

06/07/2020



CORONAVIRUS RELIEF FUND
INTERLOCAL COOPERATION AGREEMENT

Denton County and the Town of Prosper

This Interlocal Cooperation Agreement (“Agreement”) is entered into by and between Denton County, Texas (the “County”) and the **Town of Prosper Texas** (the “Municipality”), pursuant to Chapter 791 of the Texas Local Government Code, to address the impact of the public health emergency with respect to the Coronavirus pandemic (“COVID-19”).

GENERAL

1. Coronavirus Relief Fund. The County has received federal funding under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) to address and respond to the impact and effects of the COVID-19 emergency.

2. County Authority. The Resolution of the Denton County, Texas Commissioners Court, under Chapter 381 of the Local Government Code, lawfully establishing a COVID-19 municipality funding program (the “Municipality Program”), allowing the County to grant money to your Municipality, is attached hereto as Attachment A and incorporated by reference herein. Funds were received by the County from the US Department of the Treasury (the “Treasury”) under the Coronavirus Relief Fund (“CRF”), as provided for in the CARES Act. The use of these CRF funds to assist a municipality of the County with their expenditures incurred due to the effects of COVID-19 and to potentially fund a local grant program are legitimate and lawful uses of the CRF funds.

3. Municipality Authority. The Orders of the Municipality, establishing a COVID-19 emergency program or programs, allowing it to make grants of its award, is attached hereto and incorporated by reference herein. The Municipality represents and warrants that its programs (if the Municipality decides to distribute the Municipal Funds through its own programs) will be in full compliance with Chapter 380 of the Local Government Code.

4. Inspector General Oversight & Recoupment. Section 601(f) provides that the Inspector General of the Treasury shall conduct monitoring and oversight of the receipt, disbursement, and use of CRF funds. If the Inspector General determines that a unit of local government has failed to comply with the use of funds rules (as described herein in Paragraphs 10-16, “Use of Funds”), the amount of CRF funds in noncompliance shall be “booked as a debt of such entity owed to the federal government.” The conditions and restrictions on the use of the CRF funds follows to all

recipients, from the County, to the Municipality, to businesses and individuals that receive such funds.

GRANT

5. **Amount.** Subject to the terms and conditions of this Agreement, the County agrees to grant and transfer to the Municipality the sum of \$245,300 of its CRF funds (“Municipal Funds”).

6. **Separate Bank Account.** The Municipality agrees to deposit these Municipal Funds into a separate, segregated account created solely for holding and disbursing these Municipal Funds. The account must be an interest bearing account and similarly insured and protected in the same manner as the Municipality’s other funds.

7. **Calculation of Municipal Funds.** The initial calculation of the grant amount of funds is based on the higher of the Municipality’s 2019 NCTCOG estimated population (4,460) or 2018 ACS estimated population (979), multiplied by \$55.00 per capita (“the Maximum Allocation”). That amount is reduced by:

- a. the excess of the Maximum Allocation minus the budgeted amount of eligible funds (as defined in Paragraph 8(a)), and further reduced by;
- b. the amount of funds redirected and contributed to the County’s programs (e.g., small business, housing and food programs), at the election of the Municipality, which is included in the Municipality’s proposed budget in Paragraph 8(a).

8. **Conditions.** Before receiving Municipal Funds, the Municipality must:

- a. provide the County with a proposed budget, which includes your contribution to the County’s programs (e.g., small business, housing, and food programs), and description of eligible uses of Municipal Funds (“Budget of Expenditures and Description of Intended Uses”). The form to complete your Budget of Expenditures and Description of Intended Uses is attached as Attachment B;
- b. agree to participate in the County’s CRF Compliance Forum (the “Forum”); and
- c. provide a copy of the appropriate Chapter 380 documentation.

RESPONSIBILITIES OF THE MUNICIPALITY

9. The responsibilities of the Municipality are:

- a. to comply with all terms and conditions of the CARES Act;
- b. to use Municipal Funds in compliance with the CARES Act;

- c. to promptly return to the County any Municipal Funds not used;
- d. to participate in the Forum;
- e. to maintain proper and adequate records of its own expenses, including monthly uploads to Dropbox, and supporting documentation of the expenditures, and provide copies of, or access to such, at any time as required by the County;
- f. to maintain proper and adequate records of the expenses of any grantees of Municipal Funds, including monthly uploads to Dropbox, and supporting documentation of the expenditures, and provide copies of, or access to such, at any time as required by the County;
- g. to return the Statement of Compliance Certificate by February 1, 2021;
- h. to cooperate and coordinate with other members in the Forum concerning a federal compliance audit; and
- i. to comply with Chapter 381 and Chapter 380, if applicable.

USE OF FUNDS

10. Amounts paid from the Treasury’s Coronavirus Relief Fund are subject to the restrictions outlined in the *Guidance for State, Territorial, Local, and Tribal Governments* (dated April 22, 2020) and set forth in section 601(d) of the Social Security Act, as added by section 5001 of the CARES Act. See Attachment C, which is incorporated by reference into this agreement.

11. Section 601(d) allows CRF funds/Municipal Funds to cover only those costs that:

- a. are necessary expenditures incurred due to the public health emergency with respect to the effects COVID-19;
- b. were not accounted for in the most recently approved budget [of the Municipality], including any amendments; and
- c. are incurred between March 1, 2020 and December 30, 2020. See *Coronavirus Relief Fund Frequently Asked Questions (Updated as of May 4, 2020)*. See Attachment C.

12. “Necessary Expenditure” Condition. The use of the money is limited to “necessary expenditures.” The Treasury intends for broad interpretation of the word “necessary,” meaning “reasonably necessary for its intended use in the reasonable judgment of the government officials responsible for spending the Fund payments.” The Treasury’s standard, reasonable judgment, adopts a subjective, not objective standard. Examples of eligible expenditures include, but are not limited to, payment for certain types of:

- a. medical expenses;
- b. public health expenses;
- c. payroll expenses;
- d. expenses relating to facilitating compliance;
- e. expenses associated with providing economic support in connection with the COVID-19 public health emergency; and
- f. any other COVID-19-related expense reasonably necessary to the function of government.

13. Funds may not be used to fill shortfalls in governmental revenue to cover expenditures that would not otherwise qualify under section 601(d). **REVENUE REPLACEMENT IS STRICTLY PROHIBITED AND IS NOT A PERMISSIBLE USE OF FUNDS.**

14. “Due To” Condition. The requirement that expenditures be incurred “due to” the public health emergency created by COVID-19 means that expenditures must be used for actions taken to respond to the public health emergency. These may include expenditures incurred by the Municipality to respond directly to the emergency, as well as expenditures incurred to respond to second-order effects of the emergency (e.g., economic support to those suffering from employment or business interruptions due to COVID-19-related business closures).

15. The Municipality expressly agrees without qualification or exception to adhere and comply with section 601(d) and the accompanying guidelines regarding its spending and uses of the Funds.

16. Return of Unused Funds by Municipality. Any Municipal Funds not spent on eligible expenses before December 30, 2020 must be returned to the County within 30 days after December 30, 2020.

CRF COMPLIANCE FORUM

17. Description. The Forum is a county-wide initiative between the County and all of the Municipalities that have requested upfront funding of the Municipal Funds. It is a single, integrated initiative to mutually benefit all municipalities and the County.

18. Purpose. The Forum shall work for the mutual benefit of the County and the Municipalities, which will promote administrative efficiency, streamline initial compliance measures, and continuing through a potential audit, and foster collaboration between our counties.

19. Benefits. The primary goals of the Forum are to:

- a. provide answers to specific questions (e.g., eligible uses of funds);
- b. provide assistance with documentation guidelines;
- c. reduce noncompliance risk;
- d. reduce administrative burdens;
- e. manage and control the potential federal compliance audit; and
- f. collaborate and integrate grant programs.

REMEDIES

20. Indemnity. To the extent allowable by law, the Municipality shall defend, indemnify, and hold harmless the County and its officers, commissioners, employees, volunteers, and agents, from any and all costs and expenses, damages, liabilities, demands, causes of action, suits, charges, or legal or administrative proceedings, claims and losses, including, without limitation, attorneys' fees and costs, caused by or arising out of any act or omission of the Municipality relating to the terms of this Agreement, including but not limited to any ineligible expenditures.

21. Recoupment. If the County, or its designee, reasonably determines that all or a portion of a Municipality's expenditure of Municipal Funds is an ineligible expenditure, then the Municipality shall immediately reimburse the County in an amount equal to the amount of the ineligible expenditure from funds of the Municipality other than Municipal Funds granted pursuant to this Agreement, and provide to the County evidence of such reimbursement. The Municipality shall have 30 days of receipt of the County's determination of an ineligible expenditure to reimburse the County for such expense. If the Municipality chooses to subsequently grant its Municipal Funds, it shall be responsible for properly tracing and accounting for when, how, why and by whom the expenses were ultimately incurred. This includes the documentation responsibilities listed in Paragraph 9(f-g) above. In the event the County has to enforce this Agreement, it shall be entitled to recover its reasonable attorney's fees and costs incurred in doing so.

22. Offset. To the extent allowable by law, the County reserves the right in its sole discretion to apply any money, damages or costs incurred as a result of a material breach of this agreement by the Municipality against the future distribution of future tax revenues or receipts from the County to the Municipality.

OTHER

23. Attorney's Fees and Costs. The County shall be entitled to recover its reasonable and necessary attorney's fees, costs and expenses, from the Municipality in the event the County must

enforce the terms of this Agreement in any way, including, but not limited to, litigation or mediation to the extent allowed by law.

24. Law and Venue. The laws of the State of Texas shall govern this Agreement, except where clearly superseded by federal law. Venue of any dispute shall be in a court of competent jurisdiction in Denton County, Texas.

25. No Assignment. The Municipality may not assign this Agreement.

26. Entire Agreement. This Agreement supersedes and constitutes a merger of all prior oral and/or written agreements and understandings of the parties on the subject matter of this Agreement and is binding on the parties and their legal representatives, receivers, executors, successors, agents and assigns.

27. Amendment. Any Amendment of this Agreement must be by written instrument dated and signed by both parties.

28. Severability. No partial invalidity of this Agreement shall affect the remainder unless the public purpose to be served hereby is so greatly diminished thereby as to frustrate the object of this Agreement.

29. Survival. All provisions of this Agreement that impose continuing obligations on the parties, including but not limited to payment, agreement purpose, and confidentiality shall survive the expiration or termination of this Agreement.

30. Waiver. No waiver by either party of any provision of this Agreement shall be effective unless in writing, and such waiver shall not be construed as or implied to be a subsequent waiver of that provision or any other provision.

31. Signature Authority. The signatories hereto represent to each other that they have the full right, power, and authority and have been given any approvals necessary to enter into this Agreement to bind the respective parties for which they sign, and to perform their obligations hereunder, and that the consent of no other parties is needed to fully effectuate this Agreement.

ATTACHMENTS

32. This is a list of attachments and is included with this agreement and incorporated herein, as appropriate:

1. Attachment A: Chapter 381 Resolutions of the County;
2. Attachment B: Form Budget of Expenditures and Description of Intended Uses;
3. Attachment C: CRF Guidelines, Regulations (including statute, FAQs, and Guidance).

DENTON COUNTY, TEXAS

By: _____
Andy Eads, County Judge

Date

Attest:

County Clerk

TOWN OF PROSPER, TEXAS

By: _____
Mayor or City Manager

Printed Name

Printed Title

Date

Attest:

City Secretary

RESOLUTION OF THE DENTON COUNTY COMMISSIONERS COURT
Approving Economic Development Program under Texas Local Government
Code Section 381.004(b) and adopting "Chapter 381 Economic Development
Program Rules"

The Denton County Commissioners Court at its regular session on the 29th day of May 2020, considered the following resolution:

WHEREAS, Denton County is committed to the development and stimulation of business as part of an overall effort to increase job availability and improve the quality of life for residents; and

WHEREAS, pursuant to Article III, Section 52-a of the Texas Constitution, development and diversification of the economy, elimination of unemployment or underemployment, or the development or expansion of business serves a public purpose; and

WHEREAS, pursuant to Texas Local Government Code Section 381.004(h), commissioners court may develop and administer a program authorized by 381.004(b) for making grants of public money and providing personnel and services of the county; and

WHEREAS, pursuant to Section 381.004 (b)(1)-(3) of the Texas Local Government Code, Denton County Commissioners Court may develop and administer a Denton County program: 1. for state or local economic development; 2. for small or disadvantaged business development; 3. to stimulate, encourage, and develop business location and commercial activity in the County; and

WHEREAS, pursuant to Texas Local Government Code Section 381.004(c), 1. Commissioners Court may contract with another entity for administration of a program 3. Use County employees or funds for the program authorized by 381.004(b); and

WHEREAS, on May 8, 2020, Denton County desired to establish and administer a program (Exhibit A) under 381.004(b) for making grants of public money to small businesses in financial peril as a result of measures taken to inhibit the spread of the COVID-19 virus; and

WHEREAS, on May 8, 2020, Denton County determined that making economic development grants through the OPEN Grant Program (Exhibit A) in the amount up to TWO MILLION TWO HUNDRED THOUSAND DOLLARS AND NO CENTS (\$2,200,000.00) will further the objectives of the County and benefit the County and its residents and serve the broader purpose of stimulating and encouraging business and commercial activity in the County, retaining and expanding job opportunities and building the property tax base; and

WHEREAS, Denton County is committed to distributing federal funding received from the U.S. Department of Treasury under the Coronavirus Aid, Relief, and Economic Security

Act (the "CARES Act") to assist municipalities of the County through the COVID-19 Municipality Funding Program (hereinafter "Municipality Program") (Exhibit B);

NOW THEREFORE, BE IT RESOLVED by the Commissioners Court of Denton County, Texas that:

- Section 1.** The foregoing are hereby found to be true and correct findings of Denton County, Texas, and are fully incorporated into the body of this Resolution.
- Section 2.** Due to measures taken to inhibit the spread of the COVID-19 virus, many small businesses and municipalities in Denton County have suffered and continue to suffer losses that threaten their businesses and residents. An urgent public need exists to help sustain these businesses and municipalities, and in particular, the jobs and services they provide to so many Denton County citizens, through this crisis.
- Section 3.** Denton County hereby amends the economic development program under Local Government Section 381.004(b)(1)-(3) (hereinafter "381 Program") for the making of grants of public money to businesses that are financially imperiled due to measures taken in response to the COVID-19 pandemic, which program will be operated and administered as described in the "Chapter 381 Economic Development OPEN Grant Program Rules," attached herein as Exhibit A; and adds program rules committed to distributing federal funding received from the U.S. Department of Treasury under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") to assist municipalities of the County through the COVID-19 Municipality Funding Program (hereinafter "Municipality Program") (Exhibit B);
- Section 4.** Denton County hereby adopts the attached "Chapter 381 Economic Development Program Rules," which rules describe the 381 Program in detail and set forth participation criteria and management/administration controls to ensure that the public purpose is accomplished or substantially achieved.
- Section 5.** The 381 Program will achieve or substantially obtain the public purpose of stimulating, encouraging and developing small business and other commercial activity within Denton County, and thereby contribute to the goal of developing/improving the local economy and providing and retaining employment for Denton County residents; as well as distribute federal funding to assist a municipality of the

County with their expenditures incurred due to the effects of COVID-19 and to potentially fund a local grant program.

Section 6. Nothing in this Resolution or in the 381 Economic Development Program Rules shall be construed to suggest or imply that Denton County is under any obligation to provide any grant or funding to any business applicant and/or municipality, and all applications and/or agreements for a grant under the 381 Program shall be considered on an individual case-by-case basis.

ADOPTED AND APPROVED effective the 29th day of May 2020.



Andy Eads
County Judge


High Emerson Citizian
Denton County Commissioner Precinct 1

Hugh Coleman
Commissioner, Precinct 1



Ron Marchant
Commissioner, Precinct 2



Bobbie Mitchell
Commissioner, Precinct 3



Dianne Edmondson
Commissioner, Precinct 4



Attest: 
Denton County Clerk

EXHIBIT A

CHAPTER 381 ECONOMIC DEVELOPMENT OPEN GRANT PROGRAM RULES DENTON COUNTY, TEXAS

Due to measures taken to inhibit the spread of the COVID-19 virus, many small businesses in Denton County have suffered and continue to suffer losses that threaten their survival. An urgent public need exists to help sustain these businesses, and in particular, the jobs they provide to so many Denton County citizens, through this crisis. Through the 381 Economic Development OPEN Grant Program described herein, Denton County seeks to provide financial assistance, in the form of grants, to affected local businesses. Denton County seeks to provide such assistance to businesses that, despite responsible management have been greatly impacted by the COVID-19 Pandemic.

Denton County's 381 Economic Development OPEN Grant Program is established pursuant to Texas Local Government Code 381.004(b)(1)-(3). Under 381.004(b)(1)-(3), Commissioners Court may, to stimulate business and commercial activity in the county, develop and administer a program for any of the following purposes:

- (1) for state or local economic development.
- (2) for small or disadvantaged business development.
- (3) to stimulate, encourage, and develop business location and commercial activity in the county.

1. General

Denton County may provide the following assistance to eligible businesses:

Operational Plan for Economic Normalization) Grant (hereinafter "OPEN Grant"):

Individual OPEN Grants of up to \$10,000 may be awarded. Award and amount of individual OPEN Grants will be based on such factors as need, eligibility, number of employees, loss due to full/partial shutdown due to being deemed by local or state shut-down order as non-essential during the COVID-19 Pandemic and availability of funds. In addition to the factors mentioned in this Section 1, award and amount of individual OPEN Grants will be subject to the provisions set forth in these Rules.

A business may apply for an OPEN Grant only during the Application Period. The application must be executed and submitted on behalf of the applying business (hereinafter "Applicant Business") by an owner (hereinafter "Applicant Business Owner").

- Denton County is under no obligation to provide assistance under this Program to any business, regardless of need, eligibility, or worthiness. The amount a business can receive will be based on the percentage of closure the business experienced during the COVID-19 Stay-at-Home order.
 - Business operations completely closed can get 100% of eligible grant.
 - Business operations partially closed can get 75% of eligible grant.
- Eligible amount of grant is the higher of:
 - 1.75x the average monthly payroll costs for the first quarter of 2020 (form 941) - including gross payroll, retirement costs and health insurance costs; if sole proprietor can use the average monthly amount of Schedule C net income divided by twelve (must have a net profit)
 - 2x fixed costs (rent, lease or mortgage payment of real and business property, real property taxes, business personal property taxes, and utilities excluding costs of your personal residence) calculated on 2019 monthly average

2. Eligibility

To be eligible for a Grant, the Applicant Business and Applicant Business Owner, as applicable, must demonstrate all of the following to Denton County's satisfaction:

- Business started before March 1, 2019
- 50 Employees or fewer
- No more than \$7 Million in Gross Annual Revenue
- If owner has more than one business, the owner is eligible for application for up to three businesses (all businesses must be located in Denton County). Ownership defined as 20% or more. Application will include disclosure of all 20% or more owners.
- Applications and required documentation will be reviewed by assigned Denton County Auditors based on Commissioners Court approved Denton OPEN Grant Program Guidelines. Applicant will receive an email indicating Denton County OPEN Program approval or denial or did not meet qualifications.
- Checks are to be issued to qualifying applicants by Denton County Accounts Payable.
- Applicant must have no outstanding Denton County tax liens or judgements
- Denton County is a governmental body subject to the Texas Public Information Act. Information you submit to Denton County in this application may be subject to the Act and, therefore, subject to public release.

APPLICATION PROCESS INCLUDES

- Good Faith Certification as to truth and accuracy of information provided

- That the grant request is necessary due to conditions caused by COVID-19
- Agreement to audit of the use of grant funds received
- Agreement to claw-back provisions if funds are used for ineligible purposes
- Unsworn Declaration of Owner

TYPES OF BUSINESSES:

- Corporation
- Individual
- Sole proprietorship
- Single-member limited liability company (LLC)
- LLC treated as a partnership
- LLC – C corporation
- LLC – S corporation
- Partnership

ELIGIBLE USES OF GRANT PROCEEDS

- Payroll costs for employees or owners draw (sole proprietors/partners)
- Contract labor
- Supplier payments
- Rent, lease or mortgage payment (for real property used for business purposes, like storefront or warehouse, excluding personal residence.)
- Rent, lease or purchase payment for business property (e.g., delivery vehicle; food truck; kitchen equipment; technology, payment, and communications systems and equipment)
- New or expanded technology applications and Wi-Fi services
- Utility payments for business properties, excluding personal residence.
- Cost of critical business operations (raw materials, marketing expenses, etc. payments)
- PPE and sanitation supplies and equipment
- Interest on other business debt obligations incurred before March 1, 2020, excluding personal residence.

3. **DOCUMENTS REQUIRED**

- Documentation of business (Choose one of the following)
 - Secretary of State Texas File number; State of Texas License number; DBA, 2018 or 2019 tax return (return only, schedules not required); Social Security Number, Employer Identification Number or Individual Taxpayer Identification Number, Certificate of Filing. If sole proprietor, please provide documentation on when you started your business. Ex. Include Occupational license, Sales Tax Certificate
- Drivers' license or state issued ID
- Most Recent Filed Business Tax return

- Most recent payroll report and number of employees – 1st QTR 941 for 2020
- Bank Statements for the following four months – March & April 2019; March & April 2020
- Submit documentation for proof of fund uses by September 30, 2020, including Form W-3, Form 941, utility statements, cancelled checks/receipts or bank statements
- For Sole Proprietor Applicants provide 2018 or 2019 Schedule C
- Form W-9

Denton County may require Applicant to submit documentation additional to that which is described in the Application and Affidavit.

INELIGIBLE BUSINESSES

- Non-Profits
- Sexually/Adult Oriented Businesses
- Professional Services deemed essential by local/state government
- Lobbying organizations and political organizations subject to Internal Revenue Code 527
- Gambling Concerns, including casinos, racing operations or other activities whose purpose involves gambling
- Concerns engaged in illegal activities under federal, state or local laws
- A business that is otherwise prohibited by federal or Texas law
- A business that is ineligible or precluded to receive federal or State of Texas funding due to federal laws (including but not limited to the CARES Act) or Texas laws
- Multi-level marketing concerns
- Governmental/taxing agencies/departments

Denton County may add and/or subtract from this list at any time due to change of use, law or other reason considered for eligibility by administration of the program.

3. Application.

- To apply for an OPEN Grant, the owner of applicant business must complete, execute and submit an Application for Chapter 381 Economic Development Program OPEN Grant to these Rules and fully incorporated herein.

The Application must be completed in full, and all information described therein must be provided in full, or the Application will not be considered. The Application must be completed and executed by the Owner of the applicant business.

EXHIBIT B

CHAPTER 381 ECONOMIC DEVELOPMENT COVID-19 MUNICIPALITY FUNDING PROGRAM RULES DENTON COUNTY, TEXAS

GENERAL

The County has received federal funding under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) to address and respond to the impact and effects of the COVID-19 emergency. Through the 381 Economic Development COVID-19 Municipality Funding Program described herein, Denton County seeks to provide financial assistance, in the form of Interlocal Cooperation Agreements, to Denton County municipalities.

County Authority. The Resolution of the Denton County, Texas Commissioners Court, under Chapter 381 of the Local Government Code, lawfully establishing a COVID-19 municipality funding program (hereinafter “Municipality Program”). Funds were received by the County from the US Department of the Treasury (the “Treasury”) under the Coronavirus Relief Fund (“CRF”), as provided for in the CARES Act. The use of these CRF funds to assist a municipality of the County with their expenditures incurred due to the effects of COVID-19 and to potentially fund a local grant program are legitimate and lawful uses of the CRF funds.

Municipality Authority. The Order of the Municipality, establishing a COVID-19 Emergency Program (the “Program”), allowing it to make grants of its award, is attached hereto and incorporated by reference herein. The Municipality represents and warrants that its Program will be in full compliance with Chapter 380 of the Local Government Code.

Inspector General Oversight & Recoupment. Section 601(f) provides that the Inspector General of the Treasury shall conduct monitoring and oversight of the receipt, disbursement, and use of CRF funds. If the Inspector General determines that a unit of local government has failed to comply with the use of funds rules as described herein, the amount of CRF funds in noncompliance shall be “booked as a debt of such entity owed to the federal government.” The conditions and restrictions on the use of the CRF funds follows to all recipients, from the County, to the Municipality, to businesses and individuals that receive such funds.

GRANT

Amount. Subject to the terms and conditions of this Agreement, the County agrees to grant and transfer to the Municipality the sum of *Calculation* Section below.

Separate Bank Account. The Municipality agrees to deposit these Municipal Funds into a separate, segregated account created solely for holding and disbursing these Municipal Funds. The account must be an interest bearing account and similarly insured and protected in the same manner as the Municipality's other funds.

Calculation of Municipal Funds. The initial calculation of the grant amount of funds is based on the higher of the municipality's 2019 NCTCOG estimated population (_____) or 2018 ACS estimated population (_____), multiplied by \$55.00 per capita ("the Maximum Allocation"). That amount is reduced by:

- the excess of the Maximum Allocation minus budgeted amount of eligible funds (as defined in Paragraph 8(a)), and further reduced by;
- the amount of funds redirected and contributed to the County's programs (e.g., small business, housing and food programs), at the election of the Municipality, which is included in the Municipality's proposed budget in Paragraph 8(a).

Conditions. Before receiving Municipal Funds, the Municipality must:

- provide the County with a proposed and description of eligible uses of Municipal Funds ("Budget of Expenditures and Description of Intended Uses");
- agree to participate in the County's CRF Compliance Forum (the "Forum"); and
- provide a copy of the appropriate Chapter 380 documentation.

RESPONSIBILITIES OF THE MUNICIPALITY

The responsibilities of the Municipality are:

- to comply with all terms and conditions of the CARES Act;
- to use Municipal Funds in compliance with the CARES Act;

- to promptly return to the County any Municipal Funds not used;
- to participate in the Forum;
- to maintain proper and adequate records of its own expenses, including monthly uploads to Dropbox, and supporting documentation of the expenditures, and provide copies of, or access to such, at any time as required by the County;
- to maintain proper and adequate records of the expenses of any grantees of Municipal Funds, including monthly uploads to Dropbox, and supporting documentation of the expenditures, and provide copies of, or access to such, at any time as required by the County;
- to return the Statement of Compliance Certificate by February 1, 2021;
- to cooperate and coordinate with other members in the Forum concerning a federal compliance audit; and
- to comply with Chapter 381 and Chapter 380, if applicable.

USE OF FUNDS

Amounts paid from the Treasury's Coronavirus Relief Fund are subject to the restrictions outlined in the *Guidance for State, Territorial, Local, and Tribal Governments* (dated April 22, 2020) and set forth in section 601(d) of the Social Security Act, as added by section 5001 of the CARES Act, which is incorporated by reference into this agreement.

Section 601(d) allows CRF funds/Municipal Funds to cover only those costs that:

- are necessary expenditures incurred due to the public health emergency with respect to the effects COVID-19;
- were not accounted for in the most recently approved budget [of the Municipality], including any amendments; and
- are incurred between March 1, 2020 and December 30, 2020. See *Coronavirus Relief Fund Frequently Asked Questions (Updated as of May 4, 2020)*.

“Necessary Expenditure” Condition. The use of the money is limited to “necessary expenditures.” The Treasury intends for broad interpretation of the word “necessary,” meaning “reasonably necessary for its intended use in the reasonable judgment of the government officials responsible for spending the Fund payments.” The Treasury’s standard, reasonable judgment, adopts a subjective, not objective standard. Examples of eligible expenditures include, but are not limited to, payment for certain types of:

- medical expenses;
- public health expenses;
- payroll expenses;
- expenses relating to facilitating compliance;
- expenses associated with providing economic support in connection with the COVID-19 public health emergency; and
- any other COVID-19-related expense reasonably necessary to the function of government.

Municipal Funds may not be used to fill shortfalls in governmental revenue to cover expenditures that would not otherwise qualify under section 601(d). **REVENUE REPLACEMENT IS STRICTLY PROHIBITED AND IS NOT A PERMISSIBLE USE OF FUNDS.**

“Due To” Condition. The requirement that expenditures be incurred “due to” the public health emergency created by COVID-19 means that expenditures must be used for actions taken to respond to the public health emergency. These may include expenditures incurred by the Municipality to respond directly to the emergency, as well as expenditures incurred to respond to second-order effects of the emergency (e.g., economic support to those suffering from employment or business interruptions due to COVID-19-related business closures).

The Municipality expressly agrees without qualification or exception to adhere and comply with section 601(d) and the accompanying guidelines regarding its spending and uses of the Municipal Funds.

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CRF COMPLIANCE FORUM

Description. The Forum is a county-wide initiative between the County and all of the Municipalities that have requested upfront funding of the Municipal Funds. It is a single, integrated initiative to mutually benefit all municipalities and the County.

Purpose. The Forum shall work for the mutual benefit of the County and the Municipalities, which will promote administrative efficiency, streamline initial compliance measures, and continuing through a potential audit, and foster collaboration between our counties.

Benefits. The primary goals of the Forum are to:

- provide answers to specific questions (e.g., eligible uses of funds);
- provide assistance with documentation guidelines;
- reduce noncompliance risk;
- reduce administrative burdens;
- manage and control the potential federal compliance audit; and
- collaborate and integrate grant programs.

**Budget of Expenditures & Description of Intended Uses
(Budgeted Sources & Uses)**

Town of Prosper

ELIGIBLE USE RESTRICTIONS: The CRF funds/Municipal Funds may be used to cover only those costs that:
a. are necessary expenditures incurred due to the public health emergency with respect to the effects COVID-19;
b. were not accounted for in the most recently approved budget [of the Municipality], including any amendments; and
c. are incurred between March 1, 2020 and December 30, 2020.

Grant Amount ("Maximum Allocation," i.e., \$55 per capita amount) \$245,300

Category	Sub-Category	Tracking Indices	Description	Expenditures		
				Paid to Date	Proposed	Total
Category 1:						
Medical						
	Hospitals/Clinics	1.A		\$0	\$0	\$0
	Temporary Facilities	1.B		0	0	0
	Testing	1.C		0	0	0
	Emergency Response	1.D		0	0	0
	Telemedicine	1.E		0	0	0
	Sub-Total			<u>0</u>	<u>0</u>	<u>0</u>
Category 2:						
Public Health						
	Communication	2.A		0	0	0
	Medical, Protective Services	2.B		0	0	0
	Disinfection	2.C		0	0	0
	Technical Assistance	2.D		0	0	0
	Public Safety Measures	2.E		0	0	0
	Quarantine	2.F		0	0	0
	Sub-Total			<u>0</u>	<u>0</u>	<u>0</u>
Category 3:						
Payroll						
	Certain Payroll	3		<u>0</u>	<u>0</u>	<u>0</u>
Category 4:						
To Facilitate Compliance						
	Food Delivery	4.A		0	0	0
	Social Distancing/School Closings	4.B		0	0	0
	Telework	4.C		0	0	0
	Sick/Medical Leave	4.D		0	0	0
	Prisons/Jails	4.E		0	0	0
	Homelessness Care	4.F		0	0	0
	Sub-Total			<u>0</u>	<u>0</u>	<u>0</u>
Category 5:						
Economic Support						
	Business Grants	5.A		0	0	0
	Government Payroll	5.B		0	0	0
	Unemployment	5.C		0	0	0
	Sub-Total			<u>0</u>	<u>0</u>	<u>0</u>
Category 6:						
Other						
	Other	6		0	0	0
TOTAL ELIGIBLE EXPENDITURES				<u>0</u>	<u>0</u>	<u>0</u>
Municipality Programs: (Chapter 380)						
Amount of Contributions						
	Business Grant Program			0	0	0
	Housing or Food Program			0	0	0
	Total Contribution to Municipality Programs			<u>0</u>	<u>0</u>	<u>0</u>
County Programs (Chapter 381)						
Amount of Contributions						
	Business Grant Program			0	0	0
	Housing or Food Program			0	0	0
	Total Contribution to County Programs			<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OF EXPENDITURES AND INTENDED USES				<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

EXCESS CASH (OR DEFICIT) **\$245,300**

**Coronavirus Relief Fund
Frequently Asked Questions
Updated as of May 4, 2020**

The following answers to frequently asked questions supplement Treasury’s Coronavirus Relief Fund (“Fund”) Guidance for State, Territorial, Local, and Tribal Governments, dated April 22, 2020, (“Guidance”).¹ Amounts paid from the Fund are subject to the restrictions outlined in the Guidance and set forth in section 601(d) of the Social Security Act, as added by section 5001 of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”).

Eligible Expenditures

Are governments required to submit proposed expenditures to Treasury for approval?

No. Governments are responsible for making determinations as to what expenditures are necessary due to the public health emergency with respect to COVID-19 and do not need to submit any proposed expenditures to Treasury.

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.

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

¹ The Guidance is available at <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Tribal-Governments.pdf>.

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.

May a State receiving a payment transfer funds to a local government?

Yes, provided that the transfer qualifies as a necessary expenditure incurred due to the public health emergency and meets the other criteria of section 601(d) of the Social Security Act. Such funds would be subject to recoupment by the Treasury Department if they have not been used in a manner consistent with section 601(d) of the Social Security Act.

May a unit of local government receiving a Fund payment transfer funds to another unit of government?

Yes. For example, a county may transfer funds to a city, town, or school district within the county and a county or city may transfer funds to its State, provided that the transfer qualifies as a necessary expenditure incurred due to the public health emergency and meets the other criteria of section 601(d) of the Social Security Act outlined in the Guidance. For example, a transfer from a county to a constituent city would not be permissible if the funds were intended to be used simply to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify as an eligible expenditure.

Is a Fund payment recipient required to transfer funds to a smaller, constituent unit of government within its borders?

No. For example, a county recipient is not required to transfer funds to smaller cities within the county's borders.

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.

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.

Are States permitted to use Fund payments to support state unemployment insurance funds generally?

To the extent that the costs incurred by a state unemployment insurance fund are incurred due to the COVID-19 public health emergency, a State may use Fund payments to make payments to its respective state unemployment insurance fund, separate and apart from such State's obligation to the unemployment insurance fund as an employer. This will permit States to use Fund payments to prevent expenses related to the public health emergency from causing their state unemployment insurance funds to become insolvent.

Are recipients permitted to use Fund payments to pay for unemployment insurance costs incurred by the recipient as an employer?

Yes, Fund payments may be used for unemployment insurance costs incurred by the recipient as an employer (for example, as a reimbursing employer) related to the COVID-19 public health emergency if such costs will not be reimbursed by the federal government pursuant to the CARES Act or otherwise.

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.

In some cases, first responders and critical health care workers that contract COVID-19 are eligible for workers’ compensation coverage. Is the cost of this expanded workers compensation coverage eligible?

Increased workers compensation cost to the government due to the COVID-19 public health emergency incurred during the period beginning March 1, 2020, and ending December 30, 2020, is an eligible expense.

If a recipient would have decommissioned equipment or not renewed a lease on particular office space or equipment but decides to continue to use the equipment or to renew the lease in order to respond to the public health emergency, are the costs associated with continuing to operate the equipment or the ongoing lease payments eligible expenses?

Yes. To the extent the expenses were previously unbudgeted and are otherwise consistent with section 601(d) of the Social Security Act outlined in the Guidance, such expenses would be eligible.

May recipients provide stipends to employees for eligible expenses (for example, a stipend to employees to improve telework capabilities) rather than require employees to incur the eligible cost and submit for reimbursement?

Expenditures paid for with payments from the Fund must be limited to those that are necessary due to the public health emergency. As such, unless the government were to determine that providing assistance in the form of a stipend is an administrative necessity, the government should provide such assistance on a reimbursement basis to ensure as much as possible that funds are used to cover only eligible expenses.

May Fund payments be used for COVID-19 public health emergency recovery planning?

Yes. Expenses associated with conducting a recovery planning project or operating a recovery coordination office would be eligible, if the expenses otherwise meet the criteria set forth in section 601(d) of the Social Security Act outlined in the Guidance.

Are expenses associated with contract tracing eligible?

Yes, expenses associated with contract tracing are eligible.

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.

May payments from the Fund be used to assist individuals with enrolling in a government benefit program for those who have been laid off due to COVID-19 and thereby lost health insurance?

Yes. To the extent that the relevant government official determines that these expenses are necessary and they meet the other requirements set forth in section 601(d) of the Social Security Act outlined in the Guidance, these expenses are eligible.

May recipients use Fund payments to facilitate livestock depopulation incurred by producers due to supply chain disruptions?

Yes, to the extent these efforts are deemed necessary for public health reasons or as a form of economic support as a result of the COVID-19 health emergency.

Would providing a consumer grant program to prevent eviction and assist in preventing homelessness be considered an eligible expense?

Yes, assuming that the recipient considers the grants to be a necessary expense incurred due to the COVID-19 public health emergency and the grants meet the other requirements for the use of Fund payments under section 601(d) of the Social Security Act outlined in the Guidance. As a general matter, providing assistance to recipients to enable them to meet property tax requirements would not be an eligible use of funds, but exceptions may be made in the case of assistance designed to prevent foreclosures.

May recipients create a “payroll support program” for public employees?

Use of payments from the Fund to cover payroll or benefits expenses of public employees are limited to those employees whose work duties are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

May recipients use Fund payments to cover employment and training programs for employees that have been furloughed due to the public health emergency?

Yes, this would be an eligible expense if the government determined that the costs of such employment and training programs would be necessary due to the public health emergency.

May recipients use Fund payments to provide emergency financial assistance to individuals and families directly impacted by a loss of income due to the COVID-19 public health emergency?

Yes, if a government determines such assistance to be a necessary expenditure. Such assistance could include, for example, a program to assist individuals with payment of overdue rent or mortgage payments to avoid eviction or foreclosure or unforeseen financial costs for funerals and other emergency individual needs. Such assistance should be structured in a manner to ensure as much as possible, within the realm of what is administratively feasible, that such assistance is necessary.

The Guidance provides that eligible expenditures may include expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures. What is meant by a “small business,” and is the Guidance intended to refer only to expenditures to cover administrative expenses of such a grant program?

Governments have discretion to determine what payments are necessary. A program that is aimed at assisting small businesses with the costs of business interruption caused by required closures should be tailored to assist those businesses in need of such assistance. The amount of a grant to a small business to reimburse the costs of business interruption caused by required closures would also be an eligible expenditure under section 601(d) of the Social Security Act, as outlined in the Guidance.

The Guidance provides that expenses associated with the provision of economic support in connection with the public health emergency, such as expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures, would constitute eligible expenditures of Fund payments. Would such expenditures be eligible in the absence of a stay-at-home order?

Fund payments may be used for economic support in the absence of a stay-at-home order if such expenditures are determined by the government to be necessary. This may include, for example, a grant program to benefit small businesses that close voluntarily to promote social distancing measures or that are affected by decreased customer demand as a result of the COVID-19 public health emergency.

May Fund payments be used to assist impacted property owners with the payment of their property taxes?

Fund payments may not be used for government revenue replacement, including the provision of assistance to meet tax obligations.

May Fund payments be used to replace foregone utility fees? If not, can Fund payments be used as a direct subsidy payment to all utility account holders?

Fund payments may not be used for government revenue replacement, including the replacement of unpaid utility fees. Fund payments may be used for subsidy payments to electricity account holders to the extent that the subsidy payments are deemed by the recipient to be necessary expenditures incurred due to the COVID-19 public health emergency and meet the other criteria of section 601(d) of the Social Security Act outlined in the Guidance. For example, if determined to be a necessary expenditure, a government could provide grants to individuals facing economic hardship to allow them to pay their utility fees and thereby continue to receive essential services.

Could Fund payments be used for capital improvement projects that broadly provide potential economic development in a community?

In general, no. If capital improvement projects are not necessary expenditures incurred due to the COVID-19 public health emergency, then Fund payments may not be used for such projects.

However, Fund payments may be used for the expenses of, for example, establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity or improve mitigation measures, including related construction costs.

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.

The Guidance provides that ineligible expenditures include “[p]ayroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.” Is this intended to relate only to public employees?

Yes. This particular nonexclusive example of an ineligible expenditure relates to public employees. A recipient would not be permitted to pay for payroll or benefit expenses of private employees and any financial assistance (such as grants or short-term loans) to private employers are not subject to the restriction that the private employers’ employees must be substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

May counties pre-pay with CARES Act funds for expenses such as a one or two-year facility lease, such as to house staff hired in response to COVID-19?

A government should not make prepayments on contracts using payments from the Fund to the extent that doing so would not be consistent with its ordinary course policies and procedures.

Questions Related to Administration of Fund Payments

Do governments have to return unspent funds to Treasury?

Yes. Section 601(f)(2) of the Social Security Act, as added by section 5001(a) of the CARES Act, provides for recoupment by the Department of the Treasury of amounts received from the Fund that have not been used in a manner consistent with section 601(d) of the Social Security Act. If a government has not used funds it has received to cover costs that were incurred by December 30, 2020, as required by the statute, those funds must be returned to the Department of the Treasury.

What records must be kept by governments receiving payment?

A government should keep records sufficient to demonstrate that the amount of Fund payments to the government has been used in accordance with section 601(d) of the Social Security Act

May recipients deposit Fund payments into interest bearing accounts?

Yes, provided that if recipients separately invest amounts received from the Fund, they must use the interest earned or other proceeds of these investments only to cover expenditures incurred in accordance with section 601(d) of the Social Security Act and the Guidance on eligible expenses. If a government deposits Fund payments in a government’s general account, it may use those funds to meet immediate cash management needs provided that the full amount of the payment is used to cover necessary

expenditures. Fund payments are not subject to the Cash Management Improvement Act of 1990, as amended.

May governments retain assets purchased with payments from the Fund?

Yes, if the purchase of the asset was consistent with the limitations on the eligible use of funds provided by section 601(d) of the Social Security Act.

What rules apply to the proceeds of disposition or sale of assets acquired using payments from the Fund?

If such assets are disposed of prior to December 30, 2020, the proceeds would be subject to the restrictions on the eligible use of payments from the Fund provided by section 601(d) of the Social Security Act.

Coronavirus Relief Fund
Guidance for State, Territorial, Local, and Tribal Governments
April 22, 2020

The purpose of this document is to provide guidance to recipients of the funding available under section 601(a) of the Social Security Act, as added by section 5001 of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The CARES Act established the Coronavirus Relief Fund (the “Fund”) and appropriated \$150 billion to the Fund. Under the CARES Act, the Fund is to be used to make payments for specified uses to States and certain local governments; the District of Columbia and U.S. Territories (consisting of the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands); and Tribal governments.

The CARES Act provides that payments from the Fund may only be used to cover costs that—

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. 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 or government; and
3. were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.¹

The guidance that follows sets forth the Department of the Treasury’s interpretation of these limitations on the permissible use of Fund payments.

Necessary expenditures incurred due to the public health emergency

The requirement that expenditures be incurred “due to” the public health emergency means that expenditures must be used for actions taken to respond to the public health emergency. These may include expenditures incurred to allow the State, territorial, local, or Tribal government to respond directly to the emergency, such as by addressing medical or public health needs, as well as expenditures incurred to respond 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-related business closures.

Funds may not be used to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify under the statute. Although a broad range of uses is allowed, revenue replacement is not a permissible use of Fund payments.

The statute also specifies that expenditures using Fund payments must be “necessary.” The Department of the Treasury understands this term broadly to mean that the expenditure is reasonably necessary for its intended use in the reasonable judgment of the government officials responsible for spending Fund payments.

Costs not accounted for in the budget most recently approved as of March 27, 2020

The CARES Act also requires that payments be used only to cover costs that were not accounted for in the budget most recently approved as of March 27, 2020. A cost meets this requirement if either (a) the cost cannot lawfully be funded using a line item, allotment, or allocation within that budget *or* (b) the cost

¹ See Section 601(d) of the Social Security Act, as added by section 5001 of the CARES Act.

is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation.

The “most recently approved” budget refers to the enacted budget for the relevant fiscal period for the particular government, without taking into account subsequent supplemental appropriations enacted or other budgetary adjustments made by that government in response to the COVID-19 public health emergency. A cost is not considered to have been accounted for in a budget merely because it could be met using a budgetary stabilization fund, rainy day fund, or similar reserve account.

Costs incurred during the period that begins on March 1, 2020, and ends on December 30, 2020

A cost is “incurred” when the responsible unit of government has expended funds to cover the cost.

Nonexclusive examples of eligible expenditures

Eligible expenditures include, but are not limited to, payment for:

1. Medical expenses such as:
 - COVID-19-related expenses of public hospitals, clinics, and similar facilities.
 - Expenses of establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs.
 - Costs of providing COVID-19 testing, including serological testing.
 - Emergency medical response expenses, including emergency medical transportation, related to COVID-19.
 - Expenses for establishing and operating public telemedicine capabilities for COVID-19-related treatment.
2. Public health expenses such as:
 - Expenses for communication and enforcement by State, territorial, local, and Tribal governments of public health orders related to COVID-19.
 - Expenses for acquisition and distribution of medical and protective supplies, including sanitizing products and personal protective equipment, for medical personnel, police officers, social workers, child protection services, and child welfare officers, direct service providers for older adults and individuals with disabilities in community settings, and other public health or safety workers in connection with the COVID-19 public health emergency.
 - Expenses for disinfection of public areas and other facilities, *e.g.*, nursing homes, in response to the COVID-19 public health emergency.
 - Expenses for technical assistance to local authorities or other entities on mitigation of COVID-19-related threats to public health and safety.
 - Expenses for public safety measures undertaken in response to COVID-19.
 - Expenses for quarantining individuals.
3. 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.

4. Expenses of actions to facilitate compliance with COVID-19-related public health measures, such as:
 - Expenses for food delivery to residents, including, for example, senior citizens and other vulnerable populations, to enable compliance with COVID-19 public health precautions.
 - Expenses to facilitate distance learning, including technological improvements, in connection with school closings to enable compliance with COVID-19 precautions.
 - Expenses to improve telework capabilities for public employees to enable compliance with COVID-19 public health precautions.
 - Expenses of providing paid sick and paid family and medical leave to public employees to enable compliance with COVID-19 public health precautions.
 - COVID-19-related expenses of maintaining state prisons and county jails, including as relates to sanitation and improvement of social distancing measures, to enable compliance with COVID-19 public health precautions.
 - Expenses for care for homeless populations provided to mitigate COVID-19 effects and enable compliance with COVID-19 public health precautions.
5. Expenses associated with the provision of economic support in connection with the COVID-19 public health emergency, such as:
 - Expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures.
 - Expenditures related to a State, territorial, local, or Tribal government payroll support program.
 - Unemployment insurance costs related to the COVID-19 public health emergency if such costs will not be reimbursed by the federal government pursuant to the CARES Act or otherwise.
6. Any other COVID-19-related expenses reasonably necessary to the function of government that satisfy the Fund's eligibility criteria.

Nonexclusive examples of ineligible expenditures²

The following is a list of examples of costs that would *not* be eligible expenditures of payments from the Fund.

1. Expenses for the State share of Medicaid.³
2. Damages covered by insurance.
3. Payroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

² In addition, pursuant to section 5001(b) of the CARES Act, payments from the Fund may not be expended for an elective abortion or on research in which a human embryo is destroyed, discarded, or knowingly subjected to risk of injury or death. The prohibition on payment for abortions does not apply to an abortion if the pregnancy is the result of an act of rape or incest; or in the case where a woman suffers from a physical disorder, physical injury, or physical illness, including a life-endangering physical condition caused by or arising from the pregnancy itself, that would, as certified by a physician, place the woman in danger of death unless an abortion is performed. Furthermore, no government which receives payments from the Fund may discriminate against a health care entity on the basis that the entity does not provide, pay for, provide coverage of, or refer for abortions.

³ See 42 C.F.R. § 433.51 and 45 C.F.R. § 75.306.

4. 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.
5. Reimbursement to donors for donated items or services.
6. Workforce bonuses other than hazard pay or overtime.
7. Severance pay.
8. Legal settlements.