

Content Workshop: Fiscal Recovery Funds & Revenue Replacement

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Background

- One category of use for Coronavirus Local Fiscal Recovery Funds (CLFRF) is, “for the provision of government services **to the extent of the reduction in revenue** due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency.”⁽¹⁾
- Local governments have broad latitude to use CLFRF in relation to revenue loss, making the category **one of the greatest areas of flexibility** to local governments that have experienced revenue loss
- The Interim Final Rule and subsequent FAQs focus on:
 - (1) definition of “general revenue” for the purposes of calculating lost revenue;
 - (2) methodology for calculating revenue; and
 - (3) guidance on what the replaced revenue can and cannot be used on.

How is General Revenue Defined?

- The definition of “general revenue” is based on, but not identical to, the components reported under the “General Revenue from Own Sources” in the Census Bureau’s Annual Survey of State and Local Government Finances.
- This includes “revenues collected by a recipient and generated from its underlying economy and would capture a range of different types of tax revenues, as well as other types of revenue that are available to support government services.”⁽¹⁾
- Treasury’s intent in its definition is to focus on “sources that are generated from economic activity and are available to fund government services, rather than a fund or administrative unit established to account for and control a particular activity.”⁽²⁾

General Revenue, continued

- General revenue also includes “intergovernmental transfers between the State and local government,” as Treasury recognizes that “[s]tates and local governments often share or collect revenue on behalf of one another.”⁽¹⁾
- Intergovernmental transfer refers to funds “other than funds transferred pursuant to ARPA, CRF, or another Federal Program.”⁽²⁾ For federal funds that are passed through states or other entities or intermingled with other funds, recipients should attempt to identify and exclude the federal portion.
- The Rule excludes the following:
 - Refunds and other correcting transactions;
 - Proceeds from issuance of debt or the sale of investments;
 - Agency of private trust transactions;
 - Revenue generated by utilities and insurance trusts; and
 - Intergovernmental transfers from the Federal Government, including Federal transfers made via a State to a local government pursuant to the CRF or as part of the Fiscal Recovery Funds.⁽³⁾

General revenue is taken as a whole, so local governments must use the “sum across all revenue streams covered as general revenue,” as opposed to looking at individual revenue sources.⁽⁴⁾

Revenue

Revenue is Net of Refunds and Other Correcting Transactions, and Excludes:
 -Intragovernmental transfers
 -Proceeds from issuance of debt
 -Proceeds from the sale of investments
 -Proceeds from agency or private trust transactions

General Revenue

Liquor Store Revenue

Utility Revenue

Social Insurance Trust Revenue

Tribal Enterprise Revenue*

*While Tribal Enterprise Revenue is not within the scope of the Census Bureau's Annual Survey of State and Local Government Finances, Tribal governments may include enterprise revenue in calculating revenue loss under the Interim Final Rule.

Intergovernmental Revenue

General Revenue from Own Sources

Specifically includes revenues from electric power systems, gas power systems, public mass transit systems, and water supply systems.

From the Federal Government

From the State Government

From Local Governments

Current Charges

Tax Revenue

Miscellaneous General Revenue

Examples. Revenues From:
 -Airports
 -Education Institutions (K-12 or Higher Ed)
 -Highways or Tolls
 -Public Hospitals
 -Public Housing
 -Natural Resources
 -Parking Facilities
 -Parks and Recreation
 -Ports
 -Sewer or Solid Waste Systems

Examples. Revenues From:
 -Alcoholic Beverage License or Sales Taxes
 -Amusements License or Sales Taxes
 -Corporate Income Taxes
 -Corporate License Taxes
 -Death and Gift Taxes
 -Documentary and Stock Transfer Taxes
 -General Sales and Gross Receipts Taxes
 -Individual Income Taxes
 -Insurance Premium Sales Taxes
 -Hunting and Fishing License Taxes
 -Motor Fuels Sales Taxes
 -Motor Vehicle License Taxes
 -Motor Vehicle Operations License Taxes
 -Occupation and Business License Taxes
 -Pari-mutuels Sales Taxes
 -Property Taxes
 -Public Utilities License or Sales Taxes
 -Severance Taxes
 -Tobacco Products Sales Taxes

Examples. Revenues From:
 -Dividends or Interest Earnings
 -Donations from Private Sources
 -Fines and Forfeits
 -Lottery
 -Rents
 -Royalties
 -Sale of Property
 -Special Assessments

Examples. Revenues From:
 Public Employee Retirement Systems
 Unemployment Compensation Systems
 Workers' Compensation Systems
 Other State or Local Social Insurance Programs

Legend

- Included in the Interim Final Rule Definition of General Revenue
- Excluded from the Interim Final Rule Definition of General Revenue

Tracking Expenditures

45 CFR
75.302(b)(1)

- Financial management system must identify in its accounts all Federal awards received and expended, and the Federal programs under which they were received

Chart of Accounts

- Complete list of all accounts that are related to an organization
- Organizes the finances of the entity and segregate expenditures, revenue, assets, and liabilities in order to give interested parties a better understanding of the financial health of the entity
- Accounts typically are defined by an identifier (account number) and are coded by account type
- Recommend: subaccount for separate tracking of Federal funds; subsidiary ledger to contain information that is specific to a certain general ledger account

Tracking Expenditures

Method of Purchase	Aggregate Dollar Amount	Federal Regulations
Micro-Purchase	Not to exceed \$10,000 (\$2,000 for construction/Davis-Bacon Act)	<ul style="list-style-type: none"> No quotations required if the price is reasonable. To the extent practical, distribute equally among qualified suppliers.
Small Purchase	Up to \$250,000 (Simplified Acquisition Threshold)	<ul style="list-style-type: none"> Quotations must be obtained from an adequate number of sources, dictated by state/county policy. It is recommended to obtain at least three quotations. No cost or price analysis required.
Sealed Bids	Greater than \$250,000	<ul style="list-style-type: none"> Primarily construction projects, firm-fixed price contract. RFP should have evaluation methods for an adequate number of qualified sources.
Competitive Proposals	Greater than \$250,000	<ul style="list-style-type: none"> Requires formal solicitation, fixed-price or cost-reimbursement contracts, used when sealed bids are not appropriate. Contract should be awarded to responsible firm whose proposal is most advantageous.
Sole Source	Available for procurements of any dollar amount with proper justification	<ul style="list-style-type: none"> May be appropriate when specific criteria are met (e.g., item is available from only one source, public emergency does not allow time for competitive proposal process, Federal awarding agency authorizes, or after repeated attempts, competition is deemed inadequate).

Tracking Expenditures

Labor/Payroll

- Employee name, job function, title, type of employee
- Timesheets, days and hours worked, description of work, labor summaries
- Proof of payment and rate schedules
- Labor policies in effect at time of payment, including workman's compensation policy

Equipment Rental

- Leased agreements
- Invoices or receipts, proof of payment
- Locations and days used, tied to project supporting

Materials and Supplies

- Receipts of invoices; proof of payment

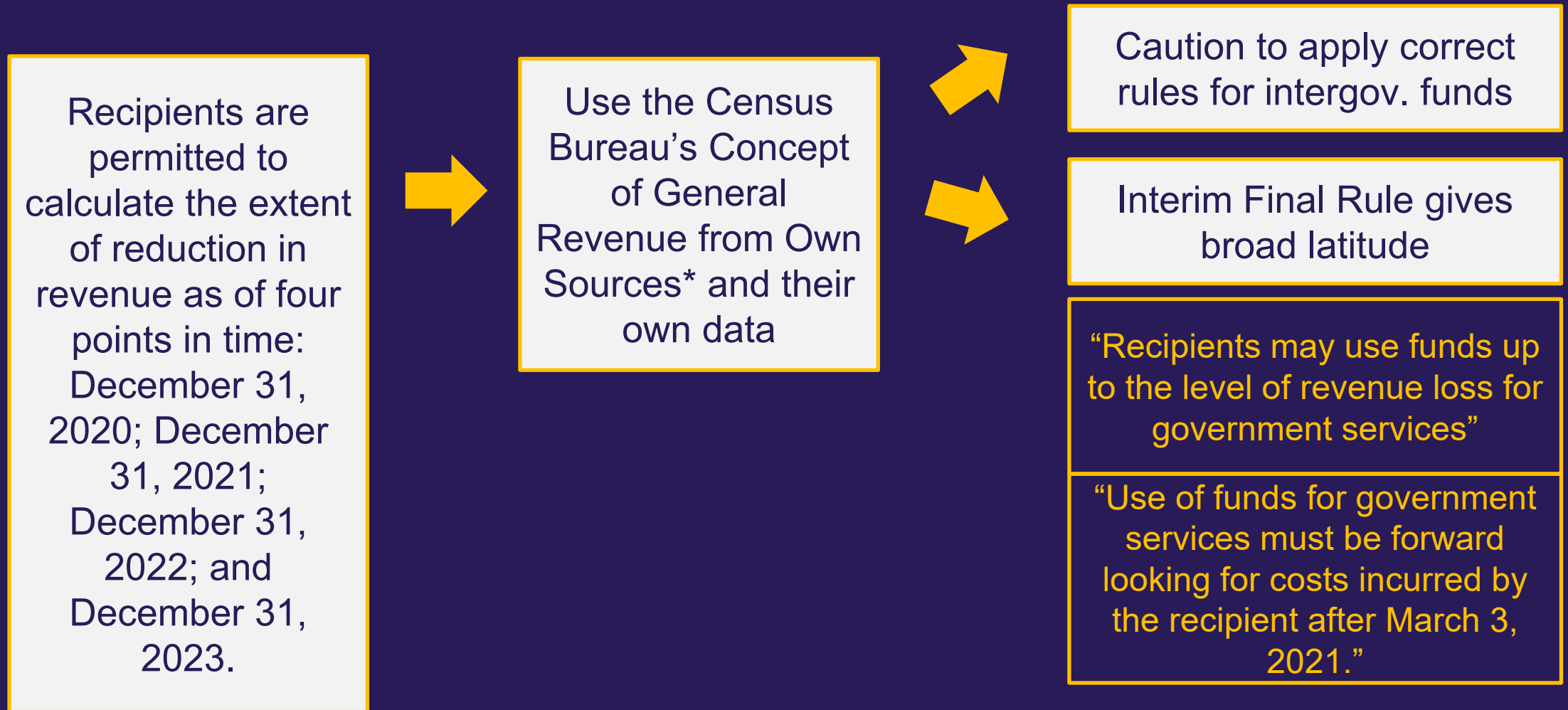
Contracts

- Bid documents
- Contracts, including applicable provisions (Part 200, Uniform Guidance)
- Invoices; proof of payments

Subrecipient Monitoring

- Proof of programmatic and financial monitoring
- Contracts
- Invoices (if applicable); proof of payments

Revenue Calculations



What can Revenue Loss replacement funds be used for?

Local governments have broad latitude to use CLFRF for the provision of government services. Treasury's examples include:

- Maintenance or pay-go funded building of infrastructure, including roads
- Modernization of cybersecurity, including hardware, software, and protection of critical infrastructure
- Health services
- Environmental remediation
- School or educational services
- The provision of police, fire, and other public safety services⁽¹⁾

CLFRF is, by definition, one-time revenue. Best practice is to use one-time revenue on one-time expenditures.

What Revenue Loss replacement funds CANNOT be used for?

- “Interest or principal on any outstanding debt instrument, including, for example, short-term revenue or tax anticipation notes, or fees or issuance costs associated with the issuance of new debt”⁽¹⁾
- “Expenses associated with obligations under instruments evidencing financial indebtedness for borrowed money”⁽²⁾
- “Satisfaction of any obligation arising under or pursuant to a settlement agreement, judgment, consent decree, or judicially confirmed debt restructuring in a judicial, administrative, or regulatory proceeding, except if the judgment or settlement required the provision of government services”⁽³⁾
- “Replenishing financial reserves (e.g., rainy day or other reserve funds)”⁽⁴⁾
- Overarching restrictions on all program funds (e.g., restriction on pension deposits, restriction on using funds for non-federal match where barred by regulation or statute)

June 23, 2021 FAQ updates

Clearer on “public health related/negative public impact” for eligible use

- ***Assistance for those negatively economically impacted FAQ #2.17***
- ***Parks FAQ #2.18***
- ***Backlogged court docket FAQ #2.19***
- ***Small business startup assistance FAQ #2.20***

Other important updates

- ***Emergency declaration FAQ #1.7***
- ***Revenue definition (affects loss calculation) FAQ #3.1***
- ***Specification on intergovernmental funds FAQ #3.13***
- ***Use for crime/public safety FAQ #4.1***
- ***Pre-dev work FAQ #6.12***

June 23, 2021 FAQ updates – Infrastructure Planning

For “pre-project development for an eligible water or sewer project, recipients should consult whether the pre-project development use or cost is eligible under the CWSRF and DWSRF, respectively.”



“Recipients may use CSLFRF to cover costs incurred for eligible projects planned or started prior to March 3, 2021, provided that the project costs covered by the CSLFRF were incurred after March 3, 2021.”

W/S: Planning, assessment design, start-up training, cost-benefit analysis, conservation plans, capital improvement plans

Broadband: planning and engineering

FAQ #2.20: assistance again to small business start ups with physical plant changes to enable greater use of outdoor space

Questions.
