



Local Fiscal Recovery Fund

Key Information and
Processes

American Rescue Plan Act

The American Rescue Plan Act includes approximately \$3.6 billion in “COVID-19 Local Fiscal Recovery Funds” that was made available from the United States Department of the Treasury to each of New Jersey’s twenty-one (21) counties and five hundred and sixty –five (565) municipalities.

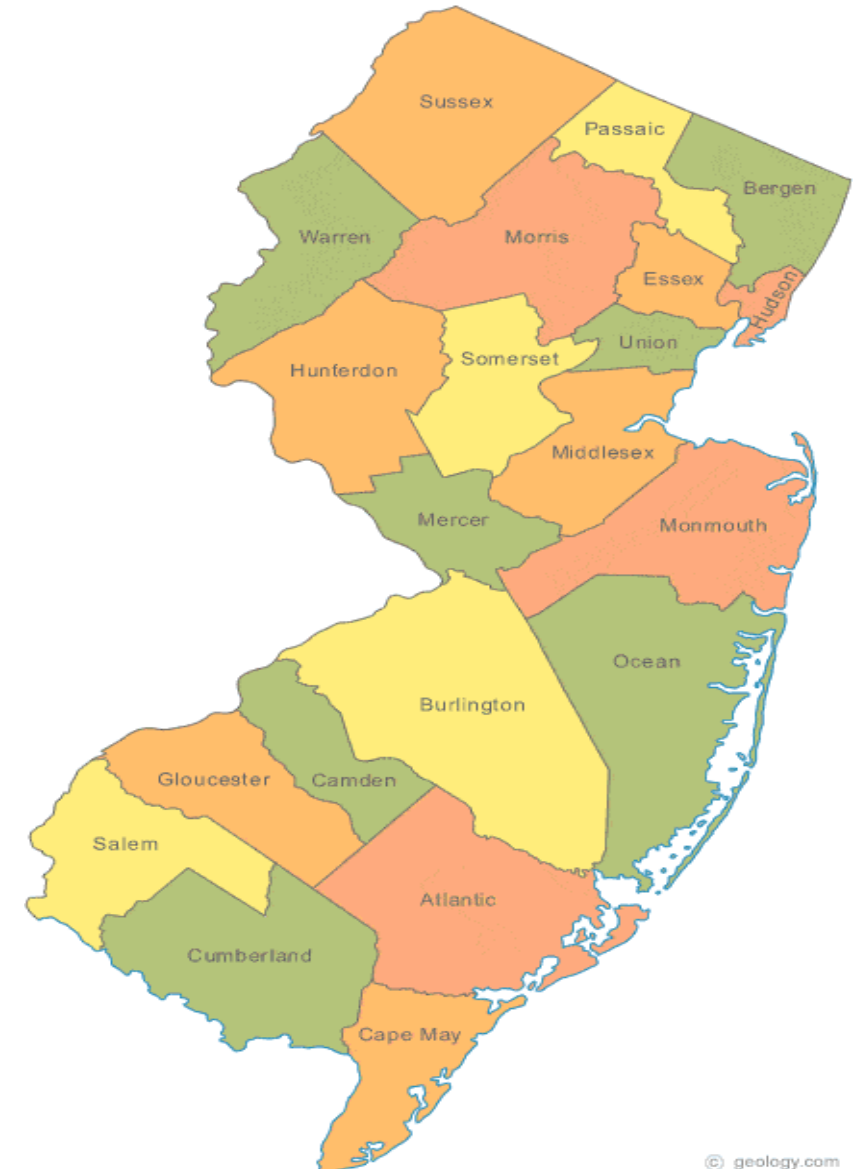


New Jersey Local Government Assistance Available

GDRO's Supportive Role

GDRO may provide assistance to counties and municipalities that received LFRF funding in the following ways:

- Information hub: GDRO webpage
<https://nj.gov/covid19oversight/index.shtml>
- Coordination of resources among municipalities, between state and local, and between local and other entities
- Consultant to assist with grant management processes including potential budget impacts, internal controls, federal reporting, etc.





Local Fiscal Recovery Fund Basics

Local Fiscal Recovery Fund (LFRF)

- Established by Section 603 of the American Rescue Plan Act (ARPA) to offer aid to eligible county and city/town governments to respond to the COVID-19 emergency and bring back jobs
- [Administered by the US Treasury: US Department of the Treasury LFRF Resources](#)
- Provides money to Counties, Metropolitan Cities, and **Non-Entitlement Units of Local Government (NEUs)**
- Counties and Metropolitan Cities receive money directly from the Treasury.
- NEUs receive the federal money via the State in two tranches but are considered “prime recipients” fully responsible for the eligible use and reporting of funds.

Calculation of LFRF funding by NEU (defined by ARPA):

$$\frac{\text{Total Population of the NEU}}{\text{Total Population of all eligible NEUs}} \times \text{Aggregate state NEU payment}$$

Capped at 75% of NEU's last FY budget

Cities/Towns are Prime Recipients

NEUs are “Prime Recipients” of LFRF funds

Prime recipients are responsible for managing *all aspects* of the federal funds, which include:

- Maintaining **compliance** with guidance from the U.S. Department of the Treasury, including using funds only on eligible uses and following the Uniform Guidance and other federal regulations that apply
- Providing accurate **reporting to the US Treasury** and **keeping all relevant documentation** for all LFRFs funds

To help you understand these obligations, GDRO and a State Procured Consultant are available to answer questions.

Local Fiscal Recovery Fund Eligible Uses



LFRF Eligible Uses: Overview

5 Major Categories of Eligible Uses:



Responding to the Public Health Emergency



Reacting to Negative Economic Impacts of COVID-19



Providing Premium Pay to Essential Workers



Revenue Loss due to COVID -19



Making Necessary Investments in Water, Sewer, or Broadband Infrastructure



LFRF Eligible Uses: Public Health Impacts

Eligibility Test

- **Step 1:** Identify public health issue created or made worse by the COVID-19 public health emergency
- **Step 2:** Identify how the proposed program, service, or other intervention addresses the identified need or impact

Examples of Public Health Activities

- **COVID-19 mitigation and prevention:** vaccination programs, medical care, testing, contact tracing, support for isolation or quarantine, public health surveillance, ventilation improvements in congregate or health care settings, public communication efforts, purchase of PPE, capital investments in public facilities to meet pandemic operational needs, etc.
- **Medical Expenses:** covers costs related to medical provided directly to an individual due to COVID-19 infection or potential infection. This can include medical costs to uninsured individuals; deductibles, co-pays, or other costs not covered by insurance; costs for uncompensated care at health provider, emergency medical response costs, and, for recipients with a self-funded insurance plan, excess health insurance costs due to COVID-19 medical care.
- **Behavioral Health Care:** covers an expansive array of services for prevention, treatment, recovery, and harm reduction for mental health, substance use, and other behavioral health challenges caused or exacerbated by the public health emergency.
- **Preventing and Responding to Violence:** community violence interventions programs in all communities and evidence-based practices like focused deterrence, street outreach, violence interrupters, and hospital-based violence intervention models.

These are only examples from the non-exhaustive list of eligible and ineligible activities provided by the [SLFRF-Final-Rule.pdf](#) ([treasury.gov](#)).



LFRF Eligible Uses: Negative Economic Impacts

Eligibility Test

- **Step 1:** Identify the economic impact created or made worse by the COVID-19 public health emergency
- **Step 2:** Identify how the proposed program, service, or other intervention addresses the identified need or impact

Example Economic Impact Activities

- **Assistance to households:** cash, food, housing (rent, mortgage, utility aid), childcare, education, health insurance, internet access, legal aid (eviction or homelessness), job training, etc.
- **Assistance to small businesses:** loans or grants to mitigate financial hardship, technical assistance, counseling, business planning, improvements, enhanced support to microbusinesses, etc.
- **Assistance to Non-profits:** assistance include loans, grants, in-kind, technical or other services along with receiving funds as subrecipients of a recipient government

Special Rules for Travel, Tourism, Hospitality & Other Impacted Industries

- **Aid to mitigate financial hardship due to declines in revenue or profit**
- **Aid for technical assistance, counseling, and other services to assist with business planning needs**
- **Assistance to hospitality/tourism businesses for safe reopening measures:** improvements to ventilation or physical barriers or partitions, construction of outdoor facilities
- **Planned expansions or upgrades of tourism, travel, and hospitality facilities delayed due to the pandemic**

Ineligible Economic Impact Activities

- **Infrastructure projects *unless*:** project responded to specific pandemic public health need or specific negative economic impact (including building affordable housing, childcare facilities, schools, hospitals, etc.)
- **Deposit to rainy day funds, financial reserves, or similar funds**
- **Payment of interest or principal on outstanding debt interests**

These are only examples from the non-exhaustive list of eligible and ineligible activities provided by the [SLFRF-Final-Rule.pdf](#) ([treasury.gov](#)).



LFRF Eligible Uses: Premium Pay

LFRF may be used to provide **premium pay** to eligible workers performing essential work during the COVID-19 public health emergency or to provide grants to third-party employers with eligible workers performing essential work. Premium pay is defined as an amount up to \$13 per hour in addition to remuneration the worker otherwise receives and in aggregate amount cannot exceed \$25,000 per eligible worker.

Eligible Essential Worker

Examples

- Staff at nursing homes, hospitals, and home-care settings
- Workers at farms, grocery stores, and restaurants
- Janitors and sanitation workers
- Public health and safety staff

Essential Workers

- **Essential workers** help maintain continuity of operations of essential critical infrastructure sectors (*childcare, education, sanitation, food production*), including those who are critical to protecting the health and wellbeing of communities
- **Essential workers** must be physically present and involve regular in-person interactions (*telework is ineligible*) or regular physical handling of items that were also handled by others
- Recipients of premium pay must provide Treasury a written justification of how premium pay is responsive to their **essential work** if premium pay would increase total pay above the higher of:
 - 150% of residing state's average annual wage for all occupations according to BLS
 - Residing county's average annual wage, defined by Bureau of Labor Statistics



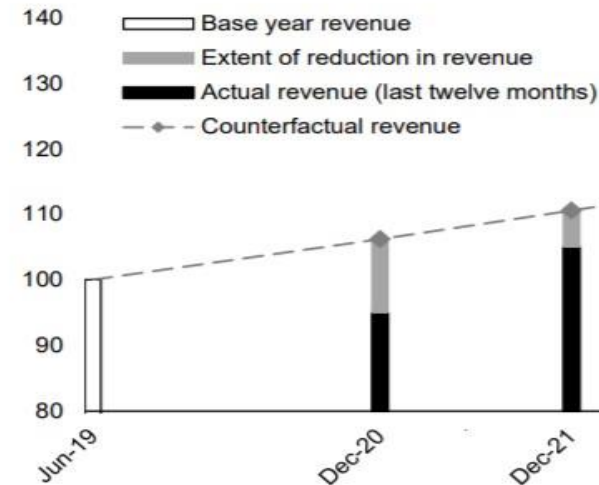
LFRF Eligible Uses: Revenue Loss

Funds may be used to pay for the provision of government services only to the extent of the reduction in revenue experienced due to the COVID-19 public health emergency.

Calculating Revenue Loss

1. Identify revenues collected in the most recent full FY prior to COVID-19 (i.e., last full FY before 1/27/20), called the base revenue.
2. Estimate counterfactual revenue: $\text{base year revenue} * [(1 + \text{growth adjustment})^{(n/12)}]$, where n is the number of months elapsed since the end of base year to the calculation date, and *growth adjustment* is the greater of the average annual growth rate across all State & Local Government "General Revenue from Own Sources" in the most recent three-year period prior to the emergency, 5.2%, or the recipient's average annual revenue growth in the three full fiscal years prior to the COVID-19 public health emergency.
3. Identify actual revenue: revenue collected over the twelve months immediately preceding the calculation date.
4. The extent of the reduction in revenue is equal to counterfactual revenue less actual revenue. If actual revenue exceeds counterfactual revenue, the extent of the reduction in revenue is set to zero for that calculation date.

The overall methodology for calculating the reduction in revenue is illustrated in the figure below:



Recipients may immediately calculate revenue loss for the period ending December 31, 2020.

LFRF Eligible Uses: Revenue Loss- Standard Allowance

To address comments that the formula for calculating revenue loss was difficult to apply, Treasury has included an option for recipients to use a standard allowance for revenue loss.

Specifically, recipients will be permitted to elect a fixed amount of loss that can be used to fund government services.

This fixed amount, referred to as the “standard allowance” is set at **\$10 million** total for the entire period of performance.



LFRF Eligible Uses: Revenue Loss

REVENUE LOSS FUNDS ONLY

LFRF Revenue Loss eligibility is extended to the provision of most government services.

Allowed Under Government Services

- Cities/towns have broad latitude for the use of Revenue Loss funds, most normal government activities and expenses will be eligible activities
- Treasury specifically cites the following non-exhaustive examples of eligible uses:
 - maintenance or pay-go (funded by cash, not loans)
 - building of infrastructure, including roads;
 - modernization of cybersecurity, including hardware, software, and protection of critical infrastructure;
 - health services;
 - environmental remediation;
 - school or educational services; and
 - the provision of police, fire, and other public safety services

Not Allowed Under Government Services

- Recipients may not fund capital projects funded with borrowed money. All capital projects funded with LFRF money must be paid with “cash-on-hand”
- Recipients may not pay down debt or pay interest on debt with LFRF money
- Recipients may not deposit LFRF money into pension funds
- Recipients may not use LFRF money to undermine COVID-19 mitigation practices in line with CDC guidance and recommendations
- Recipients may not use LFRF money for any settlements and judgements
- Recipients may not use LFRF money in violation of the Award Terms and Conditions or conflict of interest requirements under the Uniform Guidance

Note: The provision that recipients may not use LFRF money to offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation is ambiguous particularly given several States are using SFRF to directly offset tax revenue.

Definition of Government Services taken from the Final Rule

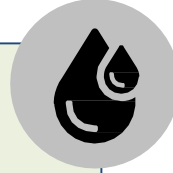
Government services generally include any services traditionally provided by a government, including construction of roads and other infrastructure, provision of public safety and other services, and health and educational services. Funds spent under government services are subject to streamlined reporting and compliance requirements.



LFRF Eligibility: Investment in Infrastructure

Eligible Infrastructure Uses

Water & Sewer



Projects that meet at least 1 criteria:

- Eligible for EPA's Clean Water or Drinking Water State Revolving Funds
- Provide safe drinking and usable water
- Improve drinking water infrastructure
- Manage and treat stormwater
- Facilitate water reuse
- Provide relief in case of natural disaster

Broadband



Projects that meet these criteria:

- Help unserved & underserved customers
- Meets symmetrical upload & download speeds of 100 Mbps
- Integrate affordability options into design
- Offers direct internet or digital literacy assistance to households facing negative economic impacts
- Prioritize fiber optic infrastructure

Aligning Investments

Infrastructure does not end at the NEU's boundaries— and both the State and neighboring NEUs have funding available for investments in these kinds of infrastructure projects. NEUs are advised to align their planning to most efficiently invest in this infrastructure.

Executive Order No. 267 – Avoiding Duplicative Programs and Projects

To ensure the efficient use of American Rescue Plan's COVID-19 relief funds, it is necessary to avoid creating duplicative programs and projects across State and local governments. To this end, Executive Order No. 267 sets out the following requirements:

- NJ Department of Community Affairs' ("DCA") Division of Disaster Recovery & Mitigation ("DDRM") is directed to review county and municipal reports collected pursuant to the above requirement to identify potential duplicative State programs.
- DDRM is directed to perform an analysis based on the United States Treasury reporting received by the DGLS from county and municipal Local Fiscal Recovery Funds recipients, and to flag any potentially duplicative funding that may create a violation of Stafford Act.
- DCA's Division of Local Government shall be authorized to call upon any county or local government agency of this State to supply them with any information, personnel, or other assistance necessary to discharge their duties under this Order.
- DDRM shall be authorized to call upon any department, office, division, or agency of this State to supply them with any information, personnel, or other assistance necessary to discharge their duties under this Order.
- Each department, office, division, and agency of this State, along with each county and local government entity within this State, is hereby required, to the extent not inconsistent with law, to cooperate fully with the DCA, DLGS, and DDRM to provide them with such information and assistance on as timely a basis as is necessary to accomplish the purposes of this Order.
- Local Governments can submit their UST plans to DCA - DLGS at LFRF.Reporting@dca.nj.gov.

Eligible Timing: Costs Incurred by the Recipient

- For the eligible uses described in the previous slides, funds may be used for costs incurred by the recipient beginning on March 3, 2021.
- In some cases, recipients may use the funds for circumstances occurring prior to March 3, 2021. See additional details by eligible use category below.

Public Health/Negative Economic Impacts

- **Costs can occur before March 3, 2021** (example: rental or utility arrearages from 2020) as long as the **city/town pays the cost after March 3, 2021.**

Premium Pay

- Recipients may provide premium pay **retrospectively for work performed at any time since the start of the COVID-19 public health emergency.** The city/town must launch the premium pay program after March 3, 2021.

Revenue Loss

- Lost revenue calculation covers lost revenue for the city/town's **2020 calendar year.** However, use of revenue replacement funds must be for **costs incurred by the recipient after March 3, 2021.**

Investments in Water, Sewer, and Broadband

- Recipients may use funds to cover costs incurred for eligible projects **planned or started before March 3, 2021,** as long as the specific costs covered by the funds were incurred after March 3, 2021.

Deadlines: Obligations and Expenditures

Obligations

A commitment to pay a third party based on a contract, grant, loan, or other arrangement.

12/31/24: Funds must be *obligated*

Expenditures

The amount that was obligated has actually been spent, and the good/service has been fully provided.

12/31/26: Funds must be *expended*



Local Fiscal Recovery Fund Additional Requirements



Requirements that Apply to Federal Funds

Federal Procurement Rules and Cost Principles

The Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance") apply to the LFRF. These include, *but are not limited to*:

- Contracts must follow federal procurement rules and cost principles.
- Cities/towns may enter into Grant Agreements with subrecipients (such as to broadband suppliers, water departments, or school districts that serve multiple NEUs). Cities/towns are responsible for monitoring and reporting on subrecipient use of LFRF funds.
- Single Audit requirements apply to subrecipients who receive *in the aggregate* more than \$750,000 in federal funds for the year.

For more information:

- [For a summary of LFRF-applicable requirements, see the SAM.gov site specific to Coronavirus State and Local Fiscal Recovery Funds here \(see "Compliance Requirements" section\).](#)
- For the full text of applicable requirements, see [eCFR : 2 CFR Part 200 -- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards](#).
- For purchasing under federal awards for disaster declarations, see 2 C.F.R. §§ 200.317 – 200.327 – Federal Procurement Rules (see link above).

Reporting Requirements for LFRF

Table 2: Reporting requirements by recipient type

Tier	Recipient	Interim Report	Project and Expenditure Report	Recovery Plan Performance Report
1	States, U.S. territories, metropolitan cities and counties with a population that exceeds 250,000 residents	By August 31, 2021 or 60 days after receiving funding if funding was received by	By January 31, 2022, and then the last day of the month after the end of each quarter thereafter	By August 31, 2021 or 60 days after receiving funding, and annually thereafter by July 31
2	Metropolitan cities and counties with a population below 250,000 residents that are allocated more than \$10 million in SLFRF funding, and NEUs that are allocated more than \$10 million in SLFRF funding	October 15, with expenditures by category. <i>Note: NEUs were not required to submit an Interim Report</i>	<i>Note: NEUs were not required to submit a Project and Expenditure Report on January 31, 2022. The first reporting date for NEUs was April 30, 2022.</i>	
3	Tribal Governments that are allocated more than \$30 million in SLFRF funding			
4	Tribal Governments that are allocated less than \$30 million in SLFRF funding		By April 30, 2022, and then annually thereafter	
5	Metropolitan cities and counties with a population below 250,000 residents that are allocated less than \$10 million in SLFRF funding, and NEUs that are allocated less than \$10 million in SLFRF funding			

Required Information By Report

Project and Expenditure Report

- Projects
- Obligations and expenditures
- Project Status
- Program Income
- Adopted Budget
- Project Demographic Distribution
- Subawards, Contracts, Grants, Loans, Transfers and Direct Payments
- Civil Rights Compliance
- Required Programmatic Data
- NEU Documentation

Recovery Plan Performance Report

- Executive Summary
- Use of Funds
- Promoting Equitable Outcomes
- Community Engagement
- Labor Practices
- Use of Evidence
- Performance Report
- Project Inventory

For more details, see the [Compliance and Reporting Guidance](#)



Equity and Evidence

Equity

Project Demographic Distribution

Recognizing the disproportionate public health and negative economic impacts of the pandemic on many households, communities, and other entities, recipients must report whether certain types of projects are targeted to impacted and disproportionately impacted communities. Recipients will be asked to respond to the following in their Project and Expenditure Report:

- a) What Impacted and/or Disproportionally Impacted population does this project primarily serve? Please select the population primarily served.
- b) If this project primarily serves more than one Impacted and/or Disproportionately Impacted population, please select up to two additional populations served.

Recipients will select from the options enumerated in the [Compliance and Reporting Guidance](#)

Equity

Promoting Equitable Outcomes

Recipients should describe, as applicable, their efforts to promote equitable outcomes, including economic and racial equity, and their efforts to design, implement, and measure their LFRF program and projects with equity in mind. This information should be presented in the Recovery Plan Performance Report.

In describing their efforts to **design** their LFRF program and projects, recipients may consider the following:

- Goals: Are there particular historically underserved, marginalized, or adversely affected groups that recipients intend to serve within their jurisdiction?
- Awareness: How equitable and practical is the ability for residents or businesses to become aware of the services funded by LFRF?
- Access and Distribution: Are there differences in levels of access to benefits and services across groups? Are there administrative requirements that result in disparities in ability to complete applications or meet eligibility criteria?
- Outcomes: How are intended outcomes focused on closing gaps and/or reaching universal levels of service? How is the recipient considering disaggregating outcomes by race, ethnicity, and other equity dimensions where relevant for the policy objective?

For more information:

- [Executive Order 13985 On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government](#)
- [Equitable Economic Recovery Webinar](#)
- [Equity and Community Engagement Webinar](#)
- [SLFRF Equity and Outcomes Resource Guide](#)

Evidence

Some programs are required to report their use of evidence. This can be satisfied by either conducting a program evaluation or reporting the dollar amount spent on evidence based-interventions:

- 1) Conduct a program evaluation
 - Standards for program evaluation are enumerated in [OMB M-20-12](#)
- 2) Report the dollar amount spent on evidence-based interventions
 - U.S. Treasury describes their evidence-based standards in Appendix 2 of the [Compliance and Reporting Guidance](#)

U.S. Treasury recommends the following Evidence Clearinghouses to assess the level of evidence for the intervention:

- [What Works Clearinghouse](#)
- [Department of Labor's CLEAR](#)
- [Clearinghouses from the Office of the Administration of Children & Families](#)

Questions On Local Fiscal Recovery Funds

If you have any questions concerning your LFRF please send them to the following email address: GOVGDRO@nj.gov.

Frequently asked questions and their answers will be posted on the Governor's Disaster Recovery Office Transparency Website at <https://nj.gov/covid19oversight/index.shtml>.

Once you arrive on the page click on LFRF at the top.

SLFRF Resources

State of New Jersey Local Government LFRF Reporting Notice

Please visit DCA – DLGS’s website at www.nj.gov/dca/divisions/dlgs/lfns/22/2022-08.pdf

For More SLFRF Information:

Please visit Treasury’s State & Local website at www.treasury.gov/SLFRP

Please visit Treasury’s website dedicated for [NEUs](#).

Also view recorded webinars on the SLFRF [Youtube page](#)

For Reporting Information:

Please visit Treasury’s State & Local website at www.treasury.gov/SLFRPReporting

For General Inquiries:

Please email SLFRP@treasury.gov