


American Rescue Plan Act

State and Local Fiscal Recovery Funds

Highlights from the Final Rule





State and Local Fiscal Recovery Funds

- State and Local Fiscal Recovery Funds (SLFRF) were made available by the American Rescue Plan Act in March of 2021.
- In May of 2021 Treasury published the Interim Final Rule.
- As local governments began to receive the award and implement the Interim Final Rule - Treasury collected feedback from those recipients.
- Treasury utilized this feedback in formulating the Final Rule released January 2022.
- The Final Rule offers much more flexibility in utilizing SLFRF.

State and Local Fiscal Recovery Funds

What did the Final Rule change?

- Clarification that recipients may use FRF for capital expenditures that support an eligible COVID public health or economic response.
- Broadened the share of eligible workers who are eligible to receive premium pay without additional justification.
- Expanded uses under Water, Sewer, and Broadband including lead remediation and stormwater management projects.

State and Local Fiscal Recovery Funds

- Something that has NOT changed with the issuance of the Final Rule, the four key categories of FRF:
 1. Public Sector Revenues.
 2. Public Health and Economic Response.
 3. Premium Pay.
 4. Water, Sewer, and Broadband Infrastructure.

State and Local Fiscal Recovery Funds



EFFECTIVE DATE



IMPLEMENTATION
DATE



REVENUE LOSS



RESTRICTIONS

This is not meant to be an in-depth guide to administering Fiscal Recovery Funds under the Final Rule. We have merely highlighted some of the changes impacting the majority of the recipient counties in Oklahoma.

State and Local Fiscal Recovery Funds

Interim Final Rule

- Effective May 2021 through the release/effective date of the Final Rule.

Final Rule

- Effective April 1, 2022
 - According to the U.S. Department of Treasury, recipients can choose to implement the flexibilities of the Final Rule now.

State and Local Fiscal Recovery Funds

- **Revenue Loss/Replacement**
 - Recipients may elect a standard allowance up to \$10 million to spend on government services through the performance period.
 - In lieu of calculating the actual revenue loss using the formula prescribed by the U.S. Treasury Department.
 - The total allotment of fiscal recovery funds is under \$10 million for 63 counties in Oklahoma.

State and Local Fiscal Recovery Funds

- Revenue Loss/Replacement – the most flexible category.
 - Government services = services traditional provided by the recipient government.
 - May be used in the same fashion as other county funds.
 - As for the Chart of Accounts treatment of revenue replacement:
 - Leave the funds in your ARPA Fund COA#1566 (no need to transfer to other funds). Appropriate to the various departments as directed by BOCC resolution.

State and Local Fiscal Recovery Funds

- Examples of government services as provided by Treasury:
 - Road building and maintenance and other infrastructure.
 - Health services.
 - General government administration, staff and administrative facilities.
 - Law enforcement and other public safety services (including the purchase of fire and police vehicles).

State and Local Fiscal Recovery Funds

- What will the auditor look for?
 - Evidence that the board made the decision to use the Standard Revenue Loss provision (board resolution).
 - Amount the board elected to use as revenue replacement for government services.
 - Various departments or projects the Revenue Loss funds were allocated.

★ **DOCUMENTATION** of those funds expended under each eligible use category .

State and Local Fiscal Recovery Funds

Resolution to elect the standard revenue loss provision for Coronavirus State and Local Fiscal Recovery Funds established under the American Rescue Plan Act.

The Final Rule published by the U.S. Department of Treasury for expending State and Local Fiscal Recovery Funds allows recipients to make a one-time, irrevocable election to utilize a standard revenue loss provision up to \$10,000,000 to provide government services rather than calculating the actual revenue loss using the formula prescribed by the U.S. Department of Treasury.

The Board of County Commissioners of _____ County, Oklahoma, hereby resolve to utilize the Standard Revenue Loss in the amount of \$ _____ as revenue replacement to provide government services as detailed below:

- \$ _____ General Government: general M&O, insurance premiums, safety awards etc.
- \$ _____ Roads and Bridges: county road 123 resurfacing, etc.
- \$ _____ Capital Improvements: new courthouse HVAC system, new surveillance system in the jail, etc.

State and Local Fiscal Recovery Funds

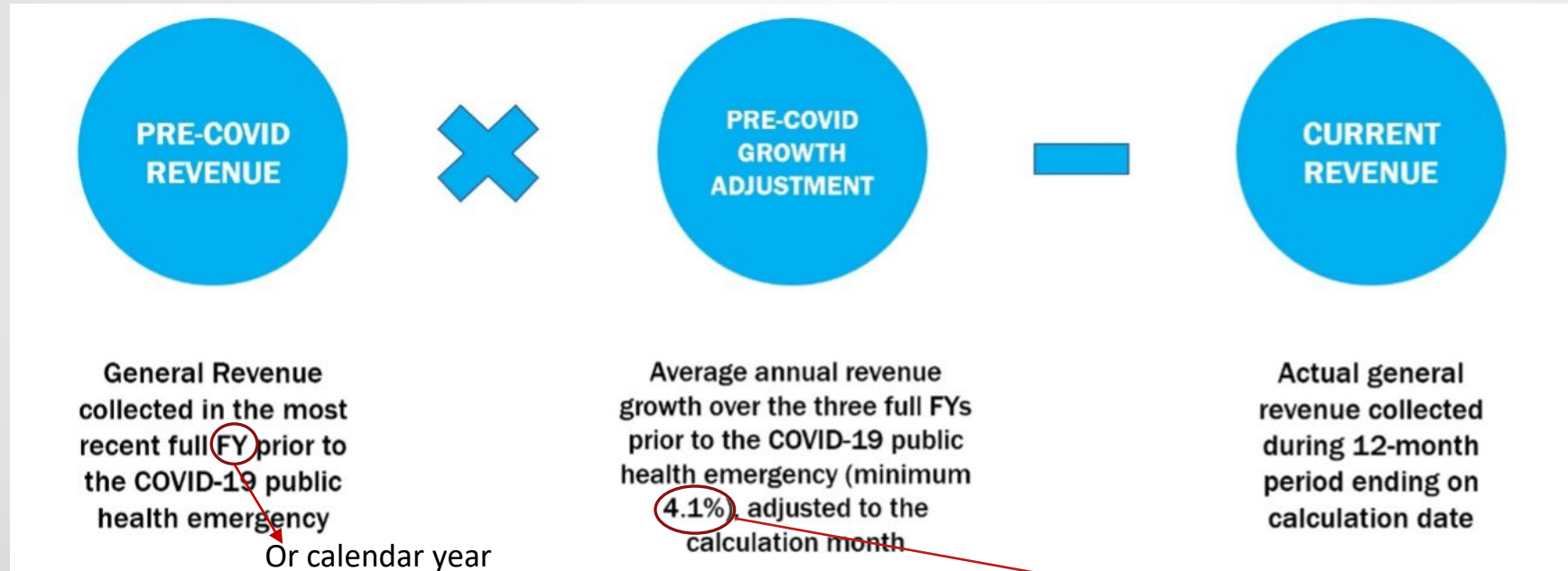
- Electing to claim all your fiscal recovery funds under the standard revenue loss may preclude you from utilizing some of the other eligible use categories allowed by the Final Rule.

| Example Project | Revenue Replacement | Other Eligible Use Categories |
|---------------------------------------------------------|---------------------|-------------------------------|
| New Courthouse | ✓ | X |
| New Jail | ✓ | X |
| Testing/Vaccination Site (improvement to fair building) | ✓ | ✓ |
| Premium Pay | X | ✓ |
| Rural Water (pass through) | X | ✓ |
| Roads and Bridges | ✓ | X |
| General Payroll | ✓ | X |
| Public Safety Payroll | ✓ | ✓ |

State and Local Fiscal Recovery Funds

- For those that wish to calculate their actual revenue loss according to the formula:
 - The Final Rule gives the flexibility to use the fiscal year or calendar year when calculating the revenue loss, but the recipient must be consistent with that option.
 - The final rule also changed the growth factor used in the formula.

Revenue Loss Formula prescribed by the Interim Final Rule



Final Rule increased the standard growth rate factor to **5.2%**

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- Premium Pay expanded by the Final Rule
 - Eligible workers – those working in-person who are below a wage threshold or non-exempt from Fair Labor Standards Act overtime provisions.
 - This category does not require additional eligibility documentation.

State and Local Fiscal Recovery Funds

- Responding to the Public Health Emergency: Prevention and Mitigation
 - Support for isolation and quarantine.
 - Public communication efforts.
 - Prevention and treatment equipment.
 - Ventilation system installation and improvement.
 - Transportation to vaccination/testing sites for vulnerable populations.
 - Medical facilities generally dedicated to COVID-19 treatment and mitigation.
 - Temporary medical facilities.
 - Emergency operations centers and response equipment.

State and Local Fiscal Recovery Funds

- Responding to the Public Health Emergency:
 - Medical Expenses
 - Paid family and medical leave for public employees to enable compliance with COVID-19 public health precautions.
 - Behavioral health/substance use.
 - Preventing and responding to violence
 - Technology and equipment to support law enforcement response.

State and Local Fiscal Recovery Funds

- Capital Projects

Excerpt from the Overview of the Final Rule

| If a project has total capital expenditures of | and the use is enumerated by Treasury as eligible, then | and the use is beyond those enumerated by Treasury as eligible, then |
|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| Less than \$1 million | No Written Justification required | No Written Justification required * For U.S. Department of Treasury |
| Greater than or equal to \$1 million, but less than \$10 million | Written Justification required but recipients are not required to submit as part of regular reporting to Treasury | Written Justification required and recipients must submit as part of regular reporting to Treasury |
| \$10 million or more | Written Justification required and recipients must submit as part of regular reporting to Treasury | |

* For auditing purposes, you must be able to demonstrate how the capital expenditure responds to COVID-19 regardless of the total amount expended.

State and Local Fiscal Recovery Funds

- Capital Projects – written justification:
 - Describe the harm or need to be addressed.
 - Explain why a capital expenditure is appropriate.
 - Compare proposed capital project against at least two alternative capital expenditures and demonstrate why the proposed capital expenditure is superior.

State and Local Fiscal Recovery Funds

- **INELIGIBLE CAPITAL PROJECTS:**

- New correctional facilities as a response to an increase rate of crime.
- Construction of new congregate facilities to decrease the spread of COVID-19 in the facility.
- Construction of convention centers, stadiums, or other large capital projects intended for the general economic development or to aid impacted industries.

Note: not applicable to the Public Sector Revenue Loss category

State and Local Fiscal Recovery Funds

- **Restrictions that apply across all eligible use categories:**



- Offset a reduction in net tax revenue resulting from a change in law.
- Deposits into pension funds.
- Debt service.
- Financial Reserves.
- Judgments/settlements.
- Any project in conflict with the purpose of the American Rescue Plan Act.
- SLFRF must be used on costs incurred on or after March 3, 2021.

❖ Non-federal cost-share or matching requirements of other programs are restricted for all eligible use categories *except* Public Sector Revenue Loss

State and Local Fiscal Recovery Funds

Key objectives of this funding:

- Fight the pandemic and support families and businesses struggling with its public health and economic impacts
- Maintain vital public services, even amid declines in revenue resulting from the crisis
- Build a strong, resilient, and equitable recovery by making investments that support long-term growth and opportunity

Copied directly from the U.S. Treasury PowerPoint presentation.

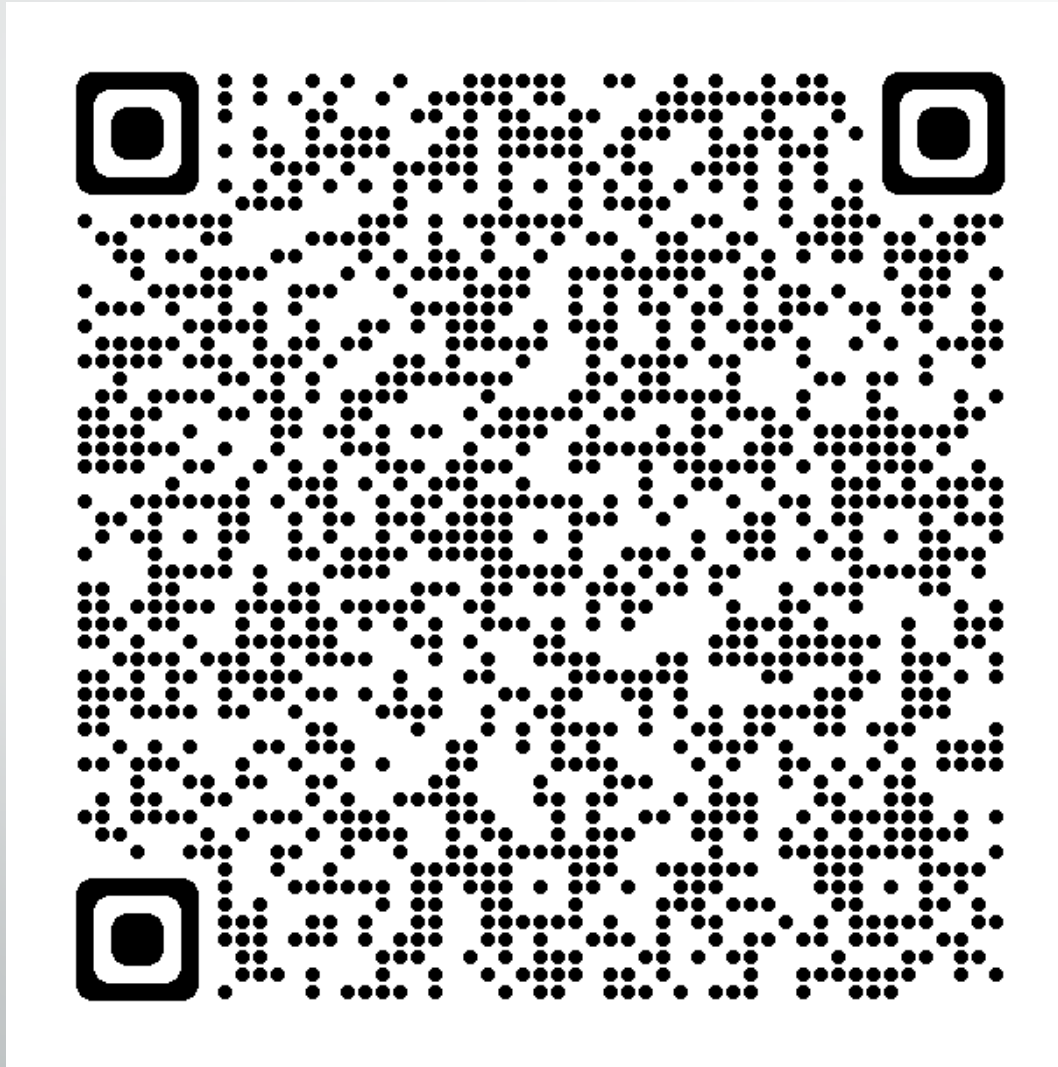
State and Local Fiscal Recovery Funds

- If you have any ARPA inquiries answered by our committee prior to January 6th, the answer may have changed since the release of the Final Rule.

Need more information about the Final Rule?

U.S. Treasury Department

Final Rule
Resources





OKLAHOMA

Office of the State Auditor & Inspector

Email questions to: arpa@sai.ok.gov

Website: www.sai.ok.gov