U.S. Government Accountability Office

COVID-19 Relief: States' and Localities' Fiscal Recovery Funds Spending as of March 31, 2023

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Report to Congressional Committees
October 11, 2023
Accessible Version

Why This Matters

The Coronavirus State and Local Fiscal Recovery Funds (SLFRF), established under the American Rescue Plan Act of 2021 (ARPA) and administered by the Department of the Treasury, allocated $350 billion to tribal governments, states, the District of Columbia, local governments, and U.S. territories to help cover a broad range of costs stemming from the health and economic effects of the COVID-19 pandemic.[1] SLFRF recipients must regularly submit reports to Treasury on their use of the awards and the projects undertaken with them.[2]

The CARES Act includes a provision for us to monitor the use of federal funds to respond to the COVID-19 pandemic.[3] We were also asked to review Treasury's administration of the SLFRF program. This report examines the SLFRF funding states (including the District of Columbia) and localities are required to report to Treasury and Treasury's actions when states or localities do not submit the required reporting.[4]

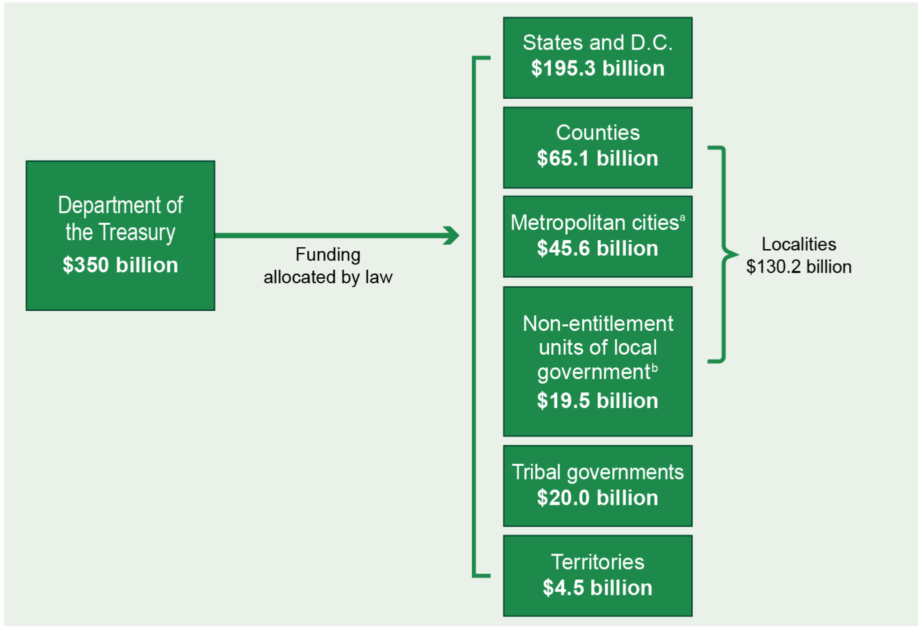
Key Takeaways

- As of March 31, 2023—the most recent data available at the time of this report—states reported obligating 60 percent ($118.3 billion) and spending 45 percent ($88.2 billion) of the SLFRF awards they received. Localities reported obligating 54 percent ($67.5 billion) and spending 38 percent ($47.9 billion) of their awards during the same period.[5]
- The states and localities reported spending the largest amount of their awards to replace revenue lost due to the pandemic. Specifically, as of March 31, 2023, 45 percent ($39.5 billion) of states' reported spending and 68 percent ($32.4 billion) of localities' reported spending was used for this purpose.
- Approximately 14 percent of localities did not report to Treasury on their uses of SLFRF awards through March 31, 2023, as required. Treasury officials told us they have taken initial steps to address recipient non-compliance with reporting requirements.
- As a result of our analysis, Treasury updated its public web postings and disclosed that SLFRF spending data do not include information from all recipients that were required to submit a report.

How much in SLFRF awards did states and localities receive?

Under ARPA, the SLFRF allocated $350 billion across six groups of recipients (see fig. 1). Localities included counties, metropolitan cities (which we refer to as cities throughout this report), and smaller local governments—those typically serving populations of less than 50,000—referred to as non-entitlement units of local government (NEU).[6]

Figure 1: Coronavirus State and Local Fiscal Recovery Funds Allocations by Recipient Type



Source: GAO analysis of the American Rescue Plan Act of 2021. Pub. L. No. 117-2, 135 Stat. 4 (2021). | GAO-24-106753

[a]A metropolitan city is defined as the central city within a metropolitan area (i.e., a standard metropolitan statistical area as established by the Office of Management and Budget) or any other city within a metropolitan area that has a population of 50,000 or more. 42 U.S.C. §§ 803(g)(4), 5302(a)(4). A metropolitan city includes cities that relinquish or defer their status as a metropolitan city for purposes of receiving allocations under section 5306 of Title 42, United States Code, for fiscal year 2021.

[b]Non-entitlement units of local government (NEU) are local governments typically serving populations of less than 50,000. 42 U.S.C. §§ 803(g)(5), 5302(a)(5). NEUs include cities, villages, towns, townships, or other types of local governments.

As part of its responsibility to administer the SLFRF, Treasury employed a number of methodologies to determine how much funding states and localities received, based on a range of factors, such as population size and unemployment rates. States received SLFRF awards that ranged from a high of over $27 billion in California to a low of $906 million in Montana. Similarly, localities received SLFRF awards that ranged from a high of nearly $6 billion in New York City to a low of $394 in Johnson, Oklahoma.[7]

Under ARPA, most states and all localities were required to receive their SLFRF awards in two equal tranches approximately one year apart.[8] ARPA required Treasury to send direct payments to all SLFRF recipients except NEUs.[9] ARPA required that states receive NEU funds from Treasury, then allocate and distribute payments to each NEU within their state.

What are SLFRF recipients required to report to Treasury about their uses of funds?

Recipients of SLFRF awards are required to meet reporting requirements established by Treasury—and authorized under ARPA—to detail their uses of funds. Specifically, Treasury requires recipients to submit "project and expenditure" reports that provide information on their uses of the funding—including obligation and spending amounts—and projects undertaken, among other things.[10] Treasury defines an obligation as an order placed for property and services and entering into contracts, subawards, and similar transactions that require payment. Treasury then publishes information from these reports on its public website.

The SLFRF allows for a broad range of eligible uses to respond to the COVID-19 pandemic and its economic effects.[11] SLFRF recipients are required to report on their uses of funds across seven spending categories established by Treasury (see fig. 2).[12]

Figure 2: Coronavirus State and Local Fiscal Recovery Funds Spending Categories in Treasury Project and Expenditure Reports, as of Mar. 31, 2023

Public health

Funds for COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and other public health services.

Negative economic impacts

Funds to respond to the negative economic impacts of COVID-19 on households, small businesses, nonprofits, and impacted industries.

Public sector capacity[a]

Funds to support public sector workforce and capacity, including payroll and benefits for public safety workers and rehiring public sector staff.

Premium pay[b]

Funds for premium pay to eligible public and private sector workers performing essential work during the COVID–19 pandemic.

Infrastructure

Funds for necessary investments to improve clean drinking water access and wastewater and stormwater infrastructure, and provide locations with an identified need with new or expanded broadband access.

Revenue replacement

Funds for providing government services to the extent of a reduction in revenue due to COVID-19.

Administrative

Funds to cover expenses for managing awards, such as fees for consultants to ensure program compliance and facility or administrative function costs.

Source: GAO analysis of Department of the Treasury information. Vector icons, GAO. | GAO-24-106753

[a]Treasury guidance refers to this category as *Public health-Negative economic impact: Public sector capacity*.

[b]Based on Treasury guidance, recipients may not provide premium pay for work performed after April 10, 2023, when the National Emergency concerning COVID-19 ended, but may award premium pay for work performed prior to that date.

Of the seven spending categories, revenue replacement provides recipients with the most flexibility in their use of SLFRF awards and streamlined reporting requirements, according to Treasury guidance. Under this category, recipients may use their funds to cover a broad range of government services (i.e., generally any service traditionally provided by a government) up to the amount of revenue loss experienced during the pandemic.

Recipients have two options for calculating revenue loss. Accordingly, recipients may calculate revenue loss using a formula that Treasury established, or they may elect a $10 million “standard allowance,” which allows them to spend up to $10 million or the maximum of their SLFRF awards, whichever is less, over the course of the SLFRF program. Treasury officials said Treasury provided recipients with the standard allowance option in response to comments Treasury received on its 2021 interim final rule. Those comments, particularly from smaller governments, reflected concerns over Treasury’s formula for calculating revenue loss, according to Treasury. The Consolidated Appropriations Act, 2023, codified the availability of the standard allowance provided in Treasury’s final rule.[13]

Treasury guidance has also stated that revenue replacement affords more flexibility than Treasury’s other spending categories, in part because of the broad scope of government services. Specifically, based on Frequently Asked Questions for Treasury guidance, recipients may use SLFRF awards for revenue replacement for projects that are also eligible under the other spending categories because those categories include services that governments provide.[14]

Additionally, Treasury guidance states that (1) the SLFRF awards that recipients spent to replace revenue can be reported in the project and expenditure reports as a single project, even if the project description notes that funds are used for more than one activity or purpose; and (2) unlike other spending categories, Treasury is not collecting subaward data for projects categorized as revenue replacement.[15]

How often are SLFRF recipients required to report to Treasury on their uses of funds?

Since January 2022, Treasury has required SLFRF recipients to submit project and expenditure reports on a quarterly or annual basis, depending on the recipient type and award size.[16] All SLFRF recipients, including states and local governments, were required to submit a report to Treasury by April 30, 2023, based on their award spending as of March 31, 2023. Treasury has posted to its public website information on the project and expenditure reports that states and localities submitted on their spending as of March 31, 2023.[17]

How many states and localities submitted reports to Treasury on their uses of funds?

Our analysis showed that all states and 26,410 localities submitted a project and expenditure report with spending as of March 31, 2023. According to Treasury data, 30,678 localities were each required to submit this report by April 30, 2023.[18] Therefore, 4,268 localities (14 percent), with a collective $3 billion in SLFRF awards, did not submit a required report to Treasury.[19] Further, our analysis showed that 2,155 of these 4,268 localities, with nearly $606 million in combined SLFRF awards, also did not submit a report in the previous reporting cycle (spending as of March 31, 2022). Further discussion of recipients that did not submit project and expenditure reports appears later in this report.

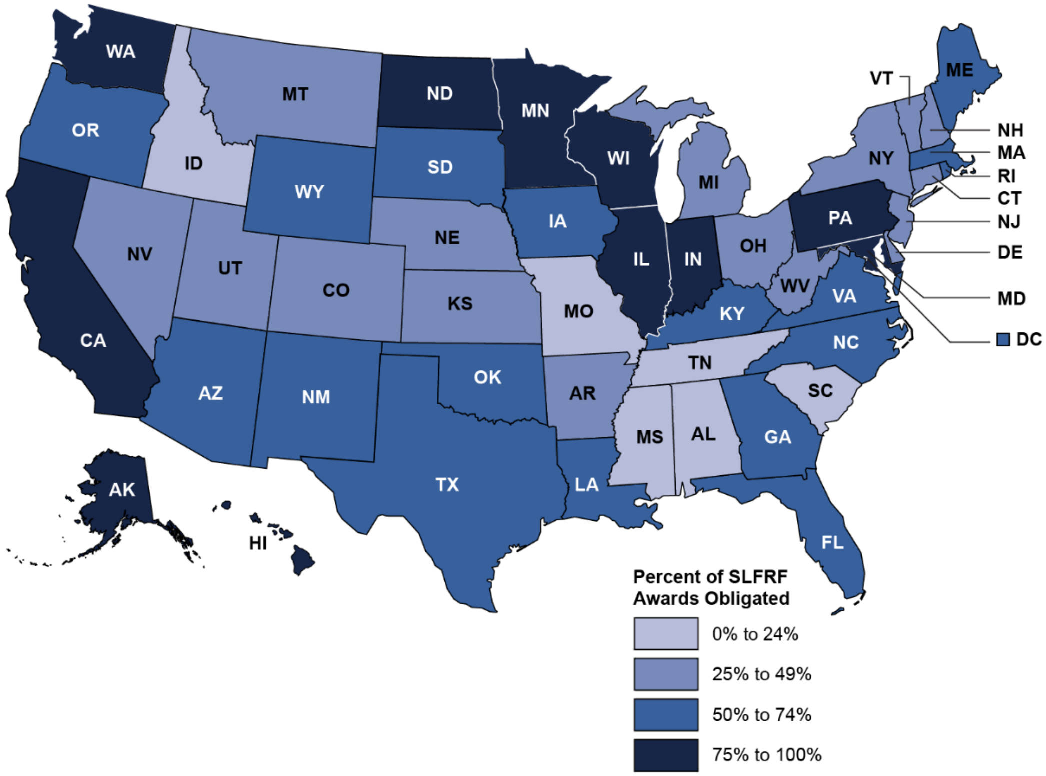
How much of their SLFRF awards have states obligated and spent?

In the aggregate, the states reported obligating 60 percent ($118.3 billion) and spending 45 percent ($88.2 billion) of the $195.8 billion in SLFRF awards they received from Treasury, as of March 31, 2023.[20] The share of SLFRF awards that each state obligated and spent varied.

Obligated

Figure 3 shows the share of SLFRF award amounts states reported obligating as of March 31, 2023. Specifically, 11 states reported obligating 75 percent or more of their respective SLFRF awards, while six states reported obligating less than 25 percent. Minnesota and North Dakota reported obligating the largest share of their awards (98 percent and 94 percent, respectively), while Tennessee and Mississippi reported obligating the smallest shares (11 percent and 19 percent, respectively).

Figure 3: Range in Percentages of Coronavirus State and Local Fiscal Recovery Funds (SLFRF) Obligations Reported by States and the District of Columbia, as of Mar. 31, 2023



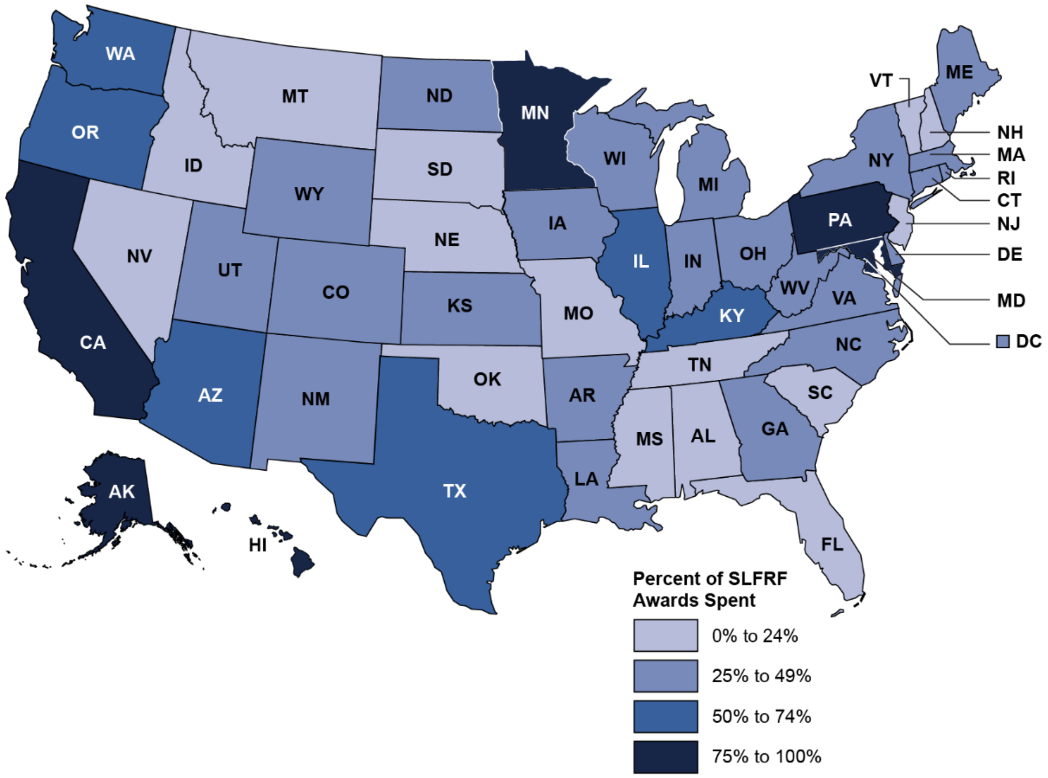
Source: GAO analysis of Department of the Treasury data. I GAO-24-106753

Note: Treasury defines an obligation as an order placed for property and services and entering into contracts, subawards, and similar transactions that require payment. 31 C.F.R. § 35.3.

Spent

Figure 4 shows the share of SLFRF award amounts states reported spending as of March 31, 2023. Six states reported spending 75 percent or more of their SLFRF awards, while 15 states reported spending less than 25 percent. Minnesota and Alaska each reported spending the largest share of their awards (95 percent and 91 percent, respectively) while Oklahoma and South Carolina reported spending the smallest share (less than 1 percent and less than 2 percent, respectively).

Figure 4: Range in Percentages of Coronavirus State and Local Fiscal Recovery Funds (SLFRF) Spending Reported by the States and the District of Columbia, as of Mar. 31, 2023

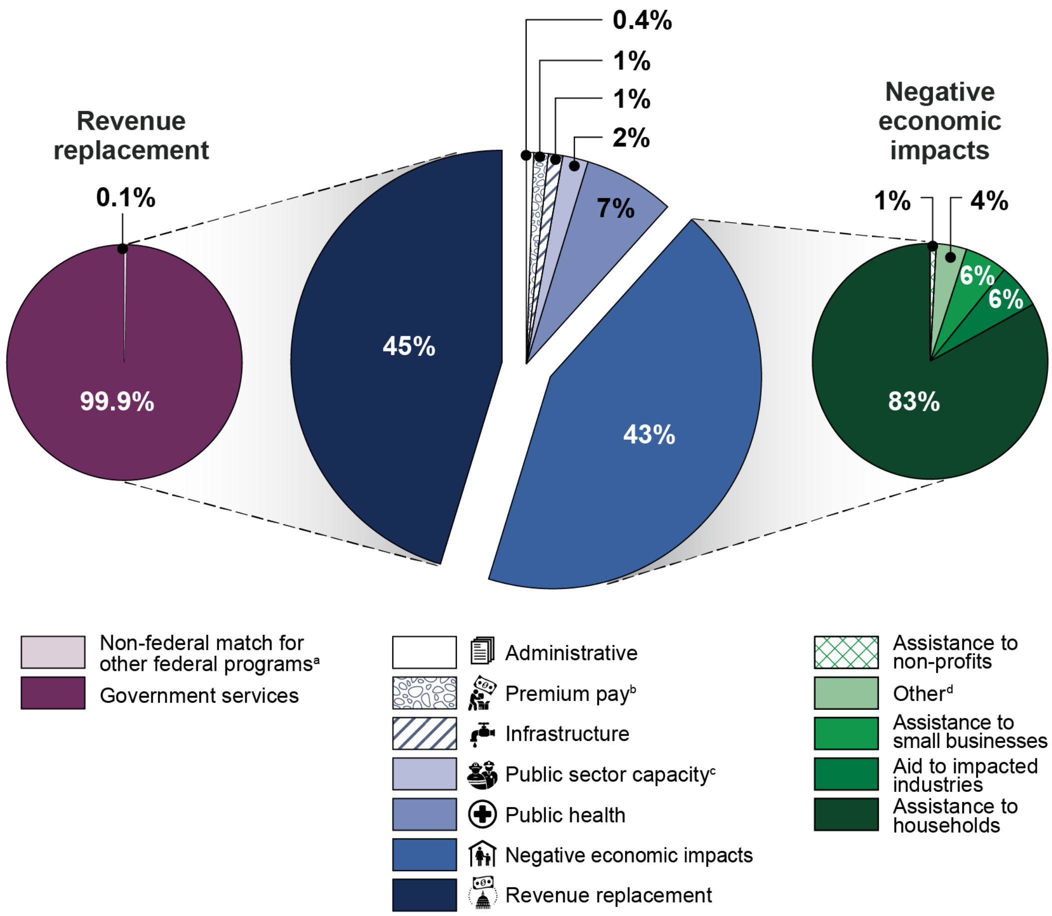


Source: GAO analysis of Department of the Treasury data. I GAO-24-106753

How have states used their SLFRF awards?

In the aggregate, the majority of the $88.2 billion in SLFRF awards the states reported spending was used to replace revenue and address the negative economic impacts of COVID-19. Specifically, as shown in figure 5, 45 percent ($39.5 billion) of the amount states reported spending was for replacing revenue and 43 percent ($37.9 billion) was for addressing the negative economic impacts of COVID-19.

Figure 5: Breakdown of Coronavirus State and Local Fiscal Recovery Funds (SLFRF) State Reported Spending by Treasury Spending Category, as of Mar. 31, 2023



Source: GAO analysis of Department of the Treasury data. Vector icons, GAO. | GAO-24-106753

Spending category	Percentage
Administrative	0.4%
Premium pay(b)	1%
Infrastructure	1%
Public sector capacity(c)	2%
Public health	7%
Negative economic impacts	43%
Revenue replacement	45%

Negative economic impacts	Percentage
Assistance to non-profits	1%
Other[d]	4%
Assistance to small businesses	6%
Aid to impacted industries	6%
Assistance to households	83%

Secondary pie in pie extending out of Revenue Replacement

Revenue replacement	Percentage
Non-federal match for other federal Programs(a)	0.1%
Government services	99.9%

Note: Percentages may not add to 100 due to rounding.

[a]Recipients generally may use funds under the revenue replacement category to meet the non-federal cost-share or matching requirements for other federal programs.

[b]Based on Treasury guidance, recipients may not provide premium pay for work performed after April 10, 2023, when the National Emergency concerning COVID-19 ended, but may award premium pay for work performed prior to that date.

[c]Treasury guidance refers to this category as *Public health-Negative economic impact: Public sector capacity*.

[d]Other includes funding for such purposes as assistance for education, healthy childhood environments, and social determinants of health.

Replacing Revenue

Figure 5 also shows that spending on government services represented nearly all (over 99 percent) the SLFRF awards states reported spending on replacing revenue. As discussed earlier, recipients may use their funds to cover a broad range of government services under this category up to the amount of revenue loss experienced during the pandemic.

The extent to which the states used SLFRF awards on replacing revenue varied. For example:

- Thirteen states used 50 percent or more of the SLFRF awards they reported spending to replace revenue.
- Seven states did not report spending any funds to replace revenue.
- North Dakota was the only state where all reported spending was used to replace revenue.

States' reported spending on individual revenue replacement projects ranged from a high of $16.7 billion in California (for restoring state employee pay cuts and funding public programs, among other things) to a low of $61 in Colorado (as part of the state's larger effort to expand the behavioral health workforce).[21] Additional examples of projects reported by states to replace revenue include:

- Wisconsin reported spending $75 million on a back-to-school supplemental aid program for school districts and independent charter schools.
- Utah reported spending $333 million on essential government services including corrections, public safety, and social services.
- Louisiana reported spending $115 million to construct roads and bridges.

Addressing the Negative Economic Impacts of COVID-19

In addition, figure 5 shows that providing assistance to households accounted for over 80 percent of the SLFRF funds that states reported spending to address the negative economic impacts of COVID-19. Contributions to state unemployment insurance trust funds represented the largest share of funds states reported spending (58 percent) in providing assistance to households. Specifically, 24 states reported spending $22 billion of their awards on contributing to state unemployment insurance trust funds.

Reported state spending on individual projects to address the negative economic impacts of the pandemic ranged from a high of $7 billion in Texas (for contributions to the state's unemployment insurance trust funds) to a low of $26 in New Hampshire (for a commissioned study about a possible campground expansion). Additional examples of projects reported by states in this category include:

- Michigan reported spending $25.6 million on a travel marketing and promotional campaign to respond to the impacts of COVID-19 on tourism.

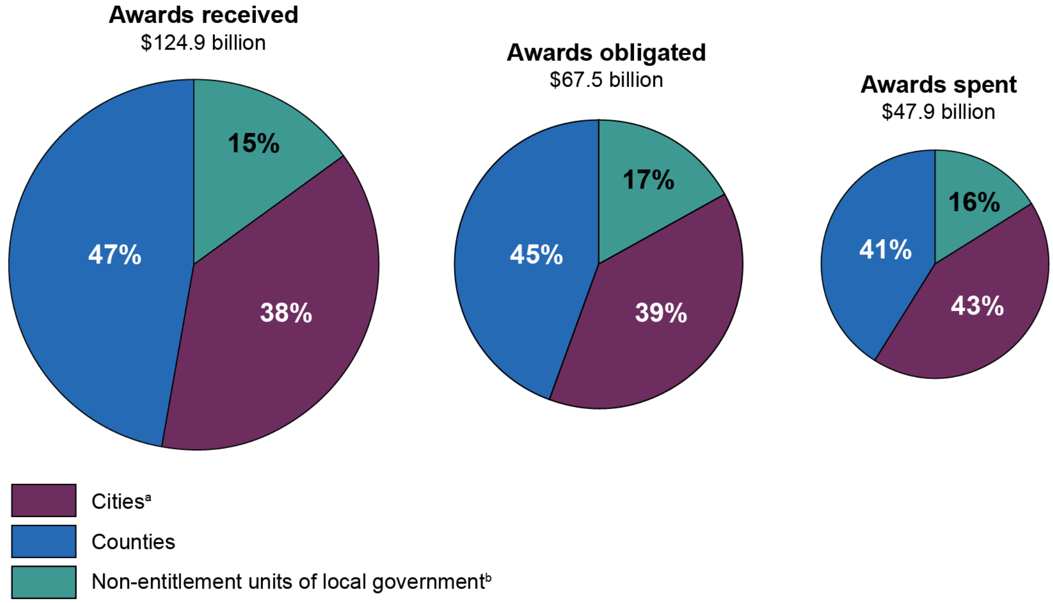
- Florida reported spending about $33,000 on workforce training programs for state colleges and technical centers.
- New York reported spending $526.4 million on a small business recovery grants program that included support for socially and economically disadvantaged business owners.

How much of their SLFRF awards have localities obligated and spent?

A total of 26,410 localities—1,088 cities, 2,966 counties, and 22,356 NEUs—submitted project and expenditure reports. Combined, these localities reported obligating 54 percent ($67.5 billion) and spending 38 percent ($47.9 billion) of the $124.9 billion in SLFRF awards they received, as of March 31, 2023.[22]

The share of total SLFRF awards that localities reported receiving, obligating, and spending varied by locality type. For example, as shown in figure 6, of the three types of localities—cities, counties, and NEUs—counties reported receiving the largest amount of funding (47 percent) and accounted for the largest share of reported obligations (45 percent). Cities accounted for the largest share of reported spending (43 percent).

Figure 6: Share of Reported Coronavirus State and Local Fiscal Recovery Funds Received, Obligated, and Spent by Locality Type, as of Mar. 31, 2023



Source: GAO analysis of Department of the Treasury data. | GAO-24-106753

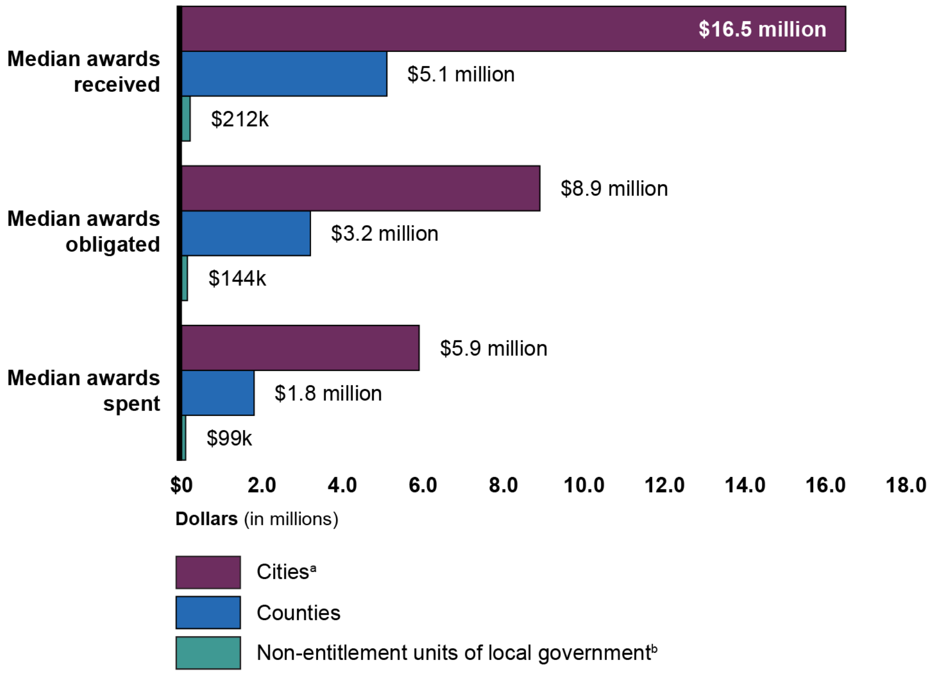
Note: Treasury defines an obligation as an order placed for property and services and entering into contracts, subawards, and similar transactions that require payment. 31 C.F.R. § 35.3. Percentages may not add to 100 due to rounding.

[a]Cities refer to metropolitan cities as defined in 42 U.S.C. § 803(g)(4).

[b]Non-entitlement units of local government as defined in 42 U.S.C. § 803(g)(5).

Cities, counties, and NEUs varied widely in the median amount of SLFRF awards that each reported receiving, obligating, and spending. Cities reported the highest median amount of funding received, obligated, and spent while NEUs reported the lowest median amounts (see fig. 7).

Figure 7: Median Amount of Coronavirus State and Local Fiscal Recovery Funds Received, Obligated, and Spent as Reported by Localities, as of Mar. 31, 2023



Source: GAO analysis of Department of the Treasury data. | GAO-24-106753

	Median awards received	Median awards obligated	Median awards spent
Cities(a)	$16.5 million	$8.9 million	$5.9 million
Counties	$5.1 million	$3.2 million	$1.8 million
Non-entitlement units of local government(b)	$212k	$144k	$99k

Note: Treasury defines an obligation as an order placed for property and services and entering into contracts, subawards, and similar transactions that require payment. 31 C.F.R. § 35.3.

[a]Cities refer to metropolitan cities as defined in 42 U.S.C. § 803(g)(4).

[b]Non-entitlement units of local government as defined in 42 U.S.C. § 803(g)(5).

Obligated

Within each locality type, the amount of SLFRF awards reported as obligated varied. For example, as shown in figure 8:

- Some cities (5 percent) and counties (7 percent) and nearly a quarter of NEUs (24 percent) reported obligating none of their awards.
- The largest proportion of cities (35 percent), counties (46 percent), and NEUs (46 percent) reported obligating at least 75 percent of their awards.

Figure 8: Range in Amounts of Coronavirus State and Local Fiscal Recovery Funds Reported as Obligated by Localities, as of Mar. 31, 2023

Amount of awards obligated	0%	Greater than 0%, less than 25%	25-49%	50-74%	75% or greater
Cities[a]	5%	17%	25%	18%	35%
Counties	7%	16%	16%	16%	46%
Non-entitlement units of local government[b]	24%	10%	10%	10%	46%

Source: GAO analysis of Department of the Treasury data. | GAO-24-106753

Amount of awards obligated

	0%	Greater than 0%, less than 25%	25-49%	50-74%	75% or greater
Cities(a)	5%	17%	25%	18%	35%
Counties	7%	16%	16%	16%	46%
Non-entitlement units of local government(b)	24%	10%	10%	10%	46%

Note: Treasury defines an obligation as an order placed for property and services and entering into contracts, subawards, and similar transactions that require payment. 31 C.F.R. § 35.3. Percentages may not add to 100 due to rounding.

[a]Cities refer to metropolitan cities as defined in 42 U.S.C. § 803(g)(4).

[b]Non-entitlement units of local government as defined in 42 U.S.C. § 803(g)(5).

Spent

The amount of SLFRF awards reported as spent within each locality type also varied. For example, as shown in figure 9:

- Some cities (6 percent) and counties (8 percent) and over a quarter of NEUs (27 percent) reported spending none of their awards.
- The largest proportion of cities (35 percent) and counties (32 percent) that used funds reported spending less than 25 percent of their awards.
- The largest proportion of NEUs (30 percent) reported spending at least 75 percent of their awards.

Figure 9: Range in Amounts of Coronavirus State and Local Fiscal Recovery Funds Reported as Spent by Localities, as of Mar. 31, 2023

Amount of awards spent	0%	Greater than 0%, less than 25%	25-49%	50-74%	75% or greater
Cities[a]	6%	35%	27%	13%	20%
Counties	8%	32%	26%	14%	20%
Non-entitlement units of local government[b]	27%	17%	14%	13%	30%

Source: GAO analysis of Department of the Treasury data. | GAO-24-106753

	0%	Greater than 0%, less than 25%	25-49%	50-74%	75% or greater
Cities(a)	6%	35%	27%	13%	20%
Counties	8%	32%	26%	14%	20%
Non-entitlement units of local government(b)	27%	17%	14%	13%	30%

Note: Percentages may not add to 100 due to rounding.

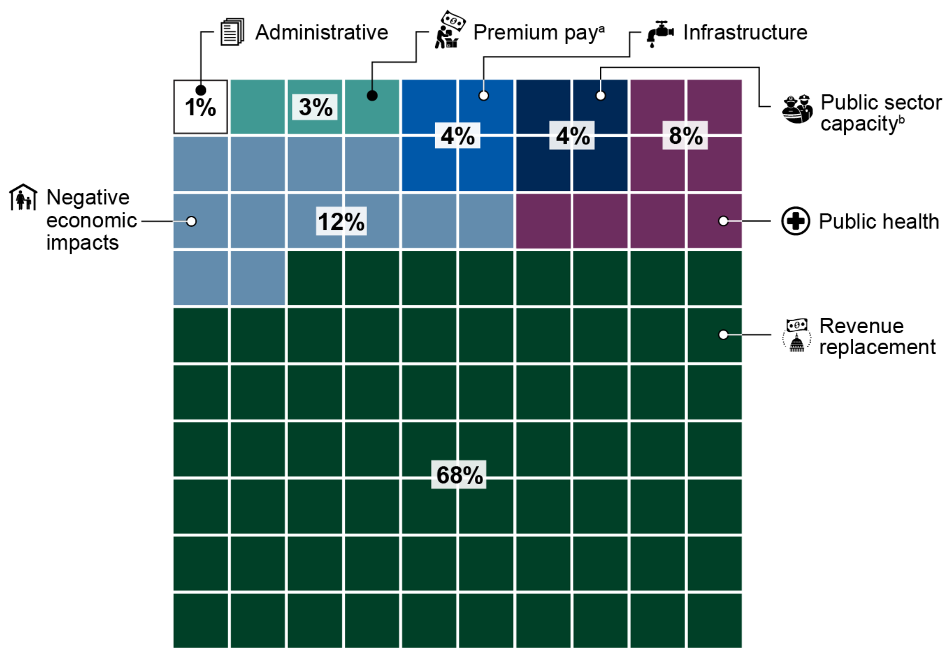
[a]Cities refer to metropolitan cities as defined in 42 U.S.C. § 803(g)(4).

[b]Non-entitlement units of local government as defined in 42 U.S.C. § 803(g)(5).

How have localities used their SLFRF awards?

In the aggregate, revenue replacement represented the largest spending category across all localities, accounting for 68 percent ($32.4 billion) of total SLFRF reported spending (see fig. 10).

Figure 10: Breakdown of Localities' Coronavirus State and Local Fiscal Recovery Funds Reported Spending by Treasury Spending Category, as of Mar. 31, 2023



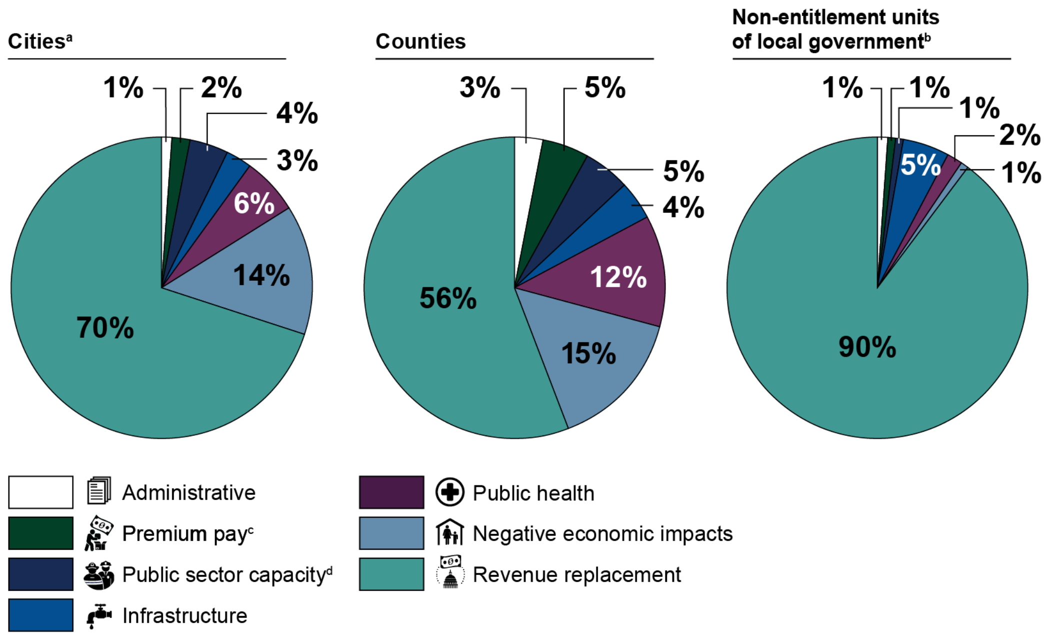
Source: GAO analysis of Department of the Treasury data. Vector icons, GAO. | GAO-24-106753

[a]Based on Treasury guidance, recipients may not provide premium pay for work performed after April 10, 2023, when the National Emergency concerning COVID-19 ended, but may award premium pay for work performed prior to that date.

[b]Treasury guidance refers to this category as *Public health-Negative economic impact: Public sector capacity*.

Cities, counties, and NEUs varied in their uses of funds across the other spending categories (see fig. 11). For example, cities and counties reported spending the second largest share of their SLFRF awards on addressing the negative economic impacts of COVID-19 (14 percent and 15 percent, respectively). NEUs reported spending the second largest share of their SLFRF awards on infrastructure (5 percent).

Figure 11: Breakdown of Coronavirus State and Local Fiscal Recovery Funds Reported Spending by Locality Type, as of Mar. 31, 2023



Source: GAO analysis of Department of the Treasury data. Vector icons, GAO. | GAO-24-106753

	Cities[a]	Counties	Non-entitlement units of local government[b]
Revenue replacement	70%	56%	90%
Negative economic impacts	14%	15%	1%
Public health	6%	12%	2%
Infrastructure	3%	4%	5%
Public sector capacity(c)	4%	5%	1%
Premium pay(b)	2%	5%	1%
Administrative	1%	3%	1%

Note: Percentages may not add to 100 due to rounding.

[a]Cities refer to metropolitan cities as defined in 42 U.S.C. § 803(g)(4).

[b]Non-entitlement units of local government as defined in 42 U.S.C. § 803(g)(5).

[c]Based on Treasury guidance, recipients may not provide premium pay for work performed after April 10, 2023, when the National Emergency concerning COVID-19 ended, but may award premium pay for work performed prior to that date.

[d]Treasury guidance refers to this category as *Public health-Negative economic impact: Public sector capacity.*

Replacing Revenue

The majority (93 percent) of the 26,410 localities elected the standard allowance for revenue replacement. Treasury encouraged localities that received less than $10 million—the standard allowance cap—in SLFRF awards to use the standard allowance to benefit from the revenue replacement category’s streamlined reporting requirements. Nearly all of the 22,356 NEUs (99 percent) received less than $10 million in SLFRF awards, and 95 percent of NEUs elected the standard allowance.

The amounts, scope, and purpose that localities reported spending on revenue replacement projects varied. Localities’ reported spending on projects to replace revenue ranged from a high of $1.6 billion in New York City (for correction, sanitation, and emergency medical services, among other things), to a low of less than $50 in 65 localities. For example, the town of Boykins, Virginia (an NEU) reported spending $42 on sandbags to mitigate the effects of stormwater flooding on public and private property. Table 1 shows additional examples of revenue replacement projects reported by cities, counties, and NEUs.

Table 1: Examples of Reported Coronavirus State and Local Fiscal Recovery Funds (SLFRF) Projects to Replace Revenue from Selected Localities, as of Mar. 31, 2023

	Reported Spending	Revenue Replacement Project Description[c]
Cities[a]		
Little Rock, AR	$115,905	Provide software upgrades for a city department to improve transparency and resident access to information and services
Vineland, NJ	$286,243	Offset budget shortfall due to increased waste removal costs from periods of quarantine during the pandemic
Counties		
Wayne County, MI	$275,000	Build a city center plaza to help generate development in an urban downtown community
Gooding County, ID	$2,328,343	Expand heating, ventilation, and air conditioning system for the county jail and the county courthouse
Non-entitlement units of local government[b]		
Riverdale Park Town, MD	$1,437,157	Purchase and distribute N95 masks, and provide emergency rental and utility assistance, among other things
Hamilton City, MT	$300,166	Provide premium pay for city employees and fire department volunteers

Source: GAO analysis of Department of the Treasury data. I GAO-24-106753

[a]Cities refer to metropolitan cities as defined in 42 U.S.C. § 803(g)(4).

[b]Non-entitlement units of local government as defined in 42 U.S.C. § 803(g)(5).

[c]Funds categorized as revenue replacement may be used to pay for government services to the extent of a reduction in the SLFRF recipient's revenue due to the COVID-19 pandemic.

What steps does Treasury take when recipients do not submit reports on their uses of funds?

Treasury policy states that, if a recipient fails to submit a required project and expenditure report, Treasury is to send up to three emails notifying the recipient that the report is overdue and establishing a new reporting deadline. Treasury officials also told us they may reach out to a recipient directly by phone to assist the recipient in submitting a report. If, after this outreach, the recipient has not submitted a report, Treasury is to issue a notice of non-compliance to the recipient requesting that the report be submitted by a new deadline within a finite amount of time. The notice states that Treasury may impose penalties, such as returning funds to Treasury, for failure to submit the report by the new deadline.

Treasury officials told us that, on August 23, 2023, Treasury sent notices of non-compliance to 3,544 of the 4,268 recipients that had not submitted a project and expenditure report with data as of March 31, 2023. Officials said they did not send notices to all 4,268 recipients for a number of reasons, including that Treasury is working with some recipients that are experiencing technical issues with submitting the reports or have limited administrative resources. Further, Treasury officials told us that some recipients had submitted reports after we completed our analysis.

Treasury officials also said that they had not issued notices of non-compliance previously because Treasury was building out the capability to issue these notices through its award management system. Officials said that, given the system's implementation, they plan to issue an automated notice of non-compliance to any recipient that fails to submit a report after receiving the third email notification. We will continue to review Treasury's efforts to address recipient non-compliance with filing SLFRF project and expenditure reports.

What information does Treasury disclose about recipients that have not submitted a report?

At the time of our analysis, Treasury did not disclose on the public website where it posts states' and localities' project and expenditure data that the data do not include information from recipients that failed to submit a project and expenditure report. Treasury officials told us that they did not post this information because the majority of the recipients that did not submit a report are NEUs. They said that as smaller governments, NEUs have limited capacity and other challenges that affect their ability to report on time. Officials further told us that because NEUs were often the "most nervous" to accept SLFRF awards (due to their limited experience with receiving federal funds), Treasury had concerns over creating "undue pressure" or a "chilling effect" on these recipients by publicly sharing information about who did not submit a report.

As a result of our analysis and discussions with Treasury officials in August 2023, Treasury subsequently disclosed on its public website that the project and expenditure data as of March 31, 2023, do not include data from all SLFRF recipients. Specifically, Treasury posted a statement that the spending data as of March 31, 2023, include information from 98 percent of SLFRF recipients that report quarterly and 85 percent of recipients that report annually. Treasury officials told us they plan to include a similar statement in future postings on project and expenditure report data. By disclosing that its public postings do not include spending information for all SLFRF recipients, Treasury will help ensure that Congress and the public have a more complete and accurate picture of how much funding has been obligated and spent, and for what purposes.

Agency Comments

We provided a draft of this report to Treasury for review and comment. Treasury provided technical comments, which we incorporated as appropriate.

How GAO Did This Study

To inform all of our work, we reviewed laws and regulations governing the SLFRF program and Treasury SLFRF program guidance, policies, and procedures. We also interviewed Treasury officials.

To determine how much SLFRF funding states and localities reported obligating and spending, we analyzed data from project and expenditure reports that states and localities submitted to Treasury that reflected SLFRF spending as of March 31, 2023. Treasury made these data publicly available on July 14, 2023, which were the most recent at the time of our review. In addition, we analyzed Treasury's data on recipients that were required to submit project and expenditure reports by April 30, 2022, and April 30, 2023, to determine how many localities did not submit reports.

To identify each locality as a city, county, or NEU, we analyzed Treasury data and consulted with Treasury officials. We identified which recipients requested their SLFRF awards directly from Treasury because cities and counties were to receive funds directly from Treasury and NEUs were to receive their funds from the states. For localities that received their funds from Treasury, we categorized localities with "county," "parish," or "borough" in their name as a "county" and the remaining localities as a "city." For localities that did not receive funds directly from Treasury, we categorized them as a "NEU." In addition, Treasury officials identified which localities were consolidated jurisdictions (i.e., local governments that received funds from a combination of city, county, or NEU allocations). To categorize the consolidated jurisdictions, we determined the composition of their funding and categorized them as the locality type that comprised the majority of their SLFRF award total.

To assess the reliability of Treasury data, we reviewed Treasury's technical documentation for project and expenditure reports and discussed the data with Treasury officials. We determined the data were sufficiently reliable for reporting the amount of SLFRF awards states and localities received, obligated, and spent.

To describe Treasury's actions when SLFRF recipients do not submit required reports, we reviewed Treasury's *Award Management Policy for Financial Assistance Recovery Programs* and *Data Validation, Compliance Testing, and Noncompliance Remediation Procedures*. We also reviewed Treasury's draft notice of non-compliance.

We conducted this performance audit from April 2023 to October 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

List of Addressees

The Honorable Patty Murray
Chair
The Honorable Susan Collins
Vice Chair
Committee on Appropriations
United States Senate

The Honorable Ron Wyden
Chairman
The Honorable Mike Crapo
Ranking Member
Committee on Finance
United States Senate

The Honorable Bernard Sanders
Chair
The Honorable Bill Cassidy
Ranking Member
Committee on Health, Education, Labor, and Pensions
United States Senate

The Honorable Gary C. Peters
Chairman
The Honorable Rand Paul, M.D.
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Kay Granger
Chairwoman
The Honorable Rosa L. DeLauro
Ranking Member
Committee on Appropriations
House of Representatives

The Honorable Cathy McMorris Rodgers
Chair
The Honorable Frank Pallone, Jr.
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Committee on Energy and Commerce
House of Representatives

The Honorable Mark E. Green, M.D.
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The Honorable Bennie G. Thompson
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Committee on Homeland Security
House of Representatives

The Honorable James Comer
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The Honorable Jamie Raskin
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Committee on Oversight and Accountability
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The Honorable Jason Smith
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The Honorable Richard Neal
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House of Representatives

The Honorable John A. Barrasso, M.D.
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The Honorable John Cornyn
United States Senate

The Honorable Steve Daines
United States Senate

The Honorable Charles E. Grassley
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The Honorable James Lankford
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Endnotes

[1]Pub. L. No. 117-2, tit. IX, subtit. M, § 9901, 135 Stat. 4, 223 (2021), *codified* at 42 U.S.C. §§ 802-803 (ARPA). Sections 602 and 603 of the Social Security Act as added by section 9901 of ARPA appropriated $350 billion in total funding for two funds—the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund. For purposes of this report, we discuss these two funds as one—the Coronavirus State and Local Fiscal Recovery Funds (SLFRF). See 42 U.S.C. §§ 802-803. For purposes of the SLFRF, ARPA establishes that the District of Columbia is considered to be a state. 42 U.S.C. §§ 802(g)(5), 803(g)(9).

[2]SLFRF recipients have until December 31, 2024, to obligate their SLFRF awards and until December 31, 2026, to liquidate those obligations, in accordance with allowable uses established in ARPA. The Consolidated Appropriations Act, 2023, authorized SLFRF funding for emergency relief from natural disasters or the negative economic impacts of natural disasters, and certain infrastructure and community development projects that meet existing eligibility criteria. Pub. L. No. 117-328, div. LL, § 102, 136 Stat. 4459, 6097 (2022). Funds for certain infrastructure and community development projects must be obligated by December 31, 2024, and liquidated by September 30, 2026. For example, this includes funds for the Bridge Investment Program, National Highway Performance Program, and Surface Transportation Block Grant Program, among other programs, and activities under Title I of the Housing and Community Development Act of 1974. 42 U.S.C. § 802(c)(5)(A)-(E).

[3]Pub. L. No. 116-136, § 19010(b), 134 Stat. 281, 580 (2020). All of our reports related to the COVID-19 pandemic are available at https://www.gao.gov/coronavirus.

[4]We excluded tribal governments, U.S. territories, and local governments in the territories from our analysis. We reported on federal agencies' distribution of COVID-19 relief funds, including the SLFRF, to tribal recipients in December 2022. See GAO, *COVID-19 Relief Funds: Lessons Learned Could Improve Future Distribution of Federal Emergency Relief to Tribal Recipients*, GAO-23-105473 (Washington, D.C.: Dec. 15, 2022). We reported on the U.S. territories' use of COVID-19 relief funds, including the SLFRF, in September 2023. See GAO, *COVID-19: U.S. Territory Experiences Could Inform Future Federal Relief*, GAO-23-106050 (Washington, D.C.: Sept. 19, 2023).

[5]Treasury officials told us they make data from project and expenditure reports publicly available after revisions and quality control processes are complete. Treasury will generally allow revisions or edits to submitted reports within a designated revision period, such as 60 days following the official submission due date, according to Treasury policy. Within this period, the submitted report is considered final unless Treasury identifies a material mistake or problem in the report and requests that the recipient make a revision. The next project and expenditure report that all SLFRF recipients are required to submit is due to Treasury on April 30, 2024.

[6]42 U.S.C. §§ 803(g)(5), 5302(a)(5). Non-entitlement units of local government (NEU) include cities, villages, towns, townships, or other types of local governments.

[7]The total amount of SLFRF awards New York City received includes $4.3 billion in metropolitan city funds and $1.6 billion in county funds for the five New York City boroughs (i.e., Bronx, Kings, New York, Queens, and Richmond Counties).

[8]According to Treasury, states that had experienced a net increase of more than 2 percentage points in their unemployment rate from February 2020 to the date of the latest available data at the time the state certified for their payment received their full award in a single payment. Under ARPA, to the extent practicable, states receive award funds not later than 60 days after certifying that the state requires the payment to carry out the activities specified in statute and will use the funds in compliance with the eligible uses. 42 U.S.C. § 802(b)(6), (d)(1). Metropolitan cities, states (for distribution to NEUs), and counties received award funds in two equal tranches, providing the first payment 60 days after March 11, 2021, to the extent practicable, and the second payment no earlier than 12 months after the first. After receiving award funds for distribution to NEUs, states had 30 days to make those distributions, unless Treasury granted an extension.

[9]As of March 31, 2023, SLFRF awards had not yet been disbursed to some counties, metropolitan cities, and Tribes because those recipients had not requested their funds, according to Treasury. Specifically, this included $90.6 million for counties, $25.2 million for cities, and $29.2 million for Tribes. According to Treasury, as of August 15, 2023, remaining funds across recipients included $10.5 million for counties and $22.5 million for Tribes.

[10]In addition to the project and expenditure report, Treasury requires an interim report and a recovery plan performance report from certain recipients. The interim report was a one-time requirement due in 2021 that provided an initial overview of recipients' status and uses of funding. The recovery plan performance report is an annual report that provides information on the projects large recipients are undertaking, including how they plan to ensure program outcomes are achieved in an effective, efficient, and equitable manner. NEUs were not required to submit an interim report. Only states, the District of Columbia, U.S. territories, and metropolitan cities and counties with a population that exceeds 250,000 residents are required to submit recovery plan performance reports.

[11]ARPA established that recipients can use their SLFRF awards to cover costs incurred by December 31, 2024, to (1) respond to the coronavirus public health emergency or its negative economic impacts; (2) provide premium pay to essential workers, or grants to employers with essential workers; (3) provide government services up to the amount of the reduction in revenue or $10,000,000; and (4) make necessary investments in water, sewer, or broadband infrastructure. 42 U.S.C. §§ 802(c), 803(c). Based on Treasury guidance, recipients may not provide premium pay for work performed after April 10, 2023, when the National Emergency concerning COVID-19 ended, but may award premium pay for work performed prior to that date. There are several restrictions on recipients' uses of SLFRF awards. Recipients other than tribal governments may not deposit SLFRF awards into a pension fund. 42 U.S.C. §§ 802(c)(2)(A), 803(c)(2). Also, recipients that are states or territories may not use SLFRF awards to offset a reduction in net tax revenue resulting from the recipient's change in law, regulation, or administrative interpretation. 42 U.S.C. § 802(c)(2)(A). The constitutionality of the offset provision is currently being litigated in several courts. In addition, recipients may not use SLFRF awards directly to service debt, satisfy a judgment or settlement, or contribute to a "rainy day" fund. 87 Fed. Reg. 4338, 4394 (Jan. 27, 2022).

[12]Treasury published an interim final rule implementing the expanded eligible uses that resulted from the Consolidated Appropriations Act, 2023. 88 Fed. Reg. 64986 (Sept. 20, 2023); Pub. L. No. 117-328, 136 Stat. 4459 (2022). Treasury officials told us they expect to finalize changes to the reporting portal, reflecting the expanded eligible uses available in the interim final rule, and issue relevant guidance before the October 2023 project and expenditure reports are due.

[13]Consolidated Appropriations Act, 2023, Pub. L. No. 117-328, div. LL, § 102(a), 136 Stat. 4459 (2022).

[14]Department of the Treasury, *Coronavirus State and Local Fiscal Recovery Funds Final Rule: Frequently Asked Questions* (as of July 2023), accessed August 29, 2023, https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-FAQ.pdf.

[15]Treasury has determined that there are no subawards under the revenue replacement category, based on the definition of "subrecipient" in the Uniform Guidance. See 2 C.F.R. § 200.1. Specifically, the definition of a subrecipient in the Uniform Guidance provides that a subaward is provided to "carry out" a portion of a federal award. According to Treasury, recipients' use of funds for replacing revenue does not give rise to subrecipient relationships given that there is no federal program or purpose to carry out in the case of the revenue replacement portion of the award. See Department of the Treasury, *Coronavirus State and Local Fiscal Recovery Funds Final Rule: Frequently Asked Questions* (as of July 2023), 13.14.

[16]See 87 Fed. Reg. 4338, 4437 (Jan. 27, 2022). The following recipients are required to submit quarterly project and expenditure reports: (1) tribal governments that are allocated more than $30 million in funding; (2) states, the District of Columbia, U.S. territories, metropolitan cities and counties with a population that exceeds 250,000 residents; (3) metropolitan cities and counties with a population below 250,000 residents that are allocated more than $10 million in funding; and (4) NEUs that are allocated more than $10 million in funding. The following recipients are required to submit annual reports: (1) tribal governments that are allocated less than $30 million in funding, (2) metropolitan cities and counties with a population below 250,000 residents that are allocated less than $10 million in funding, and (3) NEUs that are allocated less than $10 million in funding.

[17]Treasury publicly releases reporting data along with an analysis of the data on its website quarterly: https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds/recipient-compliance-and-reporting-responsibilities.

[18]According to Treasury officials, two of the 30,678 local recipients no longer exist and will not be required to submit a project and expenditure report in April 2024.

[19]Treasury officials told us one locality experienced technical difficulties when submitting its project and expenditure report. As a result, this recipient's data were not included in Treasury's public posting of project and expenditure information based on spending data as of March 31, 2023.

[20]ARPA allocated $195.3 billion to the 50 states and the District of Columbia. The District of Columbia also received funding from the allocations for metropolitan cities and counties. As a result, the District of Columbia received approximately $510 million from the funds ARPA allocated to metropolitan cities and counties.

[21]Colorado reported a budget of $17.8 million for this project and spent $61 as of March 31, 2023, according to Treasury data.

[22]ARPA allocated $130.2 billion to metropolitan cities, counties, and non-entitlement units of local government. According to Treasury data, this amount included $510 million for the District of Columbia, which is accounted for in our analysis of state spending, and $1.7 billion for local governments in the territories, which are excluded from our analysis. According to Treasury data, 4,268 local governments in our scope that received a collective $3 billion in SLFRF awards did not submit a project and expenditure report during the reporting period. As a result, they were excluded from Treasury's public posting and our analysis.