

OFFICE OF THE NEW YORK STATE COMPTROLLER



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To: Chief Executive Officers and Chief Fiscal Officers
From: Division of Local Government and School Accountability
Subject: Federal Aid Received by NYS Local Governments and School Districts under the Coronavirus Response and Relief Supplemental Appropriations Act and the American Rescue Plan Act

Please provide copies of this document to others who would benefit from this information.

Background

The federal government has passed several laws in the past year to address the economic and health consequences of the coronavirus pandemic (pandemic). Two of these laws, which are the focus of this accounting bulletin, allocated aid to local governments and school districts in New York State (NYS). The Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, signed into law on December 27, 2020, provided additional funding to school districts under the same programs established last year in the Coronavirus Aid, Relief and Economic Security (CARES) Act. The American Rescue Plan (ARP) Act was signed into law on March 11, 2021 and continues many of the programs enacted by the CARES Act by adding new phases, new allocations and new guidance to address issues related to the ongoing pandemic. The ARP Act also creates new programs to address continuing pandemic-related crises and fund recovery efforts. It provides significant funding to local governments and school districts in NYS.

This guidance document expands upon the importance of proper fiscal oversight, as discussed in our July 2020 [Coronavirus Aid, Relief and Economic Security \(CARES\) Act Information](#) bulletin. It also identifies the main source of revenues² available under the CRRSA Act and ARP Act to local governments and school districts in NYS. Lastly, it addresses how local government and school district officials should account for CRRSA Act and ARP Act revenues and pandemic-related expenditures.

Proper Fiscal Oversight

Governing boards are responsible for effective fiscal oversight of local government and school district financial operations. Governing boards should receive and review timely financial information to make informed decisions. These decisions should not only focus on the needs of the moment but should also consider how decisions made today will impact the local government or school district in the future. Specifically, governing boards need to understand how non-

¹ Per a subsequent discussion with the Governmental Accounting Standards Board (GASB), we have made updates to the sample journal entries in this accounting bulletin.

² The revenues discussed in this document are some examples of the funds available as of the date of this publication. The ever-changing financial environment may result in additional types of funds becoming available.

recurring revenue streams (also referred to as “one-time revenues”), such as CRRSA Act and ARP Act monies, can impact future local government and school district operations.

Non-recurring revenues are monies that are not repeatedly received by local governments or school districts. They are essentially “one-time revenues” and should be used to finance non-recurring expenditures, where and when possible. Non-recurring revenue streams should not be factored into ensuing years budgets; only recurring revenue streams should be budgeted for recurring expenditures. This allows for a structurally balanced budget.

CRRSA Act and ARP Act monies are an example of a non-recurring revenue stream. These monies should be used to first fund non-recurring expenditures that meet the requirements set forth in the U.S. Department of Education (DOE) and U.S. Department of Treasury’s (Treasury) resources, which can be found in the [Additional Information](#) section at the end of this document. While these monies are not prohibited from being used for recurring expenditures, local government and school district officials need to be mindful that if used in this manner, a gap will be created in the ensuing year’s budget, as this one-time revenue source will no longer be available. As a result, local governments and school districts will need to fill this gap by spending reserves (if available), using unrestricted fund balance, reducing services, increasing taxes, etc. Thus, using non-recurring revenues to fund recurring expenditures is not recommended.

Upon receipt of non-recurring revenue streams, such as CRRSA Act and ARP Act monies, the governing board will need to amend the current year’s budget, assuming the funds have not already been budgeted. Overall appropriations will increase, and the governing board will need to ensure that CRRSA Act and ARP Act monies are used in accordance with expenditure guidelines as set forth by the DOE and Treasury. The governing board should also continue to monitor the amended budget to ensure that appropriations are not over-expended and that deficits do not occur. More information on monitoring budgets can be found in the Monitoring the Budget section of our *Local Government Management Guide* entitled [Understanding the Budget Process](#).

Lastly, proper fiscal oversight is not complete without communication. Specifically, the governing board needs to communicate regularly not only with each other, but also with the Chief Executive Officer, the Chief Financial Officer (CFO) and management (such as department heads). This communication is key in helping ensure that those charged with making decisions and in management positions have all the necessary and relevant information they need to be able to fulfill their official responsibilities.

For more information on the governing board’s oversight responsibilities, please see our *Local Government Management Guide* entitled [Fiscal Oversight Responsibilities of the Governing Board](#).

Federal Aid Revenues

Local governments and school districts may receive various revenues as a result of the CRRSA Act and ARP Act. Some of these revenues may come from the additional funding of pre-existing programs, while other revenues may come from new programs.

If funding is received from pre-existing programs, such as the pre-existing programs discussed in our July 2020 [Coronavirus Aid, Relief and Economic Security \(CARES\) Act Information](#) bulletin, the accounting for such revenues would not change. For a listing of all active revenue codes for local governments, please see our [Online Chart of Accounts Query](#). For definitions of these revenue codes, please see the Revenue Account Codes section in our [Accounting and Reporting](#)

[Manual](#). For a listing of all active revenue codes for school districts, please see the School District Account Codes Appendix in our [School District Accounting and Reporting Manual](#).

New federal funding available under the CRRSA Act and ARP Act includes:

Coronavirus Local Fiscal Recovery (CLFR) Fund³ – This fund will provide aid to cities, counties, towns and villages in NYS. Counties and metropolitan cities⁴ will receive their aid directly from the Treasury. Treasury published specific allocations for [counties](#) and [metropolitan cities](#) on their [Coronavirus State and Local Fiscal Recovery Funds](#) web page.

For those cities, towns and villages referred to as “non-entitlement units (NEU) of local government”⁵ under the ARP Act, the NYS Division of the Budget (DOB) is responsible for allocating funds received by the State from the CLFR fund to NEU local governments. Links to DOB resources may be found in the [Additional Information](#) section of this bulletin and NEU local governments should contact DOB for information regarding their respective allocations.

Local governments should consult with the Treasury if they have questions regarding allowable uses, documentation and reporting requirements that are not answered by the resources published on the Treasury’s web page. Links to these resources, as well as Treasury contact information, can be found in the [Additional Information](#) section of this bulletin.

To account for these funds, we confirmed with the Government Accounting Standards Board (GASB) that because the aid from the CLFR has eligibility requirements, it cannot be recognized as a revenue until the expenditure the aid will be used to pay for has been incurred by the local government.⁶ This mirrors the treatment of Coronavirus Relief Fund (CRF) aid under the CARES Act (see Question 1 of [GASB Technical Bulletin 2020-1](#)). GASB considers this type of aid a “voluntary nonexchange transaction” subject to eligibility requirements. What this means for local governments is that they will need to recognize a liability until all eligibility requirements are met (including eligible expenditures incurred). Once all eligibility requirements are met, local governments can then recognize the revenue. Local governments who do not have eligible expenditures incurred will need to record a liability using account code **A688 Other Liabilities** until expenditures have been incurred. Revenue account code **A4089 Federal Aid, Other** will then be used to recognize the aid (whether received directly from the federal government or the State) once the related expenditures have been incurred.

The following sample journal entries are intended to illustrate how local governments should account for and recognize aid received from the CLFR fund.

³ Section 9901 of the American Rescue Plan Act amends Title VI of the Social Security Act (42 U.S.C. 801 et seq.) by adding a new section 603 (codified at 42 U.S.C. §803).

⁴ For the purposes of the ARP Act, the term metropolitan city has the same meaning given that term in section 102(a)(4) of the Housing and Community Development Act of 1974 (42 U.S.C. 5302(a)(4)) and includes cities that relinquish or defer their status as a metropolitan city for purposes of receiving allocations under section 106 of such Act (42 U.S.C. 5306) for fiscal year 2021.

⁵ To view the list of NEU local governments, visit the Treasury’s [Coronavirus State and Local Fiscal Recovery Funds for Non-entitlement Units of Local Government](#) web page.

⁶ See paragraphs 15, 19, and 20 of [GASB Statement 33](#) as amended by paragraph 10 of GASB Statement 65.

If Aid is Received After Eligible Expenditures Have Already Been Incurred:

- 1) To record the initial receivable and revenue once eligible expenditures have been incurred (when the grant agreement is approved⁷):

Account	Subsidiary Account	Debit	Credit
A410 Due from State and Federal Government		\$50,000	
A980 Revenues			\$50,000
A4089 Federal Aid, Other	\$50,000		

- 2) To record the actual receipt of CLFR monies (whether distributed directly from the federal government or the State) and liquidate the receivable originally recorded:

Account	Debit	Credit
A200 Cash	\$50,000	
A410 Due from State and Federal Government		\$50,000

If Aid is Received Prior to Incurring Eligible Expenditures:

- 1) To record the receipt of CLFR monies (whether distributed directly from the federal government or the State):

Account	Debit	Credit
A200 Cash	\$50,000	
A688 Other Liabilities (Specify)		\$50,000

- 2) To record contractual public safety administration and public health expenditures⁸ incurred (what the CLFR monies will be used for), recognize the revenue (because all eligibility requirements have been met), and liquidate \$20,000 of the initial liability:⁹

Account	Subsidiary Account	Debit	Credit
A522 Expenditures		\$20,000	
A3010.4 Public Safety Admin, Contr Expend	\$8,000		
A4010.4 Public Health, Contr Expend	\$12,000		
A200 Cash			\$20,000

⁷ To determine when the grant agreement is approved, contact the agency you requested the funding from (i.e., Treasury or DOB). The aid will only be distributed upon approval of the agreement.

⁸ These expenditure account codes would change based on the eligible expenditures incurred by the local government.

⁹ Aid still available at year-end should be reported in account code 688 Other Liabilities and should not be classified in one of the fund balance account codes.

Account	Subsidiary Account	Debit	Credit
A688 Other Liabilities (Specify)		\$20,000	
A980 Revenues			\$20,000
A4089 Federal Aid, Other	\$20,000		

This aid *may* also be used for activities that are accounted for in other funds (e.g. capital projects fund, hospital or nursing home funds, etc.). Local governments should initially recognize the revenue received and liability incurred in the general fund and then they may transfer monies for these activities to the appropriate fund (once expenditures are incurred) using, for example, account codes **A9901.9 – Transfers, Other Funds** or **A9950.9 – Transfers, Capital Projects Fund**, depending on what fund the money is being transferred to.

School District Federal Aid – Between the ARP Act and the CRRSA Act, school districts will receive additional funding for the Elementary and Secondary School Emergency Relief (ESSER) Fund (established under the CARES Act). Additionally, the CRRSA Act provides additional funding to the Governor’s Emergency Education Relief (GEER) Fund.

School districts should consult with the DOE and the New York State Education Department (SED) if they have questions regarding allowable uses and documentation requirements that are not answered by the resources published on DOE’s and SED’s web pages, which can be found in the [Additional Information](#) section at the end of this document.

As far as the accounting treatment, the 2021-22 enacted State budget includes language requiring federal education stimulus funds received from CRRSA Act and ARP Act be deemed special aid funds. Similar to the accounting for the CLFR funds for local governments, the monies school districts receive from ARP/CRRSA also have eligibility requirements (incurrence of allowable expenditures and SED’s approval of the application for funds). Consequently, school districts cannot recognize these monies as a revenue until the expenditures the aid will be used to pay for have been incurred by the school districts and SED has approved the school district’s application. What this means for school districts is that they will need to recognize a liability in the pre-existing special aid fund account code **F688 Other Liabilities (Specify)** when aid is received before all eligibility requirements have been met. Once all eligibility requirements are met, school districts can then recognize the revenue in the pre-existing account code **F4289 – Other Federal Aid**.

The following sample journal entries are intended to illustrate how school districts should account for and recognize ARP/CSSRA aid.

If Aid is Received After Eligible Expenditures Have Already Been Incurred (in the Special Aid Fund)¹⁰

- 1) To record the initial receivable and revenue for ARP/CRRSA monies (assuming SED's approval of the application for the funds has occurred):

Account	Subsidiary Account	Debit	Credit
F410 Due from State and Federal Government		\$15,000	
F980 Revenues			\$15,000
F4289 Other Federal Aid	\$15,000		

- 2) To record the actual receipt of ARP/CRRSA monies and liquidate the receivable originally recorded:

Account	Debit	Credit
F200 Cash	\$15,000	
F410 Due from State and Federal Government		\$15,000

If Aid is Received Prior to Incurring Eligible Expenditures

- 1) To record the actual receipt of ARP/CRRSA monies and liquidate the receivable originally recorded:

Account	Debit	Credit
F200 Cash	\$50,000	
F688 Other Liabilities (Specify)		\$50,000

- 2) To record contractual health services regular school and unclassified expenditures¹¹ incurred (what the ARP/CRRSA monies will be used for), recognize the revenue (since all eligibility requirements have been met), and liquidate \$20,000 of the initial liability:¹²

Account	Subsidiary Account	Debit	Credit
F522 Expenditures		\$20,000	
F2815.4 Health Services Regular School, Contr Expend	\$8,000		
F1988.4 Unclassified Expenditures (Specify)	\$12,000		
F200 Cash			\$20,000

¹⁰ If expenditures are incurred in the fiscal year prior to application approval (e.g., fiscal year ending 6/30/21), a deficit in the special aid fund *may* occur, due to the timing of the application's approval (occurring in the subsequent fiscal year). Once the application is approved in the following fiscal year (e.g., fiscal year ending 6/30/22), the receivable should be recognized in the special aid fund and any deficit caused by the timing of the application's approval should be eliminated.

¹¹ These expenditure account codes would change based on the eligible expenditures incurred by the school district.

¹² Aid still available at year-end should be reported in account code 688 Other Liabilities and should not be classified in one of the fund balance account codes.

Account	Subsidiary Account	Debit	Credit
F688 Other Liabilities (Specify)		\$20,000	
F980 Revenues			\$20,000
F4289 Other Federal Aid	\$20,000		

This aid *may* also be used for expenditures incurred in a different fund and/or in a previous fiscal year. When this happens, school districts should initially recognize the revenue received in the special aid fund,¹³ and then they may transfer monies (only the amount that is in their approved application) for the reimbursement of these expenditures to the applicable fund. School districts will need to use account code **F9901.9 – Transfers to Other Funds** when transferring these funds from the special aid fund and account code **5031 – Interfund Transfers**¹⁴ in the receiving fund. It is also important to note, however, that if these monies are used to reimburse another fund, these monies should have the same fund balance classifications as the monies originally used to pay for the previous fiscal year’s expenditures. For example, if \$1,000 of reserve monies was used to pay for a previous fiscal year’s expenditure, then it would be expected that the monies used to reimburse this \$1,000 would be restricted to the same reserve.

Please note that any federal aid previously received under the CARES Act Education Stabilization Fund should be recorded using general fund revenue code **A4286 – Federal Aid, CARES Act Education Stabilization Fund**. The accounting treatment for CARES Act monies can be found in our July 2020 [Coronavirus Aid, Relief and Economic Security \(CARES\) Act Information](#) bulletin.

Aid-Related Expenditures

When recording aid-related expenditures, local governments and school districts should continue to record expenditures using existing expenditure codes (with the exception of Broadband improvements as noted below). For a listing of all active expenditure codes for local governments, please see our [Online Chart of Accounts Query](#). For definitions on these expenditure codes, please see the Expenditure Account Codes sections in our [Accounting and Reporting Manual](#). School districts should consult the School District Account Codes Appendix in our [School District Accounting and Reporting Manual](#). Local governments and school districts should keep in mind that ARP Act and CRRSA Act monies have specific allowable uses and as a result, officials should consult with their respective attorneys, as applicable, to ensure monies are being spent in accordance with the intended purpose.

For local governments using the CLFR funds, one of the allowable uses, according to the ARP Act legislation, is expanding access to broadband internet. Due to this, and the increased interest in these types of projects in recent years, we have created a new general fund and capital projects fund expenditure account code **8780 – Broadband Improvements**.

For school districts, no new expenditure account codes will be activated in the special aid fund for ST-3 purposes. While these expenditures may internally be accounted for in greater detail in order to meet DOE and SED requirements, OSC is not requiring this level of detail for ST-3 reporting purposes. If an active expenditure account code is not available for a specific type of

¹³ This would be accounted for similar to sample journal entry #1 under the “If Aid is Received After Eligible Expenditures Have Already Been Incurred (in the Special Aid Fund)” section.

¹⁴ Account code **5031 – Interfund Transfers** will be used for the 2020-21 ST-3 if approved applications include expenditures in the school food service fund. Account code **C5031 – Transfer from General Fund** will be renamed to **C5031 – Interfund Transfers** for the 2021-22 ST-3.

expenditure, school districts should use account code **F1988.4 – Unclassified Expenditures** and specify the expenditure.

Additionally, if local governments and school districts wish to track expenditures relating to the aid in more detail, several options are available:

- Expand the object of the expenditure code by adding additional digits. For example, you could use code 3010.41 – Public Safety Administration, to account for contractual public safety administration expenditures which are “paid for” using ARP Act monies. For AUD reporting purposes, however, it should be noted that this amount would be rolled up into account 3010.4 – Public Safety Administration.
- Use a separate spreadsheet outside of the accounting system to track expenditures related to the aid in greater detail, while still updating and maintaining the accounting system.

Additional Information

For more information relating to the pandemic, please visit our [Updates and Resources Related to COVID-19 Public Health Crisis](#) web page.

For information and resources to help local officials deal with revenue disruption and rising demands for services, please visit our [Financial Toolkit for Local Officials in 2020 and Beyond](#) web page.

CLFR Funds Resources:

- [Treasury CLFR Resources:](#)
 - [Interim Final Rule](#) – Official implementation guidance
 - [Fact Sheet](#)
 - [FAQs](#)
 - [Quick Reference Guide](#)
 - [Information for Non-Entitlement Units of Local Government](#)
 - [Recipient Compliance and Reporting Responsibilities](#)
 - [Compliance and Reporting Guidance](#)
 - [General questions regarding this program may be sent to: SLFRP@treasury.gov](#)
- **DOB Resources:**
 - [NEU Recipient Numbers](#)
 - [ARP Act CLFR Funds to NEUs](#)
 - [General questions regarding NEU allocations may be sent to: localarpa@budget.ny.gov](#)
- **DOE Resources:**
 - [American Rescue Plan Guidance Webpage](#)
 - [Elementary and Secondary School Emergency Relief Fund Webpage](#)
 - [Governor’s Emergency Education Relief Fund Webpage](#)
- [SED Coronavirus Guidance for P-12 Schools](#)

For guidance documents on various local government management topics, please see our [Local Government Management Guides](#).

If you have questions pertaining to the information in this document, please contact the State Comptroller's [regional office that serves your local government or school district](#).