



JASON E. MUMPOWER
Comptroller

March 17, 2021

Memorandum

To: All County Mayors/Executives, County Commissioners, Directors of Schools, School Board Members, Highway Officials, and Finance Directors

All City Mayors, Aldermen/Councilmen, Directors of City Schools, City School Board Members, and Finance Directors

From: Jason E. Mumpower, Comptroller of the Treasury

A handwritten signature in blue ink, appearing to read "Jason E. Mumpower", is written over the "From:" line.

Subject: American Rescue Plan Act

The U.S. Congress has passed the “American Rescue Plan Act” (Act) of 2021. Provisions of the Act include \$130.2 billion for a Local Fiscal Recovery Fund to be split between cities and counties as well as \$122.7 billion for an Education Stabilization Fund, which States are required to subgrant to local education agencies. At this time, we are uncertain as to the exact amount of funding that will be made available to Tennessee local governments and to the State Department of Education. Some of this money will be sent directly to local governments from the U.S. Treasury and other funds will flow through the State. One half of Local Fiscal Recovery funds are to be made available within the next 60 days, with the second half to be provided twelve months later. **Local governments will have until December 31, 2024 to spend the funds.**

As a local government entity, you should be preparing for another large influx of federal funds. As with the CARES Act, specific guidance as to eligibility and spending requirements is not yet available and may not be received before funds begin to be distributed. We are waiting for further directions from the U.S. Office of Management and Budget (OMB) and other federal and state agencies.

In the meantime, until we receive specific guidance, the Comptroller’s Office is providing the following information:

1. Funds received related to provisions of the Act should be maintained separately from other funds received by your organization. Expenditures related to the use of these funds should also be separated from other expenditures. Detailed documentation for all transactions should be maintained.

2. The Division of Local Government Audit will add new accounts to the Uniform Chart of Accounts to allow counties to separately track funds provided by the Act.
3. A separate set of files should be established for these funds. They will be subject to audit under the Single Audit Act and OMB's *Uniform Guidance*.
4. The following should be considered before spending any funds associated with the Act:
 - **No expenditures should be made before you are certain that the use of funds comply with the provisions of the Act.**
 - We recommend these funds be used for one-time expenses. This should be taken into consideration if funds are used for capital projects (i.e.; water, sewer, or broadband) that may require future resources or on-going maintenance.
 - These funds cannot be deposited in a pension fund or be used to offset revenue resulting from any tax cuts enacted since March 3, 2021.
 - Funds may be used as replacement revenue to the extent there has been a reduction in revenue as a direct result of the public health emergency. Replacement revenue amounts should be based upon the most recent full fiscal year prior to the emergency (FY19). For example, local governments that experienced significant reductions in tourism revenues due to the emergency may use these funds to pay for expenditures that would have otherwise been funded by tourism revenues.
 - **Unused funds or funds deemed to have been used inappropriately must be returned to the U.S. Treasury.**
 - The federal government will require local governments to prepare periodic reports providing a detailed accounting of the use of funds.
5. Tennessee counties will directly receive approximately \$1.4 billion to be distributed based on the county's share of the U.S. population. Cities in Tennessee will receive over \$944 million. Early guidance indicates that some of these funds will go directly to cities while some cities will receive funding through the State. We anticipate education funds will flow through the State Department of Education.
6. Local government entities must be careful to maintain adequate internal controls over the spending of Act funds. This is required by State statute and OMB's *Uniform Guidance*.
7. If a primary government receives funding and decides to pass some of the federal funds down to another local government (i.e., subrecipient grant), the primary government that originally received the federal funds will be subject to the strict OMB *Uniform Guidance* requirements related to subrecipient monitoring. For this reason, we

recommend not passing federal funds down to another government unless the primary government has a clear understanding of the roles related to monitoring subrecipients.

The guidance in this memorandum is very general in nature. All local government officials should remain alert for specific provisions of the Act. The Comptroller's Office stands ready to assist you. We will be working with the County Technical Assistance Service and Municipal Technical Advisory Service as well as with local government official support organizations to help keep you informed as more information becomes available.

If you have any questions or comments, you may address those to Bryan Burklin (Bryan.Burklin@cot.tn.gov) or Jerry Durham (Jerry.Durham@cot.tn.gov) in the Division of Local Government Audit. They can be reached by phone: 615.401.7841.

Cc: Tony Niknejad, Office of the Governor
David Connor, Tennessee County Services Association
Jon Walden, County Technical Assistance Service
Anthony Haynes, Tennessee Municipal League
Margaret Norris, Municipal Technical Advisory Service
Bill Dunn, Department of Education
Tammy Grissom, Tennessee School Board Association
Dale Lynch, Tennessee Organization of School Superintendents
Charlie Curtiss, Tennessee County Commissioners Association
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