

# LOCAL FISCAL RECOVERY FUND – Information Session

Governor's Disaster Recovery Office



**LOCAL FISCAL RECOVERY FUND**



**State of New Jersey**

**Local Fiscal Recovery Fund (LFRF) – Final Rule & Federal Guidance**

March 20, 2023

# Meet the Team

## Ryan Foughty, CPA

Mr. Foughty has over 25 years of experience in actively administrating federally funded grants management disaster recovery projects for state and local governments in New Jersey, Texas, Wyoming, Missouri and Puerto Rico.

## Joseph Simon, MPA

Joseph Simon is a leader **specializing in grants management and disaster finance**. His **wide-ranging experience has allowed him to cultivate a deep understanding of grants policy and regulation**. Joseph holds Masters' degrees in Public Administration and International Affairs, as well as professional certifications in Project Management, Government Finance, and Grants Management. He is the current Chair of the New York / New Jersey Chapter of the National Grants Management Association.

## Joseph Gorsuch, MPA

Joe Gorsuch is a Senior Consultant in Deloitte Risk & Financial Advisory. His dynamic experience in **public and non-profit sectors**, including five years at the City of Syracuse (New York) leading comprehensive emergency response initiatives, risk and safety teams, and **~\$1B in federal grant programs** highlights his specialty and passion for fiscal stewardship and operational efficiency. Joe leverages that experience to train and lead teams that **approach multifaceted issues at all levels of government with intention, curiosity, and integrity**.



# Agenda

- 1 | Overview of LFRF
- 2 | U.S. Treasury Final Rule
- 3 | Consolidated Appropriations Act, 2023
- 4 | 2 CFR 200 – Applicable Requirements

# LFRF in New Jersey

## Top 10 Expenditure Categories

#	Expenditure Category	# of Projects	Total Expenditures
1	Provision of <b>Government Services</b>	327	\$ 644,667,980.00
2	Household Assistance: <b>Rent Mortgage</b> and Utility Aid	12	\$ 315,594,673.00
3	Loans or Grants to <b>Mitigate Financial Hardship</b>	14	\$ 98,408,414.00
4	Other <b>COVID-19 Public Health Expenses</b> (including Communications Enforcement Isolation/Quarantine)	62	\$ 57,836,076.00
5	<b>Public Sector Workforce:</b> Payroll and Benefits for Public Health Public Safety or Human Services Workers	46	\$ 55,064,750.00
6	Assistance to <b>Impacted Nonprofit Organizations</b> (Impacted or Disproportionately Impacted)	18	\$ 52,381,343.00
7	Addressing Educational Disparities: <b>Academic Social and Emotional Services</b>	3	\$ 36,422,530.00
8	<b>Household Assistance:</b> Cash Transfers	3	\$ 34,904,133.00
9	Aid to <b>Other Impacted Industries</b>	5	\$ 34,568,964.00
10	<b>COVID-19 Vaccination</b>	22	\$ 33,560,725.00

541 Entities Reporting

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## U.S. Pandemic Oversight Data as of March 7, 2023



# Final Rule – What You Need to Know

Effective April 1, 2022



Solidified Spending Timeline	Broad Eligibility	Expeditious Spending Vs Compliance	Sam.Gov/ FFATA Reporting	Subrecipients, Contractors, & Beneficiaries
<ul style="list-style-type: none"> <li>❖ <b>Obligations:</b> December 31, 2024</li> <li>❖ <b>Expenditures:</b> December 31, 2026.</li> <li>❖ Document how you <b>define “obligation” of funds.</b></li> </ul>	<ul style="list-style-type: none"> <li>❖ <b>\$10M standard allowance</b> for revenue loss.</li> <li>❖ Direct &amp; indirect admin expenses (~10%).</li> <li>❖ Expanded eligibility of <b>infrastructure projects</b> (i.e., lead remediation).</li> </ul>	<ul style="list-style-type: none"> <li>❖ Balancing compliance to Federal guidelines and reporting requirements – <b>are you submitting reports on time?</b></li> <li>❖ Are you spending fast enough?</li> <li>❖ <b>Maximizing public good with capacity and compliance.</b></li> </ul>	<ul style="list-style-type: none"> <li>❖ Does your entity have an <b>active UEI; do your contractors (\$30K+)?</b></li> <li>❖ Do you conduct <b>debarment checks</b> in Sam.Gov for contractors?</li> <li>❖ <b>Auto reporting</b> on U.S. Treasury Portal for FFATA (no further action required).</li> </ul>	<ul style="list-style-type: none"> <li>❖ A subrecipient serves as the <b>fiscal agent and carries out all or a part of a funded program.</b></li> <li>❖ A contractor is <b>paid to provide a good/ service and not responsible for overseeing a program.</b></li> <li>❖ A beneficiary is an <b>end-user.</b></li> </ul>

## Steps to Maximize the Opportunity

**Policies are up-to-date and compliance to Federal Regulations**

Do your policies and procedures **include required Federal provisions**, and do you implement your policies **as they are written?**

**Document your rationale!**

How are you documenting your **justification** for eligible project spending? How do you **define “obligated” funds?**

**Take a risk-based approach**

Do you have right resources for **program management and compliance?** Managing projects, **subrecipients**, and compliance requires substantial **admin oversight.**

# A Politically Charged & Compliance Forward Environment



U.S. DEPARTMENT OF THE TREASURY

## REPORTING, COMPLIANCE & RECOUPMENT

Recipients are required to comply with Treasury's [Compliance and Reporting Guidance](#), which includes submitting mandatory periodic reports to Treasury.

Funds used in violation of the final rule are subject to remediation and recoupment. As outlined in the final rule, Treasury may identify funds used in violation through reporting or other sources. Recipients will be provided with an initial written notice of recoupment with an opportunity to submit a request for reconsideration before Treasury provides a final notice of recoupment. If the recipient receives an initial notice of recoupment and does not submit a request for reconsideration, the initial notice will be deemed the final notice. Treasury may pursue other forms of remediation and monitoring in conjunction with, or as an alternative to, recoupment.



# Consolidated Appropriations Act of 2023

## Financial and General Government Provision Summary

**\$27.6B**

- **Small business & entrepreneur support** through the SBA and Community Development Financial Institutions
- Election Security Grants that ensure the integrity and safety of elections
- **Increased funding for protection activities** at the Consumer Product Safety Commission and the Federal Trade Commission
- Support **pay increases for Federal employees**

## U.S. Department of Treasury

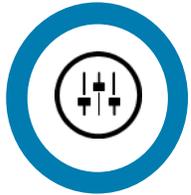
**\$14.2B**

- \$4.1 billion for operations support
- **\$5.4 billion for compliance and enforcement efforts**
- \$100 million for **cybersecurity** (internal)
- \$324 million for **financial and technical assistance grants** for community development financial institutions

# 2 CFR 200 – Applicable Requirements from the Uniform Guidance

- ❖ The Uniform Guidance contains the most important federal regulation for grants management
- ❖ It supersedes many OMB Circulars and agency Regulation and has been codified by each Federal Awarding Agency, including US Treasury.

## 2 CFR 200



### Background Overview of 2 CFR 200

What are the Laws, Regulations, and Guidance for Federal Grants

What is the Structure of the Uniform Guidance



### Pass-Through Entity Requirements

Subgrant Agreement

Risk Assessment

Subrecipient Monitoring



### Procurement

General Procurement Standards

Competition

Methods of Procurement to be followed

Non-Competitive Procurement

Contract cost and price

Required Contract Provisions

## Key benefits to adhering to the Uniform Guidance

### Reduce Risk

Financial, Compliance, and Audit Risks

### Accelerate Execution

Knowing what is important can help cities and counties implement their projects faster

### Target Goals

Strategic Compliance can make sure that policy goals are translated into tangible benefits for your stakeholders

### Improve Grants Administration

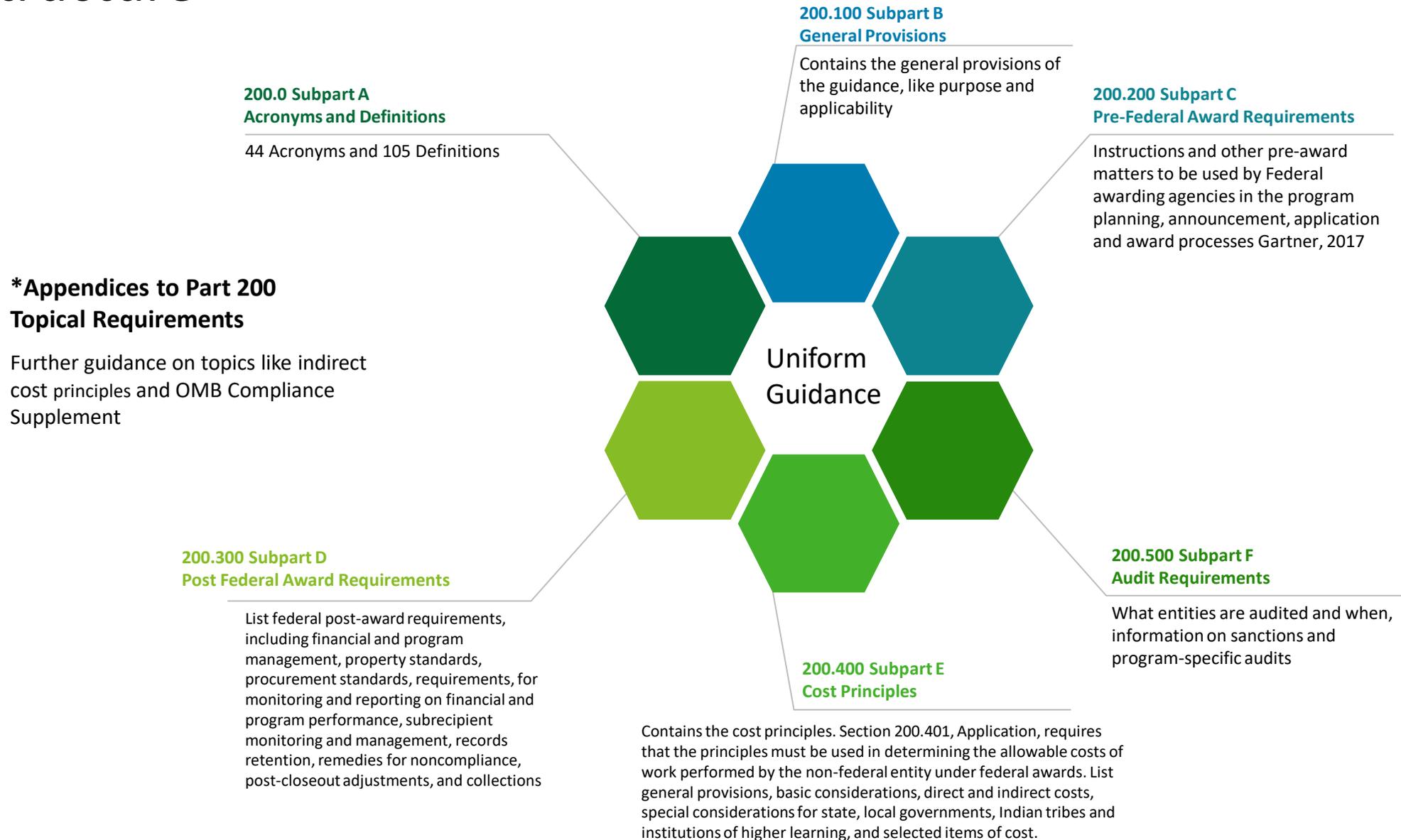
Better prepare for the next round of federal funding!

# Laws, Regulations, and Guidance for Grants

## The Universe of Grants' Guidance

Governance	Description
 U.S. Constitution	 Start with the business needs and consumer behavior in mind and work backward to the right data, tools, technology, & operating requirements
 Federal Statutes	 Laws passed by Congress and Signed into law by the President
 Federal Regulations	 Rules that are published in the Federal Register; <u>includes 2 CFR 200</u>
 State, Local, Tribal, and Territorial Law and Regulations	 Enacted by states, local governments, tribes, and territories
 Executive Orders	 Directives issued to federal agencies and department heads under the statutory or constitutional powers of the President of the United States with the force and effect of law
 OMB Policies	 Instructions to federal agencies to help implement laws and regulations
 Agency and Other Specific Guidance	 Federal fiscal or program-specific guidance is non-binding but explains how federal, state, local, and territorial governments interpret requirements for non-federal entities
 Federal Award Documentation	 Terms and conditions contained within the federal award that are similar to contract clauses and contain legally binding requirements

# Structure



# Pass-Through Entity Requirements

**§ 200.332 Requirements for pass-through entities prescribes what entities must do when executing a grant program with federal funds**

## Subgrant Agreement



### Meet Requirements

- Identify your award according to 2 CFR 200.332(a)(1)

### Name it a “Subaward”

- Saying it is a subaward has implications, namely, that the subrecipient must comply with 2 CFR 200. Example language:

*This Agreement is a subaward of federal grant funds under [insert] program (CFDA [insert]).”*

## Conduct a Risk Assessment



### Evaluate each subrecipient’s risk of

**noncompliance** with Federal statutes, regulations, and the terms and conditions of the subaward to determine level of monitoring

Assign a risk score using risk scoring matrix

Subrecipients are typically classified as High, Moderate, and Low Risk

## Execute Subrecipient Monitoring



### Monitoring must include:

- Reviewing financial and performance reports
- Follow up on their actions after relevant audit findings as well as from your own findings
- Issue a management decision for applicable audit findings pertaining only to the Federal award

**May include** training and TA, on-site reviews, AUP engagements

# § 200.319 Competition.

## Core Requirements

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- Provide full and open competition
- Contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements
- Do not restrict competition:
  - a. Placing unreasonable requirements on firms in order for them to qualify to do business;
  - b. Requiring unnecessary experience and excessive bonding;
  - c. Noncompetitive pricing practices between firms or between affiliated companies;
  - d. Noncompetitive contracts to consultants that are on retainer contracts;
  - e. Organizational conflicts of interest;
  - f. Specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement; and
  - g. Any arbitrary action in the procurement process.

Do not impose geographical preferences\*

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\*Except for A/E firms

# § 200.320(c) Noncompetitive procurement.

## Core Requirements

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Noncompetitive procurement can only be awarded if one or more of the following circumstances apply:

- 1.The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (see [paragraph \(a\)\(1\)](#) of this section);
  - 2.The item is available only from a single source;
  - 3.The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation;
  - 4.The Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-Federal entity; or
  - 5.After solicitation of a number of sources, competition is determined inadequate.
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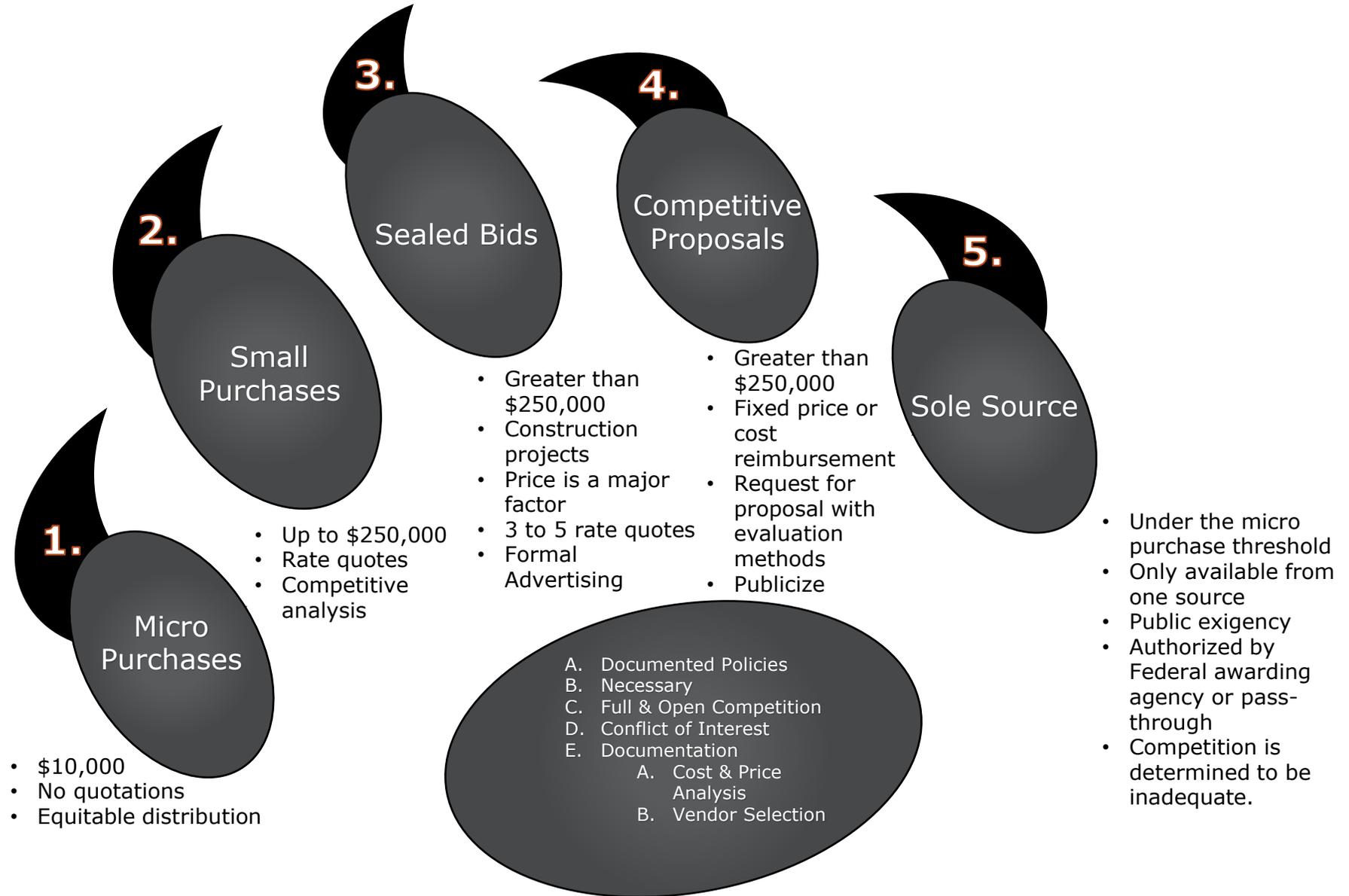
# § 200.324 Contract cost and price.

## Core Requirements

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- Must perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold
  - The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used.
-

# § 200.320 Methods of procurement to be followed.



## § 200.327 Contract provisions.

Contract Provision	All Contracts	Construction Contracts	Amount > \$2,000	Amount > \$10,000	Amount > \$100,000	Amount > \$150,000	Amount > \$250,000
Remedies							
Termination for Cause							
Equal Employment Opportunity							
Davis-Bacon							
Copeland "Anti-Kickback" Act							
Contract Work Hours and Safety Standards Act							
Rights to Inventions							
Clean Air Act & Federal Water Pollution Control Act							
Debarment and Suspension							
Byrd Anti-Lobbying Amendment							
Procurement of Recovered Materials							
Prohibition on Telecommunications and Video Surveillance							
Domestic Preferences for Procurements							



# Thank You!



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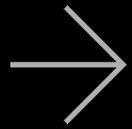
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**Local Fiscal Relief Funds (LFRF)  
Applicable State Rules, Regulations, and Executive Orders  
New Jersey Department of Community Affairs**



**Heather Dillashaw**  
Program Manager

**Andrea Veach**  
Financial Management and Compliance  
Project Manager

03/13/2023

# Introductions

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**Andrea Veach**  
Subject Matter Expert

- Budgetary analysis
- Financial compliance
- Federal grants management



**Heather Dillashaw**  
Subject Matter Expert

- Pandemic relief funding maximization
- Federal grants management
- Economic development



Financial Management  
and Compliance



Public Health  
Investment



Economic Impacts  
Recovery



Public Sector  
and Infrastructure



## Steps for ARPA Success

# Local Government Experience

## City of North Miami

ICF is supporting the City of North Miami's SLFRF award to ensure compliant, equitable, and effective outcomes. ICF has been helping the City coordinate the development of its recovery plan. We are drafting the expenditure and project report to meet the City's reporting requirements.

## City of Tallahassee

ICF has prepared FEMA Hazard Mitigation Grant Program applications for the City of Tallahassee for the COVID-19 Major Disaster Declaration. ICF monitors grant project expenditures, procurements, and other activities to ensure ongoing compliance with federal, state, and local regulations.

## U.S. Treasury Department

Coordinated the release of widespread financial assistance for 14 state, territory, tribal, and local government programs under ARPA and CARES.



With over 100 state and local entities served and over 1,200 communities impacted, we bring the connections and experience New Jersey governments need to deliver LFRF swiftly and compliantly.

# Why Use Local Fiscal Relief Funds (LFRF)?

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**Prime recipients, cities and towns, are responsible for compliance and reporting, and NEUs can leverage LFRF to benefit communities in powerful ways.**

- LFRF is a highly flexible spending source with broad categories for eligible use:
  - Responding to the public health emergency
  - Reacting to the negative economic impacts of COVID-19
  - Providing premium pay to essential workers
  - Revenue loss due to COVID-19
  - Making necessary investment in water, sewer, or broadband infrastructure.
- LFRF can enable transformative change
- The Governor's Disaster Recovery Office (GDRO) has already developed an LFRF [Information Hub](#) to support local governments

# New Jersey NEUs Are Positioned for Success

The State of New Jersey is a nationwide leader in successfully delivering federally-funded programs. ICF can help leverage LFRF in alignment with applicable State rules, regulations, and executive orders, to empower NEUs (Non-entitlement Units) across New Jersey to revitalize their communities.

Considerations	ICF Contribution	Benefit to NEUs
<b>Adding more to your plate is challenging –</b> NEUs need to manage competing priorities	ICF will streamline processes, building upon our existing relationship	Time savings and reduced risks
<b>LFRF is a highly flexible funding source –</b> Recipients will need to maximize funding compliantly to benefit communities	ICF will guide comprehensive understanding of LFRF rules through our experienced staff and informed approaches	Maximized LFRF dollars will reach communities in need
<b>LFRF will be used by smaller local governments –</b> May require additional support and guidance	ICF will build local government capacity through training	Empowered NEUs will deliver measurable outcomes and make informed decisions

# New Jersey Municipal and Local Allocations



## North

*(Bergen, Essex, Hudson, Morris, Passaic, Sussex, and Warren Counties)*

\$862 million Obligated  
\$641 million Expended

## Central

*(Mercer, Hunterdon, Somerset, Union, Middlesex, Monmouth, and Ocean Counties)*

\$350 million Obligated  
\$189 million Expended

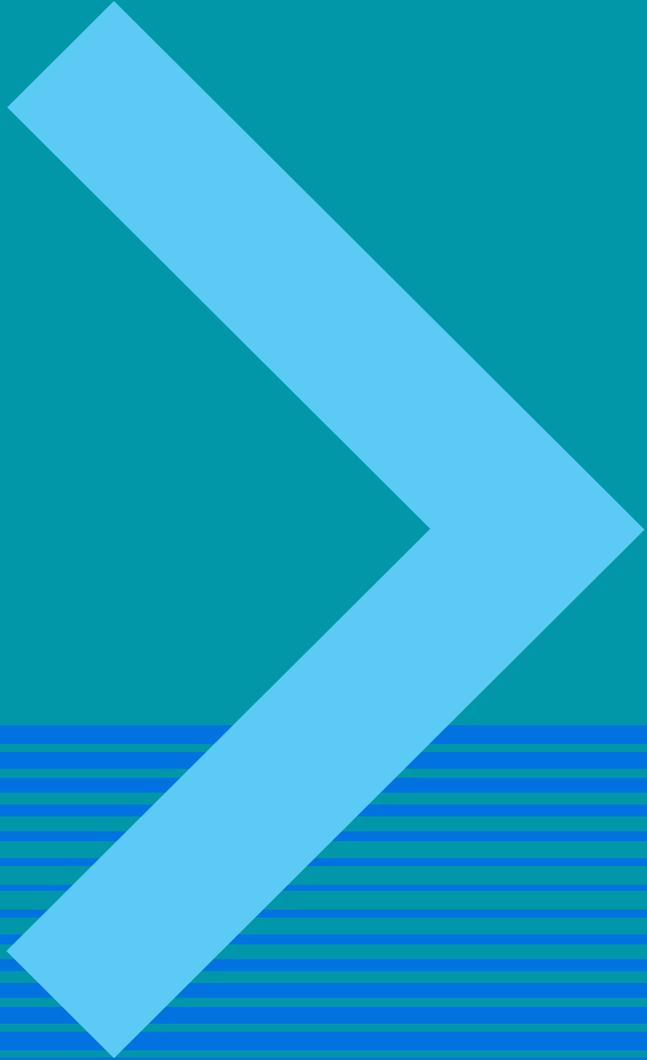
## South

*(Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, and Salem Counties)*

\$208 million Obligated  
\$138 million Expended

## Obligated Balances Left to Spend:

- 41% - Revenue Replacement
- 18% - Public Health
- 18% - Administrative
- 12%- Negative Economic Impacts
- 7%- Infrastructure
- 3%- Public Health- Negative Economic Impact: Public Sector Capacity
- 1%-Premium Pay



Applicable State Rules, Regulations,  
and Executive Orders Related to LFRF

# Executive Order No. 267- Avoiding Duplicative Programs and Projects

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“Minimize the risk of creating improper duplicate benefits by fostering cooperation and coordination across State, county, and municipal COVID-19 relief programs”



The Department of Community Affairs (DCA), Division of Disaster Recovery & Mitigation (DDRM) is designated as the grant manager responsible for the oversight and proper expenditure of the SLFRF.



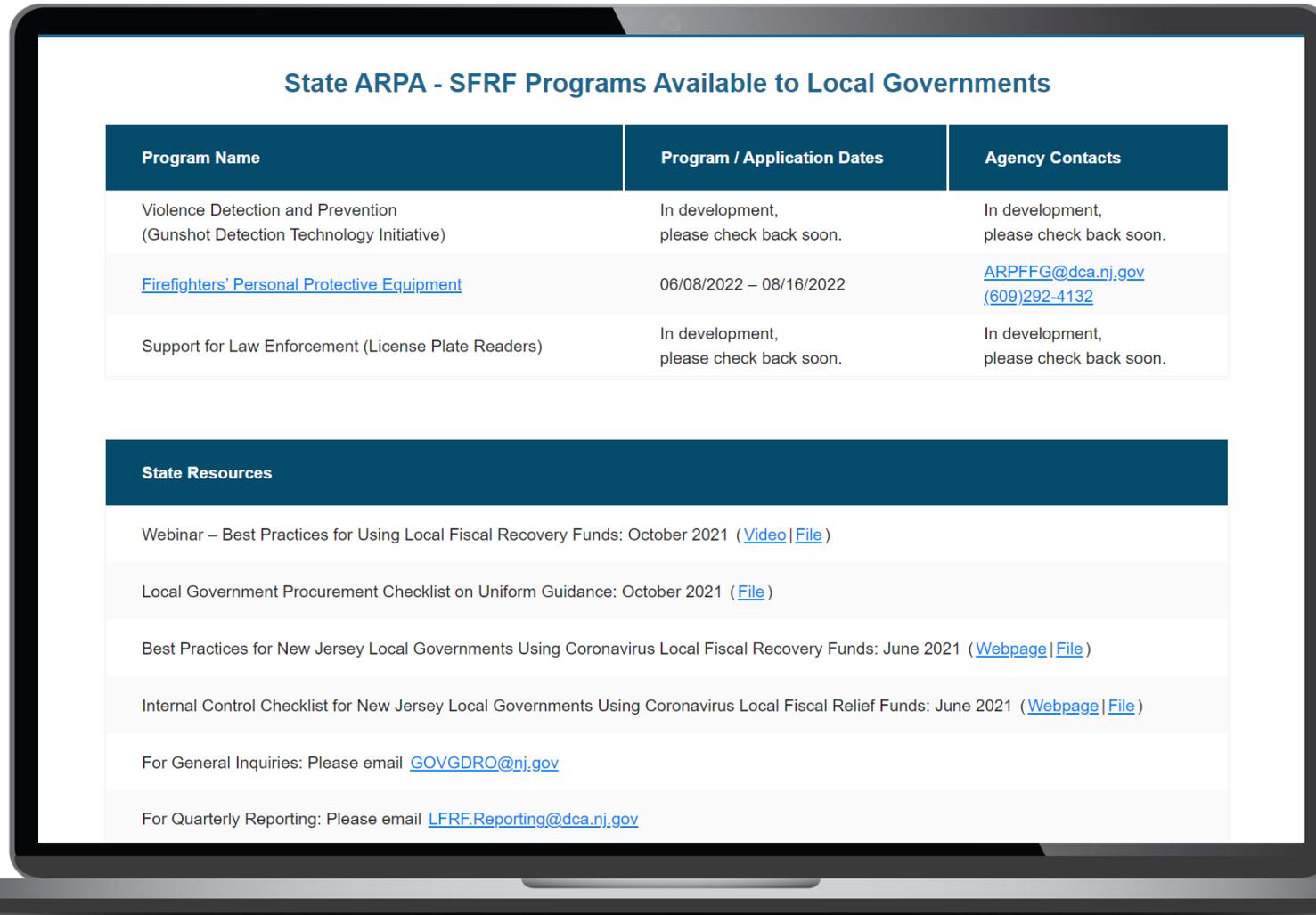
Division of Local Government Services (DLGS) is the State’s primary point of coordination with all county and local governments within the State.

## County and Municipal Recipient Responsibilities:

**Rule #1:** County, municipal, and NEUs report directly to Treasury. No duplicative reporting for the State, they can just submit the same report

**Rule #2:** No duplicative programs or projects

# State ARPA - SFRF Programs Available to Local Governments



**State ARPA - SFRF Programs Available to Local Governments**

Program Name	Program / Application Dates	Agency Contacts
Violence Detection and Prevention (Gunshot Detection Technology Initiative)	In development, please check back soon.	In development, please check back soon.
<a href="#">Firefighters' Personal Protective Equipment</a>	06/08/2022 – 08/16/2022	<a href="mailto:ARPFFG@dca.nj.gov">ARPFFG@dca.nj.gov</a> <a href="tel:(609)292-4132">(609)292-4132</a>
Support for Law Enforcement (License Plate Readers)	In development, please check back soon.	In development, please check back soon.

**State Resources**

- Webinar – Best Practices for Using Local Fiscal Recovery Funds: October 2021 ([Video](#) | [File](#))
- Local Government Procurement Checklist on Uniform Guidance: October 2021 ([File](#))
- Best Practices for New Jersey Local Governments Using Coronavirus Local Fiscal Recovery Funds: June 2021 ([Webpage](#) | [File](#))
- Internal Control Checklist for New Jersey Local Governments Using Coronavirus Local Fiscal Relief Funds: June 2021 ([Webpage](#) | [File](#))
- For General Inquiries: Please email [GOVGDRO@nj.gov](mailto:GOVGDRO@nj.gov)
- For Quarterly Reporting: Please email [LFRF.Reporting@dca.nj.gov](mailto:LFRF.Reporting@dca.nj.gov)



[Governor's Disaster Recovery Office- Local Fiscal Recovery Fund](#)

Provided by the Division of Local Government Services (DLGS), the **Local Finance Notice** provides:

- an overview of the Coronavirus Local Fiscal Recover Fund (LFRF),
- permitted use of grant funds,
- prohibited uses,
- duplication of benefits,
- reporting requirements, and
- budgeting and recording American Rescue Plan Act of 2021 Receipts



new jersey **dca**  
department of community affairs  
people.places.progress

division of local government services **dlgs**

## Local Finance Notice

Philip D. Murphy  
Governor

Lt. Governor Sheila Y. Oliver  
Commissioner

Jacquelyn A. Suárez  
Director

<b>LFN 2021-11</b>
<b>June 4, 2021</b>

**Contact Information**

**Director's Office**  
V. 609.292.6613  
F. 609.633.6243

**Local Assistance Bureau**  
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**Financial Regulation and Assistance**  
V. 609.292.4806  
F. 609.984.7388

**Local Finance Board**  
V. 609.292.0479  
F. 609.633.6243

**Administrative Services Unit**  
V. 609.292.6126  
F. 609.633.6243

**Mail and Delivery**  
101 South Broad St.  
PO Box 803  
Trenton, New Jersey  
08625-0803

### American Rescue Plan Act of 2021: Requirements for Grant Funds

The federal [American Rescue Plan Act of 2021](#), signed into law on March 11, 2021, was enacted to provide funding for COVID-19 pandemic response and recovery. Among the key elements of the Act is the [Coronavirus Local Fiscal Recovery Fund](#) (LFRF). All municipalities and counties will receive LFRF funds in two tranches, with the federal government releasing the second tranche next year.

The United States Department of Treasury (U.S. Treasury) has issued an [Interim Final Rule](#) regulating county and municipal use of LFRF funds. Other reference documents include a [Fact Sheet](#), [FAQ document](#), and [Quick Reference Guide](#). Please thoroughly review all materials to ensure proper use and accounting of LFRF funds.

A valid DUNS number is required to comply with LFRF reporting requirements. Any local unit without a valid DUNS number must visit Dun & Bradstreet's [DUNS request portal](#) or call 1-866-705-5711 to begin the registration process. All LFRF recipients must also have an active registration with the federal government's [System for Award Management \(SAM\)](#).

## **N.J.S.A. 52:15C-10(b)**

- For projects over \$12.5 million, local governments must submit to Office of the State Comptroller (OSC) for review at least 30 days prior to advertisements.
- For projects expected to be \$2.5 million-\$12.5 million, local governments must notify OSC within 20 business days after an award has been made.

## **Local Public Contracts Law (LPCL), N.J.S.A. 40A:11-1 et seq.**

- Local governments should use procurement methods addressed here for LFRF funds, unless additional restrictions and requirements are addressed in 2 CFR 200.318-200.327

## **New Jersey Prevailing Wage Act**

- When procuring public works projects, this act requires minimum rates of pay to workers engaged in public works projects.

# GrantWorks

Grant Administration Services  
American Rescue Plan Act Programs

Ken Pevovar & Jo Carroll

# OUR EXPERIENCE

GrantWorks is one of the nation's foremost providers of state and federal management services. Our professionals have the experience and resources to successfully manage and implement your ARPA projects.

**400+**

Nationwide  
Workforce  
of SMEs



**43+**

Years of  
Grant  
Management  
Experience

**\$8B**

Grants  
Secured &  
Administered



**\$900M**

ARPA Grants  
Secured &  
Managed for  
180+  
Municipalities &  
Counties

**30+**

Dedicated  
ARPA  
Project  
Managers



**GW 20/20**

Customizable  
Grant  
Management  
Portal

# INTERNAL CONTROLS

A brief discussion of the Importance of establishing a system of internal control to ensure proper review of expenditures and ability to maintain audit readiness.

**What are Internal Controls?**

**Why are they important?**

**Why is this importance increased under ARPA?**

**How do we assure effective Internal Controls?**



# INTERNAL CONTROLS



What are internal Controls?

**Internal controls are the mechanisms, rules, and procedures implemented to ensure the integrity of information, promote accountability, and prevent fraud.**

- Policy docs – Procurement, Financial, Record Keeping
- Procedures – Documented processes to arrive at decisions and standardize process
- Routine Training
- Data Management and Access Controls
- Risk Assessments – Review of project selection and decision making, including mitigation strategies.

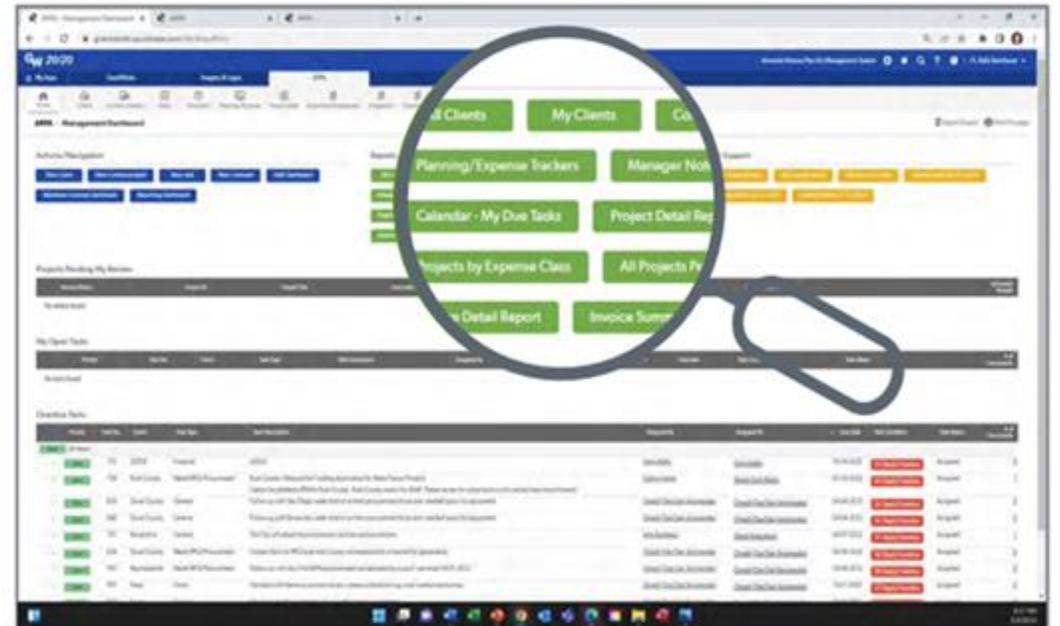
# INTERNAL CONTROLS

Why are Internal Controls important?



**Internal Controls are important because they improve operational efficiency by ensuring that budgets are adhered to, policies are followed, capital shortages are identified, and accurate reports are generated for leadership**

- Provides a framework for activity
- Documents your compliance
- Protect your data and documents
- Reduced the likelihood of fraud or misuse of funds
- Facilitates document review in the event of an audit
- Provides a plan in the event a risk event is realized



# INTERNAL CONTROLS

Why is this importance increased under ARPA?



**Unlike other funding initiatives, the Treasury does not approve projects or spending activity prior to obligation of funds. This means that the onus is on the recipient to decide on eligibility, and owning the risk associated with each decision.**

**Ensuring that projects and expenditures follow Treasury guidance is the responsibility of each recipient. Each project type has requirements for data collection and documentation of eligibility.**

Non-Entitlement Units of Governments only report once a year, which means if there are questions from Treasury there will likely be a long period of time between your activity and when it is questioned. Strong internal controls around policy and documentation are critical to a quick resolution of perceived issues.

# INTERNAL CONTROLS



## How does a consultant ensure effective internal controls?

Review existing policy and procedure for alignment with ARPA, and adjust where necessary.

Standardize process for vetting potential projects with identified stakeholders.

Use a secure data and financial management system - GW 20/20.

Review solicitations, contracts, purchase agreements, etc... prior to obligation, not after expenditure.

Assess risks of all activity, especially when proposed activity is not specifically enumerated in the ARPA final rule.

Ensure policies include a segregation of duties.

Create and utilize beneficiary and subrecipient agreements when working with non-profits and individuals.

Adhere to a monitoring plan for subrecipient activity and reporting.

Reconcile financials periodically.

# GW 20/20 Grant Management Portal

GrantWorks offers technical assistance throughout the project life-cycle as well as complimentary access to a customizable grant management portal system, GW 20/20, to simplify the complexities of project management



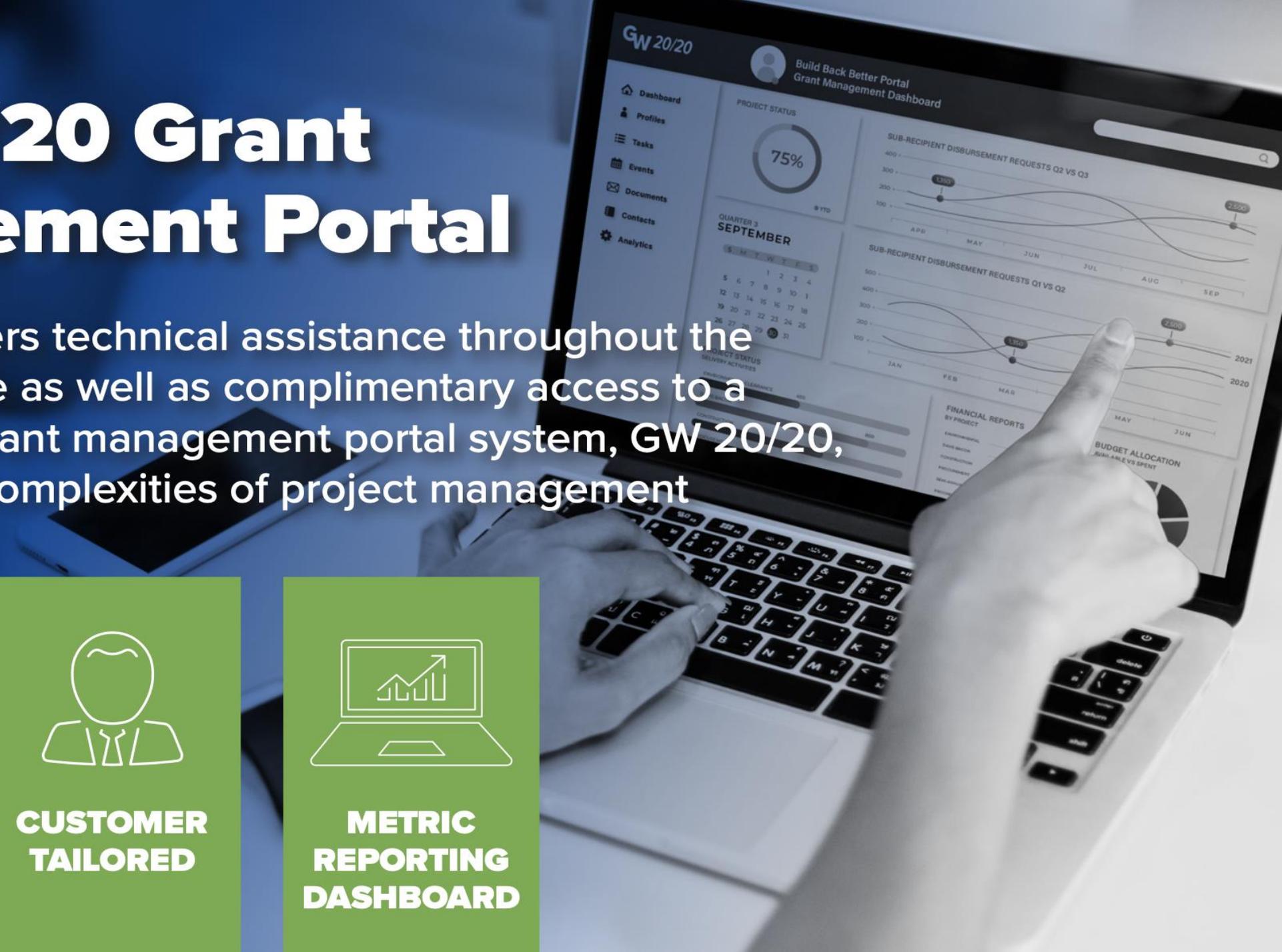
**REAL-TIME  
GENERATED  
REPORTS**



**CUSTOMER  
TAILORED**



**METRIC  
REPORTING  
DASHBOARD**



# Evaluating and Developing Recovery Programs for New Jersey Counties and Municipalities

Governor's Disaster Recovery Office

March 21, 2023



HAGERTY

# Presenters

## **Tom Leatherbee, CEcD, MCP, CFM**

Manager, Hagerty Consulting

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## **Emiliano Segura**

Senior Managing Associate, Hagerty Consulting

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# Introduction to Hagerty

**\$49+ Billion**

Federal Emergency Management Agency  
Public Assistance Program

**\$13+ Billion**

American Rescue Plan Act Programs

**\$4+ Billion**

Coronavirus Aid, Relief, and  
Economic Security Act Programs

**\$8+ Billion**

Other Federal Grants, including Mitigation Grants and  
US Department of Housing and Urban Development Grants



**20+ Total Years**

of Experience in Disaster  
Recovery Grant Program  
Management

**27 States &  
Territories**

Where Hagerty is Providing  
Support for Management of  
Federal Recovery Funds

# Presentation Objectives

- ✓ Discuss current state landscape and developments related to the Coronavirus State and Local Fiscal Recovery Funds, including opportunities to optimize and deploy funds to support long-term priorities
- ✓ Review utilization of Coronavirus Local Fiscal Recovery Funds (LFRF) in New Jersey
- ✓ Provide examples of how other recipients have optimized their allocations and discuss optimization strategies that could be implemented by New Jersey local governments to maximize the utility and impact of resources



## Current State Landscape

Use of Local Fiscal Recovery Funds in New Jersey

Optimizing Local Fiscal Recovery Funds

Key Takeaways

# Opportunity To Address Long-Term Needs through Coronavirus Local Fiscal Recovery Funds

Recipients across the nation are reevaluating initial needs assessments and Coronavirus Local Fiscal Recovery Funds (LFRF) spending priorities and allocations for several reasons:

- Changes in focus from initial pandemic response to post-pandemic recovery has shifted focus from programs like testing, vaccination and household assistance to those focused on longer-term priorities like workforce development, childcare, mental health and infrastructure
- Economic realities, such as difficulty finding qualified employees and the impacts of inflation, continue to pressure local government budgets and are adversely impacting New Jersey families and businesses

# Opportunity To Address Long-Term Needs through Coronavirus Local Fiscal Recovery Funds

- An unprecedented amount of federal funding has been made available through legislation including the Infrastructure Investment and Jobs Act, Inflation Reduction Act, and 2023 Omnibus:
  - LFRF, particularly those available as Revenue Loss, can uniquely be used to build capacity to identify, secure, and administer other federal funds and to meet non-federal match requirements
- The deadline for obligating LFRF is fast approaching (12/2024), particularly for projects that require long-term planning and/or design work, such as infrastructure projects

Current State Landscape

## Use of Local Fiscal Recovery Funds in New Jersey

Optimizing Local Fiscal Recovery Funds

Key Takeaways

# LFRF Allocation to Counties and Municipalities



**\$1.8 Billion**

21 Counties

**\$578 Million**

533 Non-Entitlement Units  
(NEUs) of Local  
Government

**\$1.1 Billion**

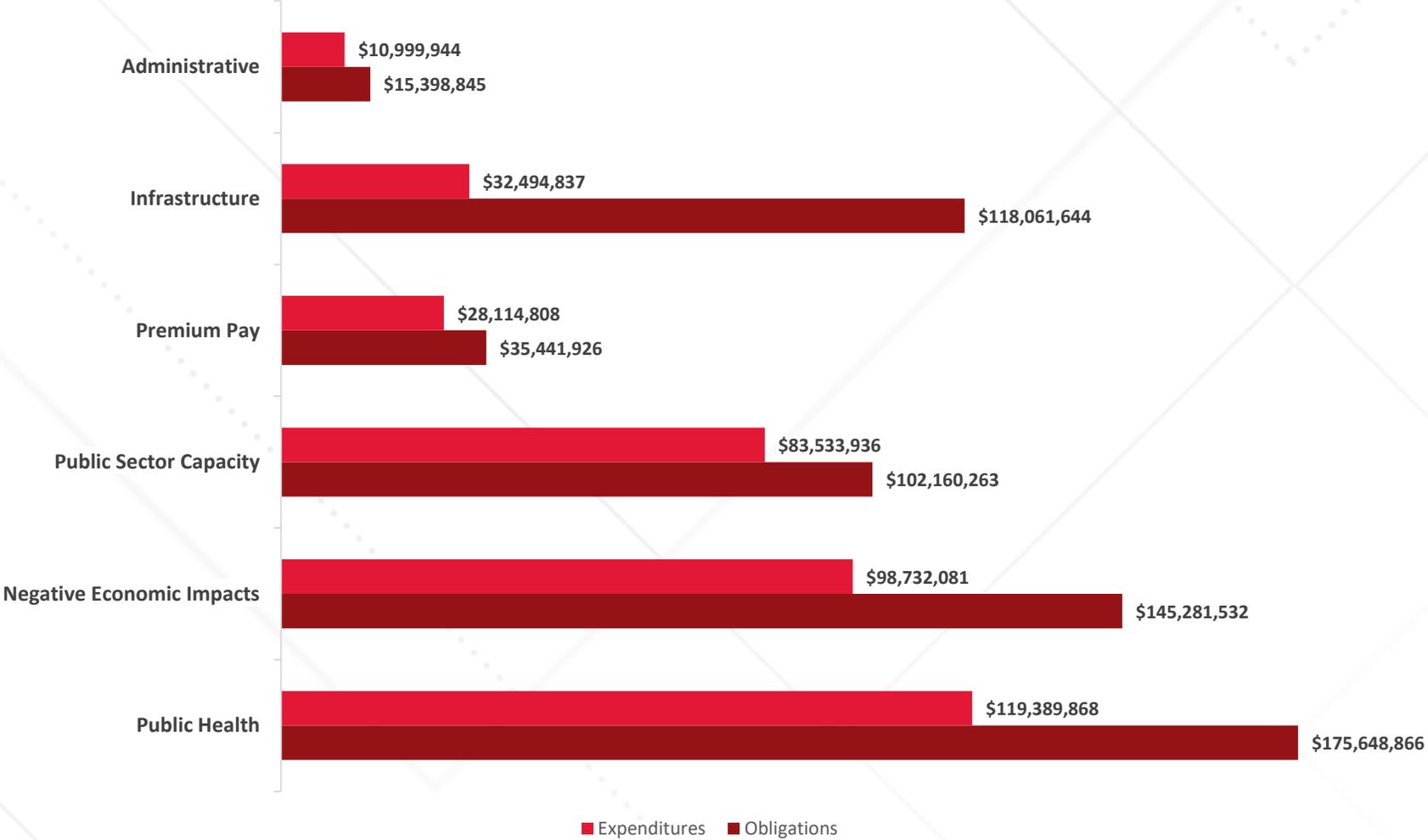
29 Metropolitan Cities

# Counties and Metropolitan Cities

Projects to address the COVID-19 public health emergency and its negative economic impacts are the most common LFRF uses

Significant funds have been obligated towards infrastructure projects, but expenditures are slow

Funds that address the needs to LFRF governments, such as expanding public sector capacity and premium pay, have higher expenditure rates



Source: U.S. Treasury Project and Expenditure Report, Period July-September 2022.

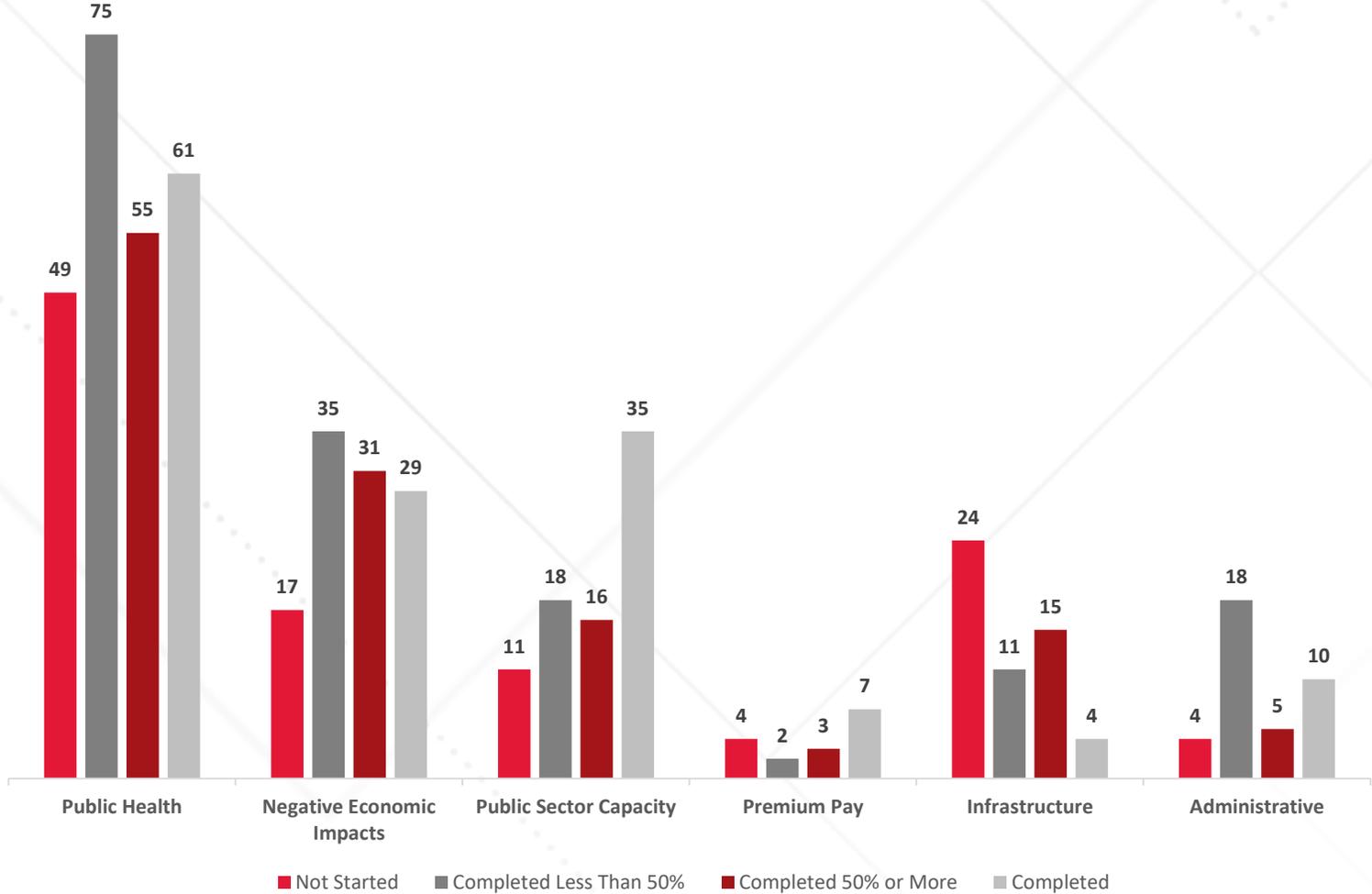
# Counties and Metropolitan Cities

Some recipients prioritize addressing immediate needs, such as providing grants to businesses, creating premium pay programs, and increasing government capacity

As immediate needs of the pandemic recede, long term capital expenditure and infrastructure projects are prioritized

Most public health and infrastructure projects have not started or are completed less than 50%. Navigating rules and regulations make these projects more difficult to execute:

- Reasonable and proportional standard
- Providing written justification
- Analyzing cost effectiveness



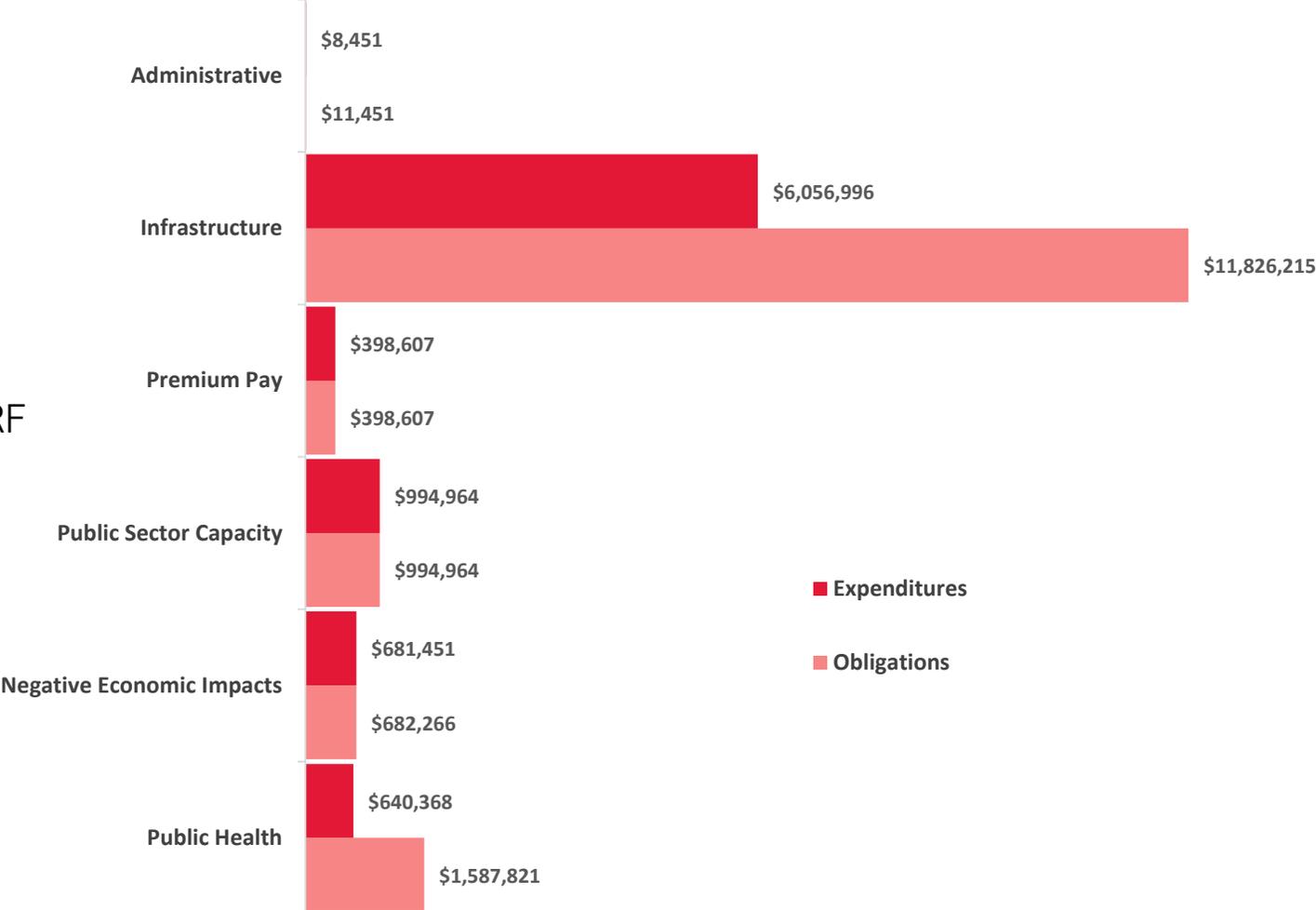
Source: U.S. Treasury Project and Expenditure Report, Period July-September 2022.

# Non-Entitlement Units of Local Government

NEUs direct a large share of their non-Revenue Replacement LFRF towards infrastructure projects

Like counties and metropolitan cities, funds for infrastructure projects are expended slowly

This suggests all recipients of LFRF could benefit from added support to implement and complete these projects within LFRF's period of performance



Source: U.S. Treasury Project and Expenditure Report, Period July-September 2022.

Current State Landscape

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# Examples of Project Optimizing LFRF Allocations

## Mid-Atlantic State

Water Assistance Program to provide financial relief for households impacted by the pandemic and to provide support for utility providers faced with significant pandemic-related financial hardship

## Mid-Atlantic Suburban County

Projects across varied areas of focus including:

- Apprenticeships for high-need industries
- Student assistance to facilitate community college completion
- Employee retention for critical need sectors
- Mental health crisis care
- Increased access to childcare

## Urban County

Blended LFRF and other federal funds for infrastructure projects, requiring multi-department coordination for management and compliance

## Suburban County

Nonprofit assistance program to distribute LFRF to organizations with track record of serving the public good and assisting the community quickly and effectively

# Strategies for Optimizing LFRF

## **Conduct Enterprise-Wide Needs Assessment**

- Conduct an enterprise-wide assessment to determine short- and long-term needs given the unprecedented amount of federal funding available to local governments
- Build off any community and stakeholder engagement that was part of the LFRF funding prioritization
- Incorporate planning processes elsewhere in your government, including capital planning, economic development planning, etc.
- The results of this assessment can be used to determine the best way to deploy LFRF (and other funding), which is among the most flexible federal funding sources

## **Address Long- Term and Systemic Issues**

- As recipients move past the immediate pandemic response, focus can shift to using remaining LFRF for long-term and systemic needs, many of which have shifted following the pandemic and due to current economic conditions
- Current conditions have revealed many common areas of concern for local governments, including workforce development, childcare, mental health, and digital equity

# Strategies for Optimizing LFRF

## Leverage Unique and Flexible Nature of Funding

- Since the initial passage of the American Rescue Plan Act, LFRF has become even more flexible, first with the passage of the Final Rule and, more recently, with the passage of the 2023 Consolidated Appropriations Act (Omnibus)
- Maximize revenue loss provision to increase flexibility and reduce administrative burden
- LFRF that were allocated for a given need may be able to be used as local match for a grant addressing that same need, leveraging significant additional funding.
- LFRF can fund the internal capacity needed to identify, secure, and manage other federal funds

## Seek out Multiplier Effects

- Distributing LFRF to community organizations with proven track records of success can allow small amounts of funding to have larger impacts
- Similarly, strategic use of LFRF for business development and workforce grants can have multiplier effects throughout the local economy
- Designing these programs require strategic planning and comprehensive plans to invest, supported by analyses that consider the financial, economic, and social impact of funding proposals

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# Key Takeaways

- Local governments have an opportunity to reevaluate LFRF spending priorities in order to optimize their allocations with a focus on long-term benefit for their communities
- Numerous strategies exist to facilitate optimization, including strategic use of revenue replacement. A common theme to each of these strategies is recognizing the flexibility of LFRF as a funding source and approaching its utilization in a mindful way.
- Successful optimization has included projects that:
  - Address needs made more apparent during the pandemic, such as mental health
  - Address needs created by the post-pandemic economy, such as workforce development and child-care
  - Address needs deferred during the pandemic, such as replacement of infrastructure

## Questions and Contact

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# Your NJ ARPA consultants can provide help assist municipalities and counties during their LFRF process

- If you've followed ARPA over the last 2 years, you've likely noticed that the LFRF program has changed substantially since its creation.
- Many of the ARPA changes have been beneficial and increased the flexibility of use, but each has represented a change in process, compliance, and/or reporting that you must be aware of and implement.
- On the following slide we will look at just a few of the legislative changes, then we will review the key steps we can take together to ensure you are maximizing your ARPA dollars.

# Programmatic changes after the launch of ARPA

The LFRF program has changed substantially since its creation within the ARPA legislation. Some of those changes include:

## Lost Revenue

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GFOA calculator is replaced by a Standard Allocation for most smaller governments.

## Infrastructure Projects

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The variety of allowable infrastructure projects have increased recently via the Consolidated Appropriations Act

## Capital Improvement Projects

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With the removal of E.C. 1.7, Capital improvements now require greater justification.

## Expenditure Categories

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The number of reporting “expenditure” categories has increased from 66 to 93.

## Flexibility for as use as emergency relief

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ARPA funds can be used to respond to natural disasters unrelated to the COVID pandemic

## Audit Process

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“Alternative Audit” process was created for NEUs spending greater than \$750K in ARPA funds during their fiscal year.

# 12 Vendor services leading TO ARPA SUCCESS

## 1. Conduct a review of your "Lost Revenue" as allowed to recoup funds for government services.

Since these funds are more flexible, quantifying them early helps with project planning.

## 2. Standardized process for documentation of project eligibility and expense management.

Defining general rules set expectations for consistency in review and documentation

## 3. Evaluate risks and create mitigation plans where applicable for prospective projects.

With no Federal review of projects or procurement, some activities carry compliance and/or recoupment risks. These need to be identified and mitigated.

## 4. Review potential projects or programs for duplication with state programs or alternative funding sources.

ARPA funding can be used for activities that are traditionally hard to fund. That is why it's valuable to compare your proposed activity with other funding sources to maximize your ARPA dollars.

# 12 Vendor services leading TO ARPA SUCCESS

**5. Ensure purchases, processes, and procurements meet state requirements as well as 2 CFR 200 where applicable.**

Adherence to Uniform Guidance is mandated in the ARPA Terms and Conditions.

**6. Assist in the preparation of project scope, budgets, and schedules.**

Working with engineers and city staff to create baselines on the big 3 project variables is critical.

**7. Prioritize project development & launch in a manner that assures they finish on schedule.**

For communities managing multiple projects/programs or subrecipients there is strategy in the order of program launch.

**8. Develop Policy and Procedures for beneficiary programs including monitoring of subrecipients.**

Adherence to Uniform Guidance is mandated in the ARPA Terms and Conditions.

# 12 Vendor services leading TO ARPA SUCCESS

## 9. Provide project management over newly created programs and projects.

All projects require leadership and oversight which can be provided by your consultant. This scalable solution, could be anything from project consultation to complete implementation and management.

## 10. Manage Regulatory and Compliance concerns.

We ensure compliance with the NJ Prevailing Wage Act. With NEPA review waived on ARPA funded programs (except FAA and FCC permitted activity), we evaluate environmental compliance with state and local regulation.

## 11. Prepare all reports required by the U.S. Treasury.

Whether you report quarterly or annually, we can help by reconciling all ARPA activity and creating your report prior to the federal reporting window. This gives you time to review prior to submission.

## 12. Create audit friendly closeout packages.

Records are required for 5 years after conclusion of the program. We make sure all your records are organized so that years from now when individuals have forgotten the details, the closeout package memorializes everything.

# Summary of the 12 key activities leading TO ARPA SUCCESS

- 1.**  Conduct review of "Lost Revenue"
- 2.** Standardize Processes
- 3.** Evaluate & Mitigate Risks
- 4.**  Evaluate alternative funding sources
- 5.** Meet 2 CFR 200 Requirements
- 6.**  Assist in Project Scope, Budget, & Schedule Prep
- 7.**  Prioritize Project Development
- 8.** Develop Policy & Procedures
- 9.**  Provide Project Management
- 10.** Manage Regulatory & Compliance Concerns
- 11.**  Prepare Required Treasury Reports
- 12.** Create Audit-Friendly Closeout Packages.

 Evidence of local need found through review of DCA provided ARPA data

# GrantWorks

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## Thank You!

Partner with us to leverage our 43+ years of experience to help your community thrive.

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Questions?