Can the funds be used to pay off fire equipment that has already been purchased?

A: This will likely depend on several factors. For example, is the township giving the funds to the non-profit fire company? If so, then that would appear to be a permitted use. Otherwise, the township would need to make a connection between that purchase and its “response to the public health emergency...or its negative economic impact.”

Q: Could we make a contribution to our local food bank?

A: Yes.

Q: If we have been providing assistance to a local recreational nonprofit and are now considering a cut in their funding due to COVID, would that be an acceptable expense? Or would any funding need to be in addition to what we already give them?

A: Yes. A donation to a local non-profit organization would be permitted under this category.

Q: Can money be given to faith-based charities?

A: Yes. There are no restrictions in the ARP as to which non-profits can receive these funds.

Q: If you give grants to subrecipients (i.e., fire company) are they restricted on how they can use it?

A: Based on the information currently available, PSATS is not aware of any restrictions on the use of funds distributed to third parties.

Q: Can we use to replace a bridge? Assuming it makes the community safer.

A: The township would need to make a connection between the use of funds in that manner and its “response to the public health emergency...or its negative economic impact.” It

may be difficult to make that connection in the context of a bridge replacement. However, the township may be able to use “revenue replacement” funds for that purpose (see Permitted Use #3).

Q: Can the funds be used to cover cell phones for supervisors to switch our lines to a dedicated network for emergency purposes?

A: The township would need to make a connection between the use of funds in that manner and its “response to the public health emergency...or its negative economic impact.” Given the importance of staying connected during emergencies such as this, it is likely that would be considered a permitted use under this category.

Q: Are we allowed to use these funds for building repairs?

A: The township would need to make a connection between the use of funds in that manner and its “response to the public health emergency...or its negative economic impact.” Therefore, the answer may depend on the specific building repairs being contemplated. If the repairs are associated with something like improved air handling, that would be a permitted use. If the repairs are associated with a leaky roof, that may be difficult to make that connection. However, the township could use “revenue replacement” funds (see Permitted Use #3) for that purpose.

Q: Can we divide the total amount by the number of residential taxable parcels and simply issue a check to each property owner?

A: Yes.

Q. With regard to money to tourism loss, does that include restaurants that saw a decrease in business because of tourist decrease?

A: Yes.

Q: How to we determine what amount small business would qualifies for? And how do we differentiate between a large and a small business?

A: There is no definition of “small business” in the ARP. According to the SBA, size is usually based on (1) number of employees or (2) average annual receipts, which varies by industry.

Q: Regarding funds to hospitality industry, if the county is providing money can the municipality also contribute to them or is that considered double dipping?

A: There is no prohibition against a county and township each providing funds to the hospitality industry. However, the township may wish to engage with its county and other municipalities to determine the best ways to maximize the allocation of ARP funds.

Q: Would funding an emergency management plan amendment to address future similar pandemic situations, be a valid expenditure?

A: Yes.

Q: Can you use the funds for a new part time employee to update and maintain digital upgrades?

A: The township would need to make a connection between the use of funds in that manner and its “response to the public health emergency...or its negative economic impact.” In this case, an argument might be that there is a necessity to have digital files available so that employees can seamlessly work from home.

Q: Could we update our phone system?

A: The township would need to make a connection between the use of funds in that manner and its “response to the public health emergency...or its negative economic impact.” In this case, an argument might be that an enhanced phone system will allow the township to better communicate internally and externally. In other words, if the phone system goes down, how will the township be able to communicate with its residents in an emergency?

Q: If the Supervisors paid employees regular salary for partial work during pandemic, can the township use those hours as expenses?

A: See the discussion regarding premium pay under Permitted Use #2. If employees were not working, they would not be eligible for premium pay. The premium pay is limited to those who were working.

Q: If we did not upgrade our meeting room to safely hold meetings due to COVID, can we update now with these funds?

A: Yes.

Q: Would blight removal be a possible use of these funds?

A: The township would need to make a connection between the use of funds in that manner and its “response to the public health emergency...or its negative economic impact.” PSATS would need additional details to provide a complete answer.

Q: Our office had significant issues working from home as our documents are not all digitized. Are we able to hire a company to digitize documents and provide laptops to our employees so they can more easily access documents should we have to work from home again?

A: Yes.

Q: Could we upgrade our website to include permit submission through a portal rather than requiring people to come into the office?

A: Yes.

Q: What would qualify for aid to households? Are there any grant templates or request guidelines for households and/or small business?

A: The township could provide a check in the amount of X to every household within the township if it wished to do so. PSATS will work on locating and/or creating templates/guidelines for use.

Q: Can we give rebates to taxpayers?

A: The township is permitted to use the funds for assistance to households, small businesses and non-profits and aid to impacted industries. That could take the form of rebates.

Q: If a Township issued funds to households, would that be taxable income for that household and 1099 need to be issued at year end?

A: PSATS does not believe that a township would be required to issue 1099s to each household because those households are not providing services to the township.

Q: Could money be used to expand an existing building to better maintain social distancing, etc for covid safety? Such as an office for our secretary since we do not have one and residents aren't comfortable going to her home?

A: The township would need to make a connection between the use of funds in that manner and its "response to the public health emergency...or its negative economic impact." An argument could be made that an expansion to account for greater social distancing would be such a connection.

Q: Can the funds be used to upgrade lighting and flooring to our municipal building?

A: The township would need to make a connection between the use of funds in that manner and its "response to the public health emergency...or its negative economic impact." It may be difficult to make that connection under the facts presented. Lighting investments including switching to ultraviolet lighting commonly used in hospitals or airports to disinfect common areas would be permissible. The township would also be permitted to use "revenue replacement" funds for that purpose (see Permitted Use #3).

Q: Could we add onto the existing Township building to construct a meeting room that will allow the Board and the visitors to social distance? We currently do not have a meeting room. We meet in the Township Office at a large table in the middle of the room.

A: The township would need to make a connection between the use of funds in that manner and its "response to the public health emergency...or its negative economic impact." An argument could be made that an expansion to account for greater social distancing would be such a connection.

Q: Can the funds be used to update building technology virtual meetings?

A: Yes.

Q: How about paying for Zoom expenses and Website with COVID updates?

A: Yes.

Q: Could we purchase an emergency generator for the building because the building is designated as an emergency center for flooding, etc. and building does not currently have a backup heating/cooling/lighting source?

A: The township would need to make a connection between the use of funds in that manner and its “response to the public health emergency...or its negative economic impact.” An argument could be made that ensuring the township is capable of being used as an emergency center would be such a connection.

Q: What about new buildings if we cannot even house our emergency management team because of space limitations.

A: The township would need to make a connection between the use of funds in that manner and its “response to the public health emergency...or its negative economic impact.” An argument could be made that housing an emergency management team to respond to the public health emergency would be such a connection.

Q: Would Codification of Ordinances count?

A: The township would need to make a connection between the use of funds in that manner and its “response to the public health emergency...or its negative economic impact.” Without more information, it is tough making that connection, but digitization for remote access probably would.

Q: Can funds be used for park amenities due to extra use because of COVID?

A: Yes.

Q: Can the funds be used to upgrade our park?

A: The township would need to make a connection between the use of funds in that manner and its “response to the public health emergency...or its negative economic impact.” An argument could be made that an upgrade of the park necessitated by greater use of outdoor facilities brought on by COVID-19 would be such a connection.

Q: Is using this money to continue the development of a park (walking trails, swing sets, etc) an acceptable use of funds?

A: The township would need to make a connection between the use of funds in that manner and its “response to the public health emergency...or its negative economic impact.” An argument could be made that the development of a park necessitated by greater use of outdoor facilities brought on by COVID-19 would be such a connection.

Q: Hello! Could additional funds be used for vendor services such as trash collection? Our Township has seen a huge uptick in tonnage with everyone being home.

A: Yes.

Q: Can a Township use these funds for trails (not roads or bridges)?

A: The township would need to make a connection between the use of funds in that manner and its “response to the public health emergency...or its negative economic impact.” An argument could be made that the development of trails necessitated by greater use of outdoor facilities brought on by COVID-19 would be such a connection.

Q: We have a non-profit that took over a federal recreation area. Does the non-profit have to show a negative impact to qualify for funds? This particular recreation area actually had a stellar year - those who couldn't do anything else went camping!!

A: There are no requirements under ARP that a non-profit show a negative impact.

Q: We used our police patrol vehicles extensively during the covid shut down. Can we purchase new vehicles with this money?

A: The township would need to make a connection between the use of funds in that manner and its “response to the public health emergency...or its negative economic impact.” An argument could be made that the replacement of emergency vehicles that got significant use during the township’s COVID-19 response would be such a connection.

Q: Does the funds have to be used as a reimbursement for a COVID expense or can it be going forward, such as an upgrade to computers for remote access, on-line payments etc. or a future expense related to air quality or UV systems?

A: The township would need to make a connection between the use of funds in that manner and its “response to the public health emergency...or its negative economic impact.” It is PSATS’ understanding that items such as those identified could be considered part of the township’s response.

Q: Can a construction project start in 2021 for a segregated foyer to protect employees with pre-existing conditions from the possible transmission from visitors?

A: The township would need to make a connection between the use of funds in that manner and its “response to the public health emergency...or its negative economic impact.” It is PSATS’ understanding that construction of a foyer to protect employees from COVID-19 could be considered part of the township’s response.

Q: We have multiple employees on a lengthy leave to recover from COVID. May the funds be used to hire 3rd party firms to fill those roles?

A: Yes.

Q: Can you use the money to recoup administrative leave pay

A: It is unclear what is meant by “administrative leave pay” in this question. Having said that, if the township had negative economic impact associated with increased costs to pay employees out on leave due to COVID, then that would be a permitted use.

Q: How about overtime paid to police officers covering shift for office that was sick with covid?

A: Yes.

Q: Can funds be used for business continuity planning / emergency readiness?

A: Yes, using funds in that manner could be considered a response to the public health emergency.

Q: Can we use the funds to expand the recycling and trash collection at our municipal transfer station due to the increase in use from COVID?

A: Yes.

Q: Can these monies be used to assist a local recycling center as they have been impacted?

A: Yes.

Q: If I need to a scanner now due to multiple requests of scanning documents to avoid mailing because of COVID, how would I go about that, since money will not be available until June? Can I purchase and then reimburse the General Account?

A: While we are still waiting to see how the administration and reporting will work, if you purchase an item needed as a response to COVID, such as a scanner, yes, you could purchase now and then reimburse the General Fund once you receive the federal funds.

Q: Can the funds be used to cover the cost of merchant account fees to implement credit card processing (to keep from having to pass those fees along to the residents)?

A: While this appears to fit under use #1, the township may also want to consider passing these costs along to customers.

Q: Could the money be used to upgrade technology for remote meetings (camera, servers, etc.)?

A. Yes.

Q: Under assistance to households, can the funds be distributed to all Twp. households, like a Twp. wide stimulus?

A: Yes.

Q: Can we use the money to upgrade land records software to allow residents to apply for permits remotely since our office remains closed to the public?

A: Yes, that would fall under COVID-related response efforts.

Q: My township does not have a webpage currently. With COVID, it has become beneficial to create a township webpage. Would all costs involving that be allowable?

A: We believe that would be allowable. It is critical to have a website to communicate with residents and taxpayers, particularly during emergencies.

Q: Can we reimburse for website and laptop already purchased during pandemic?

A: Yes.

Q: Could we add conferencing capability due to more on-line only training?

A: Yes.

Q: If we had to cut back staffing due to loss of income from loss of wage tax, can we use the money to bring back that staff to full status prior to Covid?

A: Yes, that would be a response to the negative economic impacts associated with the COVID-19 emergency.

Q: Can you use it to purchase vehicles that you might have put it on hold last year?

A: The township would need to make a connection between the use of funds in that manner and its “response to the public health emergency...or its negative economic impact.” If the township did not purchase them last year because of the negative economic impacts of COVID-19, then that would be a permitted use.

Q: Does it matter that your COVID expenses are incurred after COVID is no longer a threat or do they have to be expenses for projects to deal with COVID while COVID was still a threat?

A: COVID is an ongoing threat and the governor’s emergency order remains in effect. Expenses that are in response to COVID could be from 2020 to 2024.

## **Permitted Use #2: Premium pay for essential/eligible workers**

The ARP permits townships to use funds to provide (1) premium pay to eligible workers of the township that are performing essential work during the COVID-19 public health emergency; or (2) grants to eligible employers that have eligible workers who are performing essential work.

“Eligible workers” are those designated by the township’s governing body as critical to protect the health and well-being of the residents of the township. The governing body may designate all township employees, or only some categories of employees (such as those who had direct interaction with members of the public) as eligible workers, provided that the workers were performing essential work. If township employees were not working, but were still getting paid by the township, those hours should not be included in the calculation of premium pay.

Eligible workers may receive up to \$13/hour in premium pay (in addition to their regular compensation) for all work performed during the COVID-19 public health emergency. Each eligible worker may receive up to \$25,000 in premium pay in total. Taxes should be withheld from premium pay. The premium pay may be made retroactive because the ARP states that the premium pay is “for all work performed by the eligible worker during the COVID-19 public health emergency.

Premium pay cannot be used for any pension-related purposes. Therefore, if the township’s issuance of premium pay will increase the township’s pension obligations, the township will have to find other sources of funding to fulfill those obligations.

For those townships with working supervisors, please note that the township’s board of auditors will be required to approve the payment of premium pay.

Q: Are all employees that worked through covid considered an eligible employee for the premium pay? Can you provide examples of eligible workers?

A: Eligible workers are those designated by the township’s governing body as needed to maintain continuity of operations of essential critical infrastructure or who are critical to protect the health and well-being of the residents of the township. Examples include public works staff.

Q: Are clerical workers who worked during pandemic considered eligible workers?

A: Yes, if they were assisting with the continuity of the township's operations they could be designated as eligible workers.

Q: We have a part time road/maintenance crew as our only employees. Would these be considered eligible workers able to receive this premium pay?

A: Yes.

Q: So it's only for those employees who make under \$13 per hour?

A: No. This is the limit on the premium pay. There is no cap on the amount that an employee makes per hour to be eligible.

Q: Would premium pay of \$13 be on top of their current wage?

A: Yes. It is up to \$13/hour in addition to their regular compensation.

Q: Is the 25K max per employee or total overall?

A: It is per employee.

Q: Would the "bonus" payroll be treated as regular payroll.... i.e.. taxes withheld and counted in the W-2 amount for 2021?

A: Yes.

Q: If the Township would decide to give the payroll "bonus," would our Auditors have to approve any monies given to our Working Supervisors?

A: Yes.

Q: If two of the supervisors serve on the road crew, would these two supervisors have to abstain from a vote to pay the premium pay, therefore leaving only one voting member?

A: No, as the supervisors cannot approve the increase for themselves. If the board of supervisors approved the increase for non-supervisor eligible workers, they could request that the auditors hold a meeting to consider approving the bonus for eligible supervisor-employees.

Q: Are you allowed to give essential employees that worked through the COVID shut down one-time bonus?

A: Yes.

Q: Can we use funds for paying members of our Volunteer fire departments?

A: Yes.

Q: Police salary offset was permitted in CARES funding, is it for this funding?

A. No.

Q: Can premium pay be retroactive?

A: Yes. Under the ARP, premium pay can be received "for all work performed by the eligible worker during the COVID-19 public health emergency."

Q: If we had Officers and Township staff working during the pandemic, can we apply the funds towards their salaries in 2020 and moving forward?

A: The premium pay can be received "for all work performed by the eligible worker during the COVID-19 public health emergency." Therefore, the township can provide premium pay for work performed in 2020, but from an accounting standpoint that compensation will be earned by the employees in 2021.

Q: To clarify, does this mean premium pay is only eligible for employees from (for example) January - Dec. 2020?

A: Eligible workers may receive premium pay for all work performed during the COVID-19 public health emergency. Because that is ongoing, it is not limited to 2020.

Q: For the premium pay, is there a timeframe associated with the payout? (Only during the declared emergency, or a different timeframe?)

A: Eligible workers may receive premium pay for all work performed during the COVID-19 public health emergency.

Q: In lieu of an employee bonus, could the money be put in an existing 457 pension plan for essential employees?

A: No. ARP funds may not be deposited into any pension fund.

Q: When paying employees these extras monies, how does it affect pension?

A: You would not be able to use these funds to make pension-related contributions. If providing premium pay will have an impact on an employee's pension and the township needs to put additional money in to fund that pension, it would have to use other funds to do so.

### **Permitted Use #3: Lost Revenue Replacement**

The ARP allows for the use of ARP funds to provide governmental services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected during 2019 (the most recent full fiscal year of the township prior to the COVID-19 emergency).

There are three key points to remember with respect to use of “revenue replacement” funds.

First, the base year against which the township will compare revenue against is 2019. Therefore, if a hypothetical township’s liquid fuels revenue was \$100,000 in 2019, but it received only \$50,000 in 2021 because less people were driving, then the township can replace the \$50,000 with ARP funds and use that to “provide governmental services.” If the township’s 2022 liquid fuels revenue is \$40,000, again because less people are driving, then the lost revenue is still compared against 2019, so the township’s loss would be \$60,000 (difference between 2019 and 2022), not \$10,000 (difference between 2021 and 2022.)

Second, the “revenue replacement” funds must be in replacement of funds lost due to the COVID-19 public health emergency. If the township generated less revenue for unrelated reasons, then that revenue cannot be replaced with ARP funds. We understand that the township may conduct a line-by-line analysis of its budget to make determinations regarding revenue losses.

Third, the permitted use of funds in this category appears to be more broad than the use of funds in the other ARP-permitted categories. These revenue replacement funds can be used “to provide governmental services” so do not have to be used for such things as COVID-related response. This may include road and bridge or other township projects, including general maintenance.

Q: How do we prove that decreased tax revenue is a result of covid, do we just compare to '19?

A: Yes, it would be compared to 2019.

Q: So, if we are using for revenue replacement, then we can spend it on anything?

A: Yes. The allowable use would be for revenue replacement. The funds could then be placed in the general fund or other non-restricted account and used as budgeted by the board of supervisors.

Q: If we are saying we are spending the money because of a shortfall in income, do we have to specify the use outside of that?

A: At this time, there is no guidance on the specific accounting of “revenue replacement” funds.

Q: We received less LF in 2021, which we understand is due to pandemic, can we use to make up the difference?

A: Yes, in comparison to the 2019 distribution.

Q: If the money is put into the Liquid Fuels account will the monies be then restricted?

A: Do not put these funds into the Liquid Fuels/state account, as this will cause issues with your audit. Instead, put them into your general fund.

Q: Please explain the nuances between not using it for road and bridge improvements and augmenting decreases in liquid fuels funds.

A: The allowable use is for lost revenue replacement. That is how it would be reported. Then the federal funds could be placed in your general fund and allocated as needed, which could be for roads.

Q: Can we use the lost revenue from amusement tax?

A: Yes.

Q: The township was down Earned Income due to people not working - any relief on this for townships?

A: Yes, this would fall under the lost revenue allowable use.

Q: On the EIT, does the 2021, 2022, or 2023 year get compared to the 2019 year?

A: Yes.

Q: If you use/designate the monies to make up for an EIT or amusement tax loss in revenue can you then use the monies for any of your regular operating expenses?

A: Yes.

Q: In evaluating revenue decreases, will they look at individual revenue stems or is it based on total revenue comparison. For example, if LST falls short, but balance of revenues offset LST decrease, can we still get the LST shortfall?

A: At this point, it is PSATS' understanding that townships will be able to make revenue comparisons on a line-by-line basis. Therefore, if the township's LST revenues were down because of COVID-related reasons, then it could replace that lost revenue with ARP funds.

Q. Can the funds be used to replace lost revenue from the operation of a township owned golf course and banquet facility?

A. Yes.

Q: The township also did not get paid rent from a tenant because of covid - it is a house on township property than remained from a land purchase in the 1960's but the township did not get the rent.

A: Based on the facts set forth in this question, it would appear that the rental revenue was lost as a result of COVID-related reasons and, as such, the township could replace that lost revenue with ARP funds.

Q: Our municipality extended the late fee deadline to for real estate tax collection which resulted in less revenue for full year collection under full rate or late fees. can we replace that revenue with this?

A: Yes.

Q: If we are using the money to replace lost funds, do we have to go through the same restrictions on how we use the money?

A: No. Replacement revenue can be generally used “for the provision of government services.”

Q: Does a decrease in interest earnings count as a lost in revenue?

A: That would depend on whether the decrease in interest earnings was a result of the COVID-19 public health emergency was.

Q: If you use funds to offset decreased tax revenues in 2020, what happens if you later receive some of those back tax payments from taxpayers in future years? Must the recouped funds be accounted for and used only for eligible expenses in future years?

A: At this time, PSATS does not believe that there would be any restriction on the use of the recouped funds.

Q: If we lost revenue for rental of parks due to COVID and closing the park can we use it to replace that revenue?

A: Yes.

Q: As a Second Class Township, we depend on revenue from grants through Local Share Account (Gaming) to maintain our roads. Since we have not been awarded any grants in 2020 or so far in 2021, can we use this money for road improvements?

A: You can use the funds to replace the lost revenue due to the lack of grants. The funds can then be placed into your general fund and used as needed for the “provision of government services.”

Q: If you claim lost revenue can you turn around and claim a payment for a backhoe due to lost revenue?

A: ARP funds that are being used to replace revenue lost as a result of the COVID-19 public health emergency can be used for the “provision of government services.” Based on that language, PSATS believes that the purchase of a backhoe would be an appropriate use of revenue replacement funds.

Q: How can we tell why the revenue was lost?

A: It will ultimately be up to the best judgment of the municipality....can you make the argument that the drop was due to the COVID emergency?

Q: Are there any use restrictions (aside from pension/tax cuts) on the revenue replacement aid?

A: At this time, PSATS is not aware of any restrictions on the use of revenue replacement funds other than that they must be used to provide government services.

Q: For two years our township has applied for a grant that would allow us to put up a modular building to accommodate a public meeting room and office area that allows for private meetings. We also wanted our municipal building to be accessible to the public. Since Covid has hindered funds that would make these grants available, are we able to use these funds to invest in our township's public facility?

A: If the township is using these funds to make improvements to respond to the COVID-19 emergency, that would fall under Permitted Use #1. If the funds are not being used to respond to the COVID-19 emergency, then the township can use "revenue replacement" funds for the provision of government services.

Q: If you lose \$100,000 in revenue for something like discount ticket sales that you would have also had \$100,000 in expenses for that you did not incur, can you still consider that lost revenue?

A: The ARP does not address this in terms of "profitability," but is instead focused on the "extent of the reduction in revenue" due to the COVID-19 public health emergency.

Q: If we have received dirt and gravel funds in the past years but will not be in 2021 can we use this as a lost funds?

A: The lost revenue has to be as a result of the COVID-19 public health emergency. As a result, if the township is not receiving dirt and gravel funds in 2021 for other reasons, then the ARP funds cannot be used as a replacement.

Q: That lost rental money would be compared to rental income from 2019? lost revenue from not renting out community center?

A: Yes. You would compare lost revenue against 2019.

#### **Permitted Use #4: Water, sewer, and broadband infrastructure.**

Use of funds for this permitted use is limited to these three categories: (1) water infrastructure; (2) sewer infrastructure; and (3) broadband infrastructure. All these uses are written very broadly and funds expended should be permissible provided that the township can credibly fit the expenditure within that category. For example, PSATS believes that “water” infrastructure includes drinking water, stormwater, and other water-related infrastructure expenditures. Similarly, sewer infrastructure would include sanitary and storm sewer expenditures. Broadband expenditures could be directed toward providing access to residences, businesses or township facilities or increasing speed and/or ease of use.

Q: Can we spend it on roads?

A: ARP funds used under this category cannot be used for road projects. However, as noted in connection with Permitted Use #3, the township would be permitted to use “revenue replacement” funds for road projects.

Q: Could we use the money for a snowplow because of a distancing type situation? What about just to upgrade a paver or buy a street sweeper or other equipment that may be used on roads since?

A: ARP funds used under this category cannot be used for road projects. However, as noted in connection with Permitted Use #3, the township would be permitted to use “revenue replacement” funds for equipment purchases.

Q: Will prevailing wage apply when we spend these funds on infrastructure?

A: Actually, Davis-Bacon will apply as these are federal funds. Davis-Bacon requires prevailing wage rates to be paid on contracts of \$2,000 or more for the construction, alteration, or repair of public buildings or public works. The ARP does not change existing prevailing wage requirements.

Q: Broadband: could we upgrade and provide free Wi-Fi for our community park and have additional cable lines installed so more residents have access to cable?

A: Yes.

Q: Can the money be used for stormwater drainage? What about requirements under recent DEP stormwater regulations?

A: Yes, PSATS believes that ARP funds can be used for stormwater infrastructure.

Q: May the funds be used for MS4 Storm Water remediation?

A: Yes, PSATS believes that ARP funds can be used for stormwater infrastructure.

Q: Could the funds be used for dam removal (or repair)? Does that qualify as a water item?

A: Assuming that the dam removal or repair is associated with enhancing the township’s water-related infrastructure, that would be a permitted use under this category.

Q: Infrastructure allocations - Does this mean updating our ventilation system here at the Township is a permitted allocation?

A: Updating the township's ventilation system would not be a permitted use under this category. However, as noted in connection with Permitted Use #3, the township would be permitted to use "revenue replacement" funds for ventilation system updates or permitted use #1 if the updates were a health response to prevent the spread of COVID-19.

Q: We understand that we can't use these funds for roads/bridges, but do pipes, culverts etc. qualify as stormwater infrastructure?

A: Yes, PSATS believes that pipes and culverts will qualify as stormwater infrastructure.

Q: Would sewer include engineering and permitting and other "soft" costs?

A: Based on the information currently available, PSATS believes that all costs associated with upgrading water, sewer or broadband infrastructure, including engineering and permitting costs, would be appropriate expenditures under this category.

Q: We would like to install a second cable connection to our municipal building to use for wireless connection capabilities. Do you think this would qualify under broadband?

A: Based on the information provided, this would appear to be a permitted use under this category.

Q: Would a digital sign installation at the township building during the building closure qualify?

A: Based on the information, this would not appear to be a permitted use under this category because it is not water, sewer or broadband infrastructure. However, as noted in connection with Permitted Use #3, the township would be permitted to use "revenue replacement" funds for township building upgrades.

Q: Would installation of an on-lot septic system within a township park qualify for these funds?

A: Yes. This would be considered sewer infrastructure.

Q: Can PSATS provide some guidance on how to find technical resources for efficiently using the funds to expand broadband capabilities?

A: PSATS will work to collect technical resources to provide to members as they work to address their broadband-related challenges.

Q: Can you define Broadband uses or examples?

A: The ARP merely uses the term "broadband infrastructure" so there is a lot of flexibility in terms of how your township can use funds to enhance broadband capability and/or speed.

Q: If we have already agreed to budget money to a Sewer Authority, can we use this money to replace money already budgeted for the Authority?

A: Because of the way the ARP is structured, the township would be better off using the ARP funds to provide to the authority for purposes of sewer infrastructure – a permitted use –

rather than replacing money already budgeted and using that for a use that may not be permitted by the ARP.

Q: Will sewer water projects need to be shovel ready?

A: No. Townships may use the ARP funds through December 31, 2024.

Q: Would ditch cleaning qualify as "water"?

A: Yes. Based on the information currently available, ditch cleaning would be considered water infrastructure.

Q: Can we use this money on a stream that is backing up water to a small town to stop contamination to wells and sewer?

A: Yes, based on the information provided, this would appear to fall within the water and/or sewer infrastructure categories.

Q: Can infrastructure funds be used for trails, parks, community buildings?

A: No. Infrastructure funds must be used for water, sewer, or broadband.

Q: Can a township with a joint authority give this money to the authority for water/sewer projects?

A: Yes.

Q: In terms of the infrastructure improvements, specifically sewer - can funds be used for any sewer planning costs? Such as a 537 Plan update?

A: Based on the information currently available, PSATS believes that all costs associated with upgrading water, sewer or broadband infrastructure, including engineering and permitting costs, would be appropriate expenditures under this category.

Q: If you are doing a sewer line extension project and receiving State funds such as through Commonwealth Financing Authority, can you use these funds towards your portion of the project? Does this affect State funding?

A: The township could use ARP funds for a sewer line extension project. The potential impact of that use on Commonwealth funding would best be addressed to the Commonwealth Financing Authority, as there may be specific requirements imposed by it.

Q: Pennsylvania prohibits municipalities from providing broadband services to the public for a fee... does this mean that to improve broadband infrastructure we must work with our local providers and pay for them to update the infrastructure? (We can't do it ourselves?)

A: While municipalities may be prohibited from providing broadband services for a fee, they can make the investment for their residents and provide it free of charge. Or, they can partner with local providers to stretch dollars in a more economical way.

Q: Could the funds be used to demolish a home that is falling into a high-quality watershed? Justification would be to prevent flooding and to help control stormwater if home goes into the creek.

A: If the township is comfortable that the funds will be considered as water infrastructure, then that will be a permitted use.

Q: Do townships need to show that the infrastructure projects have been impacted by COVID-19 before they can spend this money on an allowable infrastructure project?

A: No, not for use of funds in this category.

Q: For water infrastructure, would sewer updates be permitted?

A: Sewer updates would be an appropriate use of ARP funds under this category.

Q: Can funds be used to extend public sewage lines in areas where on-lot systems are failing?

A: Yes, that would clearly qualify as sewer infrastructure.

Q: Can the funds be used to extend the water lines?

A: Yes.

Q: Our township was asked to help pay for Wireless internet access for some of our township students from our local school district. Might this be a covered expense?

A: Given the approval of ARP funds for broadband infrastructure, PSATS believes that would be a permitted use under this category.

Q: We are in the process of finishing up a sewer project, can we use this money to help those customers that are low income for them to get the sewer line to their home from the tap?

A: Given the approval of ARP funds for sewer infrastructure, PSATS believes that would be a permitted use under this category.

Q: Under infrastructure investments regarding sewer, would the money be able to be used to pay off debt for sewer infrastructure?

A: Given the approval of ARP funds for sewer infrastructure, PSATS believes that would be a permitted use under this category.

A: Can we use this allocation to pay our monthly dues the Township owes to the County Stormwater Group we participate in?

A: PSATS believes that monthly dues for a countywide stormwater group may not fall under the “infrastructure” requirement. However, that will depend on the specifics of the situation. Therefore, it may be best that you consult with your solicitor regarding that proposed use.

## **Unanswered questions: Regulations, Accounting, Reporting, and Auditing**

Q: When do you anticipate additional regulations being determined?

A: Our understanding is that they will be issued in advance of the funds being distributed.

Q: Could PSATS host another webinar once additional guidelines are issued?

A: Yes.

Q: What are the chances they change the rules (on accounting between now and 2024)?

A: We anticipate that once the regulations are established, there will not be changes that will impact the accounting for the funds.

Q: Do we know what the reporting requirements are yet? Monthly? Yearly?

A: This information is not yet available. We do know that periodic reporting will be required.

Q: Must we account for and report the use of the money and what are these requirements?

A: This information is not yet available. We do know that periodic reporting will be required.

Q: Do the funds need to be kept in a separate account or can they be deposited into the township's general fund?

A: This is up to your township.

Q: When we get the funds, can they be put in an interest-bearing account?

A: Based on the information currently available, PSATS believes that accrued interest on ARP funds may be used for ARP-permitted purposes.

Q: I'm assuming the interest made on the funds sitting in the account would also be able to be used?

A: Based on the information currently available, PSATS believes that accrued interest on ARP funds may be used for ARP-permitted purposes.

Q: Are funds expended over \$750,000 in a single year subject to single audit?

A: We anticipate allocations over \$750,000 will be subject to the single audit requirements, but we are awaiting clarification from the Department of Treasury.

Q: Given the potential for a single audit requirement if we are receiving more than \$750,000, should we consider a separate fund for this money?

A: This is up to your township.

Q: Who pays the audit fees?

A: The township.

Q: How do we add the money into this year's current budget? Do we need to re-open the budget?

A: You will need to adopt a budget resolution to add the funds into your 2021 budget.

Q: Are we better off holding this in an escrow account and awaiting further clarification? This is quite uncomfortable as to unknown liabilities for the township.

A: This is up to your township, keep in mind that you have until December 31, 2024 to spend the funds.

Q: If the township distributes to another entity such as a fire department or authority what requirements must those entities follow and who is responsible for monitoring that?

A: This may be something for which greater detail will be provided in the regulations. The ARP does not spell out specific requirements for third-party recipients of funds provided by the township. However, it would be a good practice for the township to institute procedures to ensure that the funds are used in a manner consistent with the goals and purposes of the township.

## **Miscellaneous**

If the money is going to get pulled, would it be better to set up a separate fund, rather than putting it in the general fund?

A: This is up to your township.

You spoke about townships needing to create a policy with regard to these monies. Will PSATS be creating a template policy for townships to use?

A: Given that every township will have the discretion to use the ARP money as they wish within the confines of the law, it will be extremely difficult for PSATS to develop a template policy for all townships to use. Having said that, PSATS recommends that all townships begin to make priority lists for what they wish to use their ARP funding for and decide whether that will include allocations to residents, non-profits, businesses and other third parties. There are many questions that the townships will have to consider. For example, does the township want to impose specific requirements on the use of such funds? How will the township decide how to allocate the funds (application process, first come, first served, percentage basis, etc.)? Will the township require accounting of those funds by the third parties? These are just some of the many questions that the townships will have to consider with respect to the use of ARP funds.

How are we to treat these funds when we fill out our Act 13 budgets for the end of the year?

A: ARP funds will be included in the township's 2020 and 2021 budgets so those budget numbers will need to be taken into account when reporting on Act 13 budgets.

Q: What happens if we do not have enough permitted uses for all the money. Do we give it back?

A: Unspent funds will need to be returned.

Q: Can you offer funds to another township?

A: There are no specific provisions for that, but townships could work cooperatively through intergovernmental cooperation

Q: Who do we ask questions to when we receive the money? PSATS or DCED???

A: PSATS will be available to answer your questions. In addition, PSATS has partnered with Zelenkofske Alexrod to provide ARP-related accounting services to PSATS members. No state agency has been identified at this point.