



**OKLAHOMA**



# American Rescue Plan Act (ARPA)

**Crawford & Associates, P.C.**  
Governmental Accounting

# Local Fiscal Recovery Fund Eligible Uses and Reporting



# Eligible Categories Overview

5 major categories of eligible uses:



Public health expenditures



Address economic impacts of COVID-19



Replace lost public sector revenue



Provide premium pay for essential workers



Invest in water, sewer, and broadband infrastructure



# Public Health Expenditures

## 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, ventilation improvements in congregate or health care settings, contact tracing
- Behavioral Health Care: mental health treatment, crisis intervention, substance misuse treatment
- Public Health and Safety Staff: payroll and benefits
- Medical Expenses: continued care for those suffering from long-term impacts of COVID-19 such as shortness of breath for weeks or months, multi-organ impacts from COVID-19, or post-intensive care syndrome.
- Expenses to Improve the Design and Execution of Health and Public Health Programs: targeted consumer outreach, improvements to data or technology infrastructure, impact evaluations, and data analysis.
- Equitable Care: the interim final rule identifies a broader range of services and programs that will be presumed to be responding to the public health emergency when provided in low-income and Native American communities



# Address Economic Impacts of COVID-19

## 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 of Economic Impact Activities

- Assistance to impacted households: food, rent, counseling, job retraining, legal aid
- Improving efficacy of economic relief programs: targeted consumer outreach, improvements to data/technology infrastructure
- Assistance to small businesses: assistance with reopening, credit access, revenue replacement

## Special Rules for Tourism

- 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

- General Infrastructure projects; *unless* project responded to specific pandemic public health need or specific negative economic impact
- 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 list of eligible and ineligible activities provided by the [Interim Final Rule](#), pages 13-38.*



# Replace Lost Public Sector Revenue

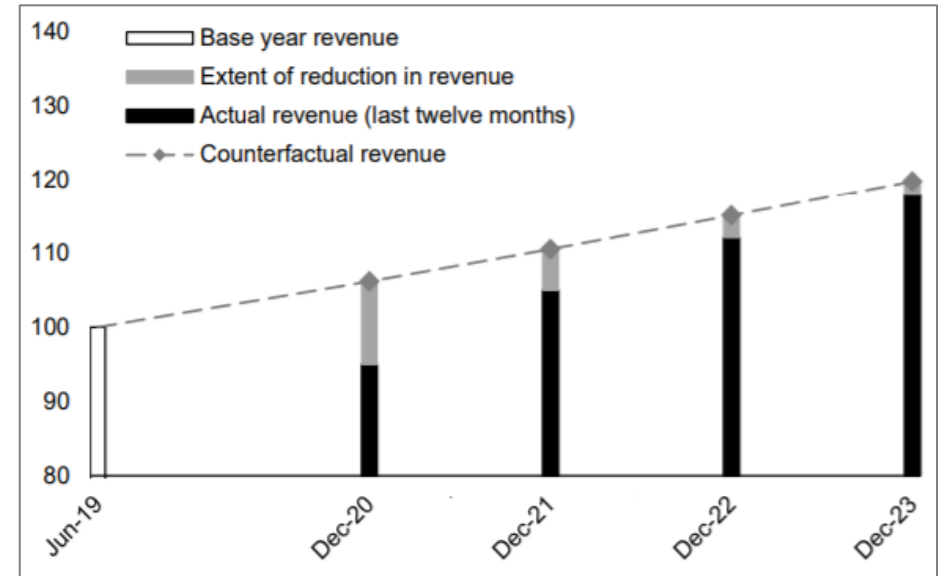


## Calculating Revenue Loss

- Identify revenues collected in the most recent full FY prior to COVID-19 (i.e., last full FY before 1/27/20)
- Estimate counterfactual revenue:

$$\text{Base year revenue} * (1 + \text{growth adjustment})^{\frac{n}{12}}$$

N is the number of months elapsed since the end of the base year to the calculation date and growth adjustment is the greater of 4.1% and the recipient's average annual revenue growth in the three full fiscal years prior to the COVID-19 public health emergency.



### Eligibility Test

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.

- Identify actual revenue, which equals revenues collected over past 12 months as of calculation date.

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



# Replace Lost Public Sector Revenue (cont)



## Resources

- The National League of Cities and Towns has developed a tool to help you calculate your revenue loss; available [here](#).
- The Government Finance Officers Association also has a tool; available [here](#).

## 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

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



# Replace Lost Public Sector Revenue (cont)



## Not Allowed Under Government Services

- Obligations, interest, or principal related to debt or borrowed money
- Obligations due to settlement agreements, judgments, consent decree, or judicially confirmed debt

### Important Information

#### Revenue Loss Funds ONLY

LFRF revenue loss eligibility is extended to the provision of most government services.

## CAUTION: Using LFRF to Offset Reduced Tax Rate(s)

- There is some risk the Treasury intends to extend the prohibition from the State Fiscal Recovery Funds and prohibit LFRFs to reduce the tax rate.
- NEUs interested in using the LFRF to reduce their tax rate should consider filing comments on the Treasury's Interim Final Rule (IFR).
- We expect additional clarity will come via the IFR comment process and advise that if NEUs can postpone their decisions until after Treasury issues additional guidance, that would place them at the least risk.

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



# Premium Pay for Essential Workers



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 Worker Examples

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

## 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
- 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

*These are only examples from the list of eligible and ineligible activities provided by the [Interim Final Rule](#), pages 13-38.*





# Infrastructure Investment



## Eligible Infrastructure Uses

### Water & Sewer: Projects that meet at least 1 criteria

#### Aligning Investments

- Infrastructure does not end at the NEU's boundaries
- 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.

- Eligible for EPA's [Clean Water State Revolving Fund](#):
  - Construct, improve or repair wastewater treatment plants
  - Control non-point sources of pollution
  - Improve resilience of infrastructure to severe weather
  - Create green infrastructure
  - Manage and treat stormwater
  - Facilitate water reuse
  - Protect water bodies from pollution
- Eligible for EPA's [Drinking Water State Revolving Fund](#):
  - Build or upgrade facilities and transmission, distribution and storage
  - Support consolidation or establishment of drinking water systems
  - Replace lead service lines

*These are only examples from the list of eligible and ineligible activities provided by the [Interim Final Rule](#), pages 13-38.*



# Infrastructure Investment (cont)



## Eligible Infrastructure Uses

**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
- 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.

*These are only examples from the list of eligible and ineligible activities provided by the [Interim Final Rule](#), pages 13-38.*



# Eligible Timing

- 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 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, & 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.

\* For more information on this timing consideration, see [Treasury LFRF FAQ updated July 19, 2021](#) – FAQ 4.7 (pages 20-21).



# 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*



# Additional Requirements



# Federal Funds Requirements

A summary of [LFRF-applicable requirements](#) specific to state and local funds are available on the SAM.gov website.

For the full text of applicable requirements, [see Title 2, Part 200](#) of the Code of Federal Regulations.

## 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 recipients and subrecipients who receive *in the aggregate* more than \$750,000 in federal funds for the year.

*For more information on this, see Treasury LFRF FAQ updated July 19, 2021 – FAQ 4.7 (pages 20-21).*



# LFRF Reporting Requirements

## Ongoing Annual Project Expenditures Reports

- NEUs will be required to report to Treasury on the use of funds annually.
- NEUs should maintain detailed financial records and supporting documents for all uses of the LFRF.
- Detailed [reporting and compliance guidance](#) is available on the Treasury website.
- A User Guide for submitting the required reporting is forthcoming.
- Municipalities will report directly to the U.S. Treasury, not to the State of Oklahoma

First report due  
April 30, 2022.



# LFRF Reporting Requirements (Cont), Annual Project Expenditure Report

#	Component	Required elements
a.	Projects	Project Name, Description, Identification Number, Expenditure Category, Status of Completion
b.	Expenditures	Current period obligation, Cumulative obligation, Current period expenditure, Cumulative expenditure
c.	Project Status	Indication of status as: Not Started, Completed less than 50 percent, Completed 50 percent or more, or Completed
d.	Project Demographic Distribution	NEUs must report whether certain types of projects are targeted to economically disadvantaged communities, as defined by HUD's <a href="#">Qualified Census Tract</a>
e.	Subawards	NEUs need to provide detailed obligation and expenditure information for any contracts and grants awarded, loans issued, transfers made to other government entities, and direct payments made by the NEU in excess of \$50,000.
f.	Civil Rights Compliance	Treasury may request information on NEUs compliance with <a href="#">Title VI of the Civil Rights Act of 1964</a> on an annual basis. This information may include a narrative describing the recipient's compliance.
g.	Required Programmatic Data (non-infrastructure)	Please refer to the <a href="#">Treasury's Compliance &amp; Reporting Guidance for State and Local Fiscal Recovery Funds</a> (pages 19-20)
h.	Required Programmatic Data (infrastructure)	Please refer to the <a href="#">Treasury's Compliance &amp; Reporting Guidance for State and Local Fiscal Recovery Funds</a> (pages 21-22)
i.	Distributions to NEUs	(Not applicable for NEU reporting)
j.	NEU Documentation	Copy of the signed award terms and conditions agreement (which was signed and submitted to the State as part of the request for funding); Copy of the signed assurances of compliance with Title VI of the Civil Rights Act of 1964 (which was signed and submitted to the State as part of the request for funding); Copy of actual budget documents validating the top-line budget total provided to the State as part of the request for funding.





# Resources to Assist Municipalities

## **U.S. Treasury Guidance and FAQ**

[Fact Sheet on Permissible Uses from the U.S. Department of the Treasury](#)

[Homepage for NEUs](#)

[Coronavirus State and Local Fiscal Recovery Fund FAQs](#)

[Full text of the Interim Final Rule for Permissible Uses](#)

[Compliance and Reporting Guidance](#)



Questions?

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**OMAG**



*The Unified Voice of Oklahoma Cities and Towns*

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