

# FY 2020 Coronavirus Relief Fund (CRF) Guidance

The purpose of this document is to provide guidance to State Agencies and Departments regarding the State of Vermont's use of the Coronavirus Relief Fund in fiscal year 2020, which was established in the Federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act").

Due to the delay in federal guidance regarding allowable uses of the CRF, appropriations for CRF activities intended to take place in FY 2020 were not included in the Governor's Recommended Supplemental BAA for FY 2020. *Rather, spending authority distribution in the CRF will be initially managed through Excess Receipts Requests (ERRs); detailed instructions for CRF ERRs – in addition to the standard ERR requirements – are provided beginning on page 6 of this document.*

This guidance pertains to the federal CRF grant only. Departments are expected to be aware of, and comply with, the applicable requirements of other federal grants, including COVID-related grants in the CARES Act and federal assistance related to COVID. Departments are also expected to vigorously pursue other federal granting opportunities, particularly those that provide 100% federal match, for COVID-related activity costs.

## **Allowable Uses of CRF**

In general, the CARES Act provides that payments from the Fund may only be used to cover:

1. Necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19).
  - a. Including payroll expenses for employees whose services are "...substantially dedicated to mitigating or responding to the COVID-19 public health emergency". Further guidance on this matter is provided under Section II below.
2. Expenditures that were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the state.
3. Expenditures that were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

## **Finance and Management Interpretations of US Treasury Guidelines**

**Section I.** The following interpretations are specific to the first guidelines issues by the US Treasury on April 22, 2020. Please refer to the US Treasury document provided here for additional guidance: <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Tribal-Governments.pdf>

- Uses of the CRF, pursuant to Section 601(d) of the Social Security Act, as added by Public Law 116-136 of 2020, Section 5001:

- Costs that are *necessary* expenditures incurred *due to* the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19);
  - *Necessary* expenditures are interpreted broadly by the Department of the Treasury to encompass expenditures that are reasonably necessary for their intended use “...in the reasonable judgment of the government officials responsible for spending...” CRF proceeds.
  - Expenditures *due to* the public health emergency must be used to respond to the public health emergency to;
    - a) respond directly to the emergency such as addressing medical or public health needs;
    - b) including response to second-order effects of the emergency such as by providing economic support to those suffering from employment or business interruptions due to COVID–19.
  - Funds may not be used to backfill revenue shortfalls
- Costs *not accounted for* in the budget *most recently approved* as of March 27, 2020 (the date of enactment of the CARES Act) for the state or government;
  - Costs *not accounted for* are considered those that;
    - a) “Cannot lawfully be funded using a line item, allotment, or allocation within that budget”; or
    - b) “[are] for a substantially different use from any expected use of funds in such a line item, allotment, or allocation.”
    - Finance and Management interprets this guidance to pertain to costs incurred due to the state’s COVID-19 response efforts subsequent to the enactment of the FY20 BAA.
  - The *most recently approved* budget refers to the budget enacted for the state’s fiscal year (i.e., the FY2020 appropriations act as amended by the FY 20 BAA) with the exception of any subsequent appropriations enacted or adjusted due to the state’s response to COVID-19.
- Costs *incurred* during the period that begins on March 1, 2020, and ends on December 30, 2020;
  - A cost is considered *incurred* when the state has “...expended funds to cover the cost.” Based on the Code of Federal Regulations part 200, Subpart F, section 200.502, the determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. As this relates to the CFR funds, Finance and Management interprets this provision to mean when the goods and other property are received, or when services are performed by employees, contractors, subrecipients, and other payees, not when the actual invoice is paid. For example, you have received supplies required for the COVID-19 response before the December 30, 2020 end period, but the invoice was not paid until January 15, 2021. We would still consider this a cost incurred, since the activity (e.g., received the supplies) occurred during the March 1, 2020 to December 30, 2020 period.
  - If CRF proceeds are not used to “...cover costs incurred by December 30, 2020...those funds must be returned to the Department of the Treasury.”

- The state may retain assets purchased with CRF proceeds if the purchase comports with CRF eligibility guidelines.
- *Nonexclusive* examples of eligible uses
  - Medical expenses for public hospitals, clinics, and similar facilities including temporary facilities.
  - Public health expenses such as:
    - Communication and enforcement of public health orders;
    - Expenses for medical and protective supplies for medical personnel, public-facing social services workers, and other direct service providers;
    - Expenses for quarantining individuals;
    - Expenses to facilitate compliance with public health measures including food delivery, distance learning, telework, paid sick and paid family leave, maintaining sanitation in prisons, care for homeless populations.
  - Payroll expenses for employees whose services are “...substantially dedicated to mitigating or responding to the COVID-19 public health emergency”. Further guidance on this matter is provided under Section II below.
  - Hazard pay and overtime. Further guidance on this matter is provided under Section II below.
  - Expenses of actions to facilitate compliance with COVID-19-related public health measures, such as:
    - Expenses to improve telework capabilities;
    - Expenses of providing paid sick and paid family and medical leave to public employees. Finance and Management interprets this to include associated VTHR TRCs used for COVID-19 specific benefits, including hazard pay and other related premium rates of pay (see item G under Section II below), and for pay when stay at home orders were in effect and job duties could not be performed remotely (i.e., VTHR TRCs C19NW and CPNW).
      - The Families First Coronavirus Response Act (FFCRA) expanded the definition of qualifying paid sick time to include inability to work (or inability to telework) due to a need for leave because the employee is subject to State quarantine or isolation orders related to COVID-19, and the Treasury’s guidance allows the use of CRF to pay for public employees’ paid sick leave.
  - Expenses for the provision of economic support, including grants to small businesses, costs related to the payroll support program, unreimbursed UI costs.
  - *Any other “COVID-19-related expenses reasonably necessary to the function of government”* that comport with the CRF’s eligibility criteria.
- *Nonexclusive* examples of ineligible expenditures
  - State matching funds for Medicaid
  - Payroll “or benefits expenses” for employees not substantially dedicated to the COVID-19 public health emergency.
  - “Expenses that have been or will be reimbursed under any federal program”. Finance and Management interprets this to include expenses that the state reasonably knows will be reimbursed by any federal program as of December 30, 2020. Further guidance on this matter is provided under Section II below.

- Costs for elective abortions.

**Section II.** The following interpretations by Finance and Management are not comprehensive but are specific to immediately pertinent portions of the Q&A guidance issued by the US Treasury on May 4, 2020. Please refer to the US Treasury document provided here for additional guidance:

[file:///S:/AOA/FIN/FIN%20-%20Budget%20&%20Management/KEEP/FY\\_2020/COVID19/Fed.%20Response/Aid%20Package%203/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf](file:///S:/AOA/FIN/FIN%20-%20Budget%20&%20Management/KEEP/FY_2020/COVID19/Fed.%20Response/Aid%20Package%203/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf)

- A. The Guidance says that funding can be used to meet payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency. How does a government determine whether payroll expenses for a given employee satisfy the “substantially dedicated” condition?**

The Fund is designed to provide ready funding to address unforeseen financial needs and risks created by the COVID-19 public health emergency. For this reason, and as a matter of administrative convenience in light of the emergency nature of this program, a State, territorial, local, or Tribal government may presume that payroll costs for public health and public safety employees are payments for services substantially dedicated to mitigating or responding to the COVID-19 public health emergency, unless the chief executive (or equivalent) of the relevant government determines that specific circumstances indicate otherwise.

- i. In conjunction with items B, E and G below, Finance and Management interprets “substantially dedicated” staff time to include work directly attributed to addressing the “outward facing” public health and public safety response effort under the broad categories of public health, public safety, health care, and human services, or directly attributable to activities that prevent community spread within state government facilities including enhanced sanitation efforts.

- B. The Guidance says that a cost was not accounted for in the most recently approved budget if the cost is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation. What would qualify as a “substantially different use” for purposes of the Fund eligibility?**

Costs incurred for a “substantially different use” include, but are not necessarily limited to, costs of personnel and services that were budgeted for in the most recently approved budget but which, due entirely to the COVID-19 public health emergency, have been diverted to substantially different functions. This would include, for example, the costs of redeploying corrections facility staff to enable compliance with COVID-19 public health precautions through work such as enhanced sanitation or enforcing social distancing measures; the costs of redeploying police to support management and enforcement of stay-at-home orders; or the costs of diverting educational support staff or faculty to develop online learning capabilities, such as through providing information technology support that is not part of the staff or faculty’s ordinary responsibilities.

Note that a public function does not become a “substantially different use” merely because it is provided from a different location or through a different manner. For example, although developing online instruction capabilities may be a substantially different use of funds, online instruction itself is not a substantially different use of public funds than classroom instruction.

- i. Finance and Management has no further comments regarding this guidance.

**C. Are recipients required to use other federal funds or seek reimbursement under other federal programs before using Fund payments to satisfy eligible expenses?**

No. Recipients may use Fund payments for any expenses eligible under section 601(d) of the Social Security Act outlined in the Guidance. Fund payments are not required to be used as the source of funding of last resort. However, as noted below, recipients may not use payments from the Fund to cover expenditures for which they will receive reimbursement.

- i. Finance and Management interprets this guidance to state that the CRF does not need to be treated as the payer of last resort. **However, all other federal fund sources that will provide 100% reimbursement for costs otherwise eligible for the CRF should first be exhausted.** Please also refer to item D below regarding other eligible federal fund sources.

**D. Are there prohibitions on combining a transaction supported with Fund payments with other CARES Act funding or COVID-19 relief federal funding?**

Recipients will need to consider the applicable restrictions and limitations of such other sources of funding. In addition, expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by states to state unemployment funds, are not eligible uses of Fund payments.

- i. Finance and Management interprets this guidance to mean that “reimbursement” is 100% reimbursement under other sources of funding, limited by any restrictions associated with other sources of funding. Further, absent additional federal guidance, Finance and Management interprets the CRF to be ineligible for matching funds for other federal funding sources (i.e. FEMA) pursuant to the *nonexclusive list of ineligible costs* issued on April 22, 2020. Specifically, the guidance states that CRF shall not be used as Medicaid state-share. Finance and Management believes this prohibition extends to other federal funding sources requiring matching dollars. This interpretation is subject to change pending further guidance from either the US Treasury, or other federal cognizant agencies.

**E. The Guidance states that the Fund may support a “broad range of uses” including payroll expenses for several classes of employees whose services are “substantially dedicated to mitigating or responding to the COVID-19 public health emergency.” What are some examples of types of covered employees?**

The Guidance provides examples of broad classes of employees whose payroll expenses would be eligible expenses under the Fund. These classes of employees include public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency. Payroll and

benefit costs associated with public employees who could have been furloughed or otherwise laid off but who were instead repurposed to perform previously unbudgeted functions substantially dedicated to mitigating or responding to the COVID-19 public health emergency are also covered. Other eligible expenditures include payroll and benefit costs of educational support staff or faculty responsible for developing online learning capabilities necessary to continue educational instruction in response to COVID-19-related school closures. Please see the Guidance for a discussion of what is meant by an expense that was not accounted for in the budget most recently approved as of March 27, 2020.

i. Finance and Management has no further comments regarding this guidance.

**F. To what extent may a government use Fund payments to support the operations of private hospitals?**

Governments may use Fund payments to support public or private hospitals to the extent that the costs are necessary expenditures incurred due to the COVID-19 public health emergency, but the form such assistance would take may differ. In particular, financial assistance to private hospitals could take the form of a grant or a short-term loan.

i. Finance and Management has no further comments regarding this guidance.

**G. The Guidance includes workforce bonuses as an example of ineligible expenses but provides that hazard pay would be eligible if otherwise determined to be a necessary expense. Is there a specific definition of “hazard pay”?**

Hazard pay means additional pay for performing hazardous duty or work involving physical hardship, in each case that is related to COVID-19.

**Please address questions regarding Allowable Uses to John Becker, Director of Statewide Reporting, at [john.becker@vermont.gov](mailto:john.becker@vermont.gov) or 802-828-0678.**

### **Prioritization of Federal Fund Use**

As described above under “Allowable Uses of CRF”, Section II, items C and D, all other available federal funds that reimburse expenditures at a rate of 100% should first be exhausted prior to attributing costs to the CRF that would otherwise be eligible for CRF proceeds. Eligible costs should then be attributed to the CRF prior to using other federal fund sources that reimburse the state at a rate of less than 100%.

### **Application for Spending Authority in CRF for FY 2020**

Spending authority distribution in the CRF will be initially managed through Excess Receipts Requests. CRF appropriations were not included in the Governor’s Recommended Supplemental BAA for FY 2020.

#### **Excess Receipt Requests**

Subject to eligibility guidance herein, CRF-related ERRs must adhere to the following guidelines:

- Use the Fund ID 22045 CRF – Coronavirus Relief Fund.
- ERRs should be for specific FY 2020 CRF expenditure requests only (no other COVID-19 related funding sources should be included on the same ERR) and should align with the needs cited by your department in its original Supplemental BAA submission.
- Section 3(a) must:
  - Include a citation to the applicable eligibility provisions provided by the US Treasury that would permit the use of CRF for the associated spending authority requested.
  - Include a description demonstrating the current costs being incurred in the direct and immediate response to the COVID-19 pandemic.

**If departments have questions regarding Prioritization of Federal Fund Use or ERRs, please contact your Budget Analyst.**

### **Reimbursing Costs with Federal Coronavirus Relief Funds (CRF) in VISION**

Costs that have already been paid through VISION that have subsequently been determined to be qualified expenditures for the use of Federal CRF, must be reimbursed by transferring expenditures to fund 22045 CRF – Coronavirus Relief Fund, in FY 2020. Departments are ultimately responsible for maintaining supporting documentation substantiating eligibility for Federal CRF.

#### **Expenditures Originating from an A/P Voucher:**

Process a Journal Voucher to transfer expenditures to fund 22045 CRF – Coronavirus Relief Fund for all qualified expenditures originating with an A/P Voucher.

Follow the exercise titled “Enter a Journal Voucher to Correct Accounting Entries” on page 87 of the Accounts Payable Manual. <https://finance.vermont.gov/training-and-support/vision-manuals>.

Step 11 of the exercise must include a description of the qualified expenditure.

Step 21 of the exercise must include changing the fund to fund id 22045.

#### **Expenditures Originating in the General Ledger or Expense Module:**

Process a source ONL Journal Entry in the General Ledger to transfer expenditures to fund 22045 CRF – Coronavirus Relief Fund for all qualified expenditures originating in the General Ledger or Expense Module. This includes qualified payroll costs, qualified transfers to other Departments, and qualified employee expense reimbursements.

Follow the exercise titled “Enter a Journal (ONL) to Correct a Chartfield other than Account” on page 22 of the General Ledger Manual. <https://finance.vermont.gov/training-and-support/vision-manuals>.

Step 5 of the exercise must include:

- A description of the qualified expenditure.

- The originating Journal ID and Date or originating Expense Report ID and date.

Step 26 of the exercise must be fund id 22045.

**Expenditures Originating from a Large Volume of A/P Vouchers:**

If a department has qualified expenditures originating from a large volume of A/P vouchers and it is not feasible to process a Journal Voucher to transfer expenditures for each Voucher, an ONL Journal Entry may be used to transfer summed expenditures from multiple Vouchers to fund 22045 CRF – Coronavirus Relief Fund.

The expenditure amounts must be summed by Account, Fund, Deptid, Class, Program and Project.

Follow the exercise titled “Enter a Journal (ONL) to Correct a Chartfield other than Account” on page 22 of the General Ledger Manual. <https://finance.vermont.gov/training-and-support/vision-manuals>.

Step 5 of the exercise must include:

- A description of the qualified expenditures.
- The originating Voucher ID’s (or Voucher ID range) and Dates. If there are too many vouchers to list and they are not in a range, the supporting documentation attached to the journal must include this information. (see below)

After Step 6 of the exercise, use the “Attachments” link to attach a spreadsheet showing supporting documentation for the summed expenditure amounts. This must include Voucher ID’s and dates if this information was not able to be included in Step 5 as instructed above.

Steps 8 through 41 of the exercise must be followed for each amount of summed expenditures.

Step 26 of the exercise must be fund id 22045.

**If departments have questions regarding reimbursing costs with federal Coronavirus Relief Funds (CRF) in VISION, please contact VISION Support at [Vision.FinHelpdesk@vermont.gov](mailto:Vision.FinHelpdesk@vermont.gov) or 802-828-6700 option 2.**