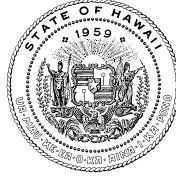


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GOVERNOR
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STATE OF HAWAII | KA MOKU'ĀINA O HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWE LAULĀ

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

May 12, 2023

SPECIAL DISTRIBUTION MEMORANDUM NO. 2023 – 03

TO: Head of Departments

FROM: Keith A. Regan, Comptroller 

SUBJECT: Policy and Procedures to Recognize the Obligation of Payroll Expenses for Personnel Funded by American Rescue Plan Act of 2021 Coronavirus State Fiscal Recovery Fund (CSFRF) for the Period December 31, 2024, to December 31, 2026.

The American Rescue Plan Act (ARPA), P.L. 117-2, was signed into law on March 11, 2021, and included \$195.3 billion for the Coronavirus State Fiscal Recovery Fund (CSFRF) to provide direct assistance to state governments and the District of Columbia to support COVID-19 response efforts and mitigate the fiscal effects stemming from the public health emergency. The State of Hawai'i was allocated \$1,641,602.609.60, which has been drawn down from the U.S. Department of the Treasury (Treasury).

This memorandum establishes the policies and procedures for recognizing the incurrence of an obligation for payroll and related fringe benefits for personnel funded by CSFRF for one or more of the allowable purposes enumerated in Sections 602(c)(1) of the Social Security Act, including those enumerated in §35.6, subject to the restrictions set forth in Sections 602(c)(2) and 603(c)(2) of the Social Security Act, as applicable for the period starting December 31, 2024 and ending December 31, 2026, or the end of a liquidation period as may be specified by Treasury. For CSFRF projects that have been appropriated by the Legislature or approved pursuant to the procedure set forth in Executive Memorandum No. 22-02, personnel-related expenses including fringe benefits for said projects are deemed obligated for the period December 31, 2024, to

December 31, 2026, upon issuance of an Obligation Certificate by the Comptroller, provided that said purposes are allowable under ARPA, and Treasury's Final Rule, 31 CFR Part 35 (2022).

Citation of Authorities

Pursuant to 31 CFR § 35.5(b), CSFRF may only be used for costs incurred by December 31, 2024.¹

Treasury guidance further states that:

“...Treasury recognizes that recipients may obligate funds through means other than contracts or subawards, for example in the case of payroll costs. **In these circumstances, recipients must follow state or local law and their own established practices and policies regarding when they are considered to have incurred an obligation and how those obligations are documented.** For example, a recipient may have incurred an obligation even though the recipient and its employee may not have entered into an employment contract.”¹

(emphasis added).

Section 29-16, Hawaii Revised Statutes, provides the Director of Finance and the Comptroller with authority to receive federal-aid moneys, disburse said funds, and maintain a system of accounts and accounting for federal-aid moneys received by the State.

Existing accounting policies and procedures² do not contemplate a need to record the obligation of payroll for:

1. Personnel necessary to administer programs funded by federal aid in future fiscal years when there is a multi-year gap between the date by which a cost must be incurred and the date by which funds must be liquidated; and
2. For which the federal government has provided funds in advance to cover the cost of payroll for the gap period.

¹ <https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-FAQ.pdf> See page 57.

² The State of Hawai'i Accounting Manual, Volume II: Budgetary Control Accounting, Section 470: Encumbrance Policy and Procedure

Therefore, the following procedure shall be followed with respect to the obligation of payroll costs for positions for programs funded by CSFRF funds that have been established before the obligation deadline of December 31, 2024.

Obligation Procedure for Personnel Costs Funded by CSFRF Funds (MOF: V)

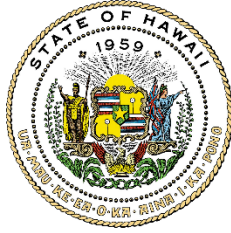
1. All departments seeking to obligate payroll and personnel-related expenses for purposes of CSFRF shall complete an Obligation Certificate.
2. Department Heads shall certify the Obligation Certificate and submit it to B&F for approval.
3. B&F shall review the Obligation Certificate to ensure the accuracy of the following required information:
 - a. Performance period
 - b. Lapse date of the program's State appropriation account
 - c. Sufficient funds are available in the proper State appropriation account to pay for payroll and fringe costs.
4. If B&F determines the Obligation Certificate is complete and correct, the Director of Finance will sign it, and forward it to the Comptroller.
5. The Comptroller shall review and sign the Obligation Certificate.
6. Upon signature by of the Obligation Certificate by the Comptroller, the Coronavirus SFRF funds will be considered to be 'incurred' and obligated for purposes of 31 CFR § 35.5.
7. A copy of the Obligation Certificate shall be provided to the Accounting Division of the Department of Accounting and General Services.
8. B&F will maintain a record of all Obligation Certificates for auditing purposes.

Any obligated Coronavirus SFRF funds not expended by the liquidation deadline of December 31, 2026, shall be returned to B&F.

Attachment:

Obligation Certificate

c: Luis P. Salaveria, Director of Finance



STATE OF HAWAII

OBLIGATION CERTIFICATE

Obligation Certificate No. _____

Date: _____

To _____
(Department or Agency)

Check one:

- The Legislature of _____ at its _____ Session having by Act _____ appropriated the sum of \$ _____ in funds awarded to the State of Hawaii under the American Rescue Plan Act, P.L. 117-2 (2021) for the purposes and for the period therein specified, you are authorized to obligate this sum for payroll and fringe expenses for positions budgeted therein, and for so doing this shall be your CERTIFICATE.
- The Office of the Governor having approved a sub-award of American Rescue Plan Act, P.L. 117-2 (2021) funds on _____ providing the sum of \$ _____ for the purposes indicated on the approved project Form CSFRF-1, you are authorized to obligate this sum for payroll and fringe expenses for positions budgeted therein, and for so doing this shall be your CERTIFICATE.

DIRECTOR OF FINANCE, STATE OF HAWAII

Appropriation Acct. No.	Subaward Project Title	Performance Period	Lapse Date	Amount Obligated