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Siddharth Ramachandran

All right. Well, thank you all for joining. Welcome to this webinar. My name is Sid and I'm joined by my colleague Jake. We work for Guidehouse and are currently assisting the state of New Hampshire with their COVID relief funding. This webinar is intended for Non Entitlement Unit representatives who are involved in managing the local physical recovery fund, federal grant dollars.

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Siddharth Ramachandran

Today we're going to review the main changes outlined in the SLFRF frequently asked questions that Treasury released on July 27th, 2022, and we'll review the implications of these changes on your awards.

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Siddharth Ramachandran

Once again, this recorded session will be posted on GOFERR's website and the slide deck, as well as a consolidated frequently asked questions document from this webinar will be distributed to all attendees.

0:0:50.740 --> 0:1:20.370

Siddharth Ramachandran

So as we go into the next slide, I'll briefly review the agenda. During this webinar, we will provide a brief refresher on expenditure categories, particularly expenditure categories, 6.1, which aligns with the provision of government services colloquially known as revenue loss or revenue replacement. We'll also provide refresher on uniform guidance. We will then provide a brief overview on the SLFRF FAQs from July 27th and walk through a few examples.

0:1:20.460 --> 0:1:22.920

Siddharth Ramachandran

That's how they may impact your reward and your projects.

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Siddharth Ramachandran

Lastly, we'll go through the prohibited uses of SLFRF dollars and talk about next steps for reaching out. If you have further questions, I'm now going to hand it off to my colleague Jake to walk you through a brief recap on the expenditure categories in your phone guidance.

0:1:41.390 --> 0:1:42.240

Jake Landry

Perfect. Thanks, Sid.

0:1:44.510 --> 0:1:55.670

Jake Landry

So our first refresher is on expenditure categories. SLFRF has very explicit eligible uses to group together in these high level categories known as expenditure categories. On this graphic on the right here you can see.

0:1:56.490 --> 0:2:13.470

Jake Landry

The first expansion category, public health and part of the second expenditure category broken at tier right, there are seven expenditure categories in total. All projects funded by SLFRF must be assigned to an expenditure category and expenditure categories are really just essentially the categories of allowable uses of SLFRF funds.

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Jake Landry

Not going to move on to talk about a specific expenditure category, EC 6 or EC 6.1 version of government services, colloquially known as revenue loss for funds or revenue replacement.

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Jake Landry

Projects can be filed under E.C 6.1 can be used to fund any project that falls within the scope of traditional government services.

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Jake Landry

E.C 6.1 has streamline requirements for project eligibility and reporting, and there is a cap on the amount of a recipients allocation of SLFRF dollars that can be allocated to EC 6.1 and that CAP is the greater of the amount of revenue loss by the recipient during the COVID-19 pandemic, which is determined through federally determined calculation or the standard allowance of \$10 million.

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Jake Landry

The biggest take away from this slide is that this box on the bottom here that all New Hampshire NEU received less than \$10 million, meaning all NEU SLFRF funded projects can be reported under EC 6.1.

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Jake Landry

And finally, I've just a refresher on uniform guidance, uniform guidance, administrative requirements, cost principles and audit requirements are a set of rules that apply to all federal grant dollars.

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Jake Landry

The uniform guidance includes requirements around procurement, which focuses on increased competition and transparency and governments obtaining goods and services subrecipient monitoring to ensure that federal dollars are being properly spent. This may include reviewing financial records, ensuring that written policies are followed and performing site visits, single audits, which is a federal audit, triggered when an entity spends more than \$750,000 in a single year of cumulative federal funds, not just.

0:3:49.450 --> 0:3:52.930

Jake Landry

Tell LSF SLFRF funds. Excuse me.

0:3:53.770 --> 0:3:54.610

Jake Landry

And their and more.

0:3:55.750 --> 0:4:1.830

Jake Landry

And your compliance obligations were in the award terms, which is the document for how you formally accepted SLFRF funds.

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Jake Landry

Also, just to highlight the NEU Uniform Guidance Desk reference is currently being revised for reflect this new guidance and it will be posted on the GOFERR website upon completion.

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Jake Landry

Now going to hand it back over to Sid to talk about the overview of the updated SLFRF FAQ.

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Siddharth Ramachandran

Awesome. Thanks, Jake. So on this slide, I'm going to review a few major changes of the that were found in the SLFRF FAQs released on July 27th of this year.

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Siddharth Ramachandran

Keep in mind that a lot of the changes that we are going to be discussing, in fact all of the changes that we are going to be discussing pertain to projects funded under expenditure category, 6.1. And so once again any use, we recommend that all NEUs place their entire award in expenditure category 6.1 as it is the most lenient from both an eligibility standpoint as well as a reporting standpoint.

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Siddharth Ramachandran

That being said, let's review the FAQ.

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Siddharth Ramachandran

So Treasury confirmed that for recipients of SLFRF dollars.

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Siddharth Ramachandran

They will not be subject to the domestic preferences requirement found in uniform guidance for procurement. So previously Treasury indicated that to the extent consistent with the law, the non federal entity in this case the NEU should provide a preference for purchase acquisition or for good services and materials that are produced in the United States.

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Siddharth Ramachandran

So these requirements are no longer required for projects that align with expenditure category 6.1.

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Siddharth Ramachandran

Secondly, uh Treasury clarified that it is not collecting subaward or subrecipient data for projects that

align with expenditure category 6.1. This is because recipients use of revenue loss funds does not give rise to a subrecipient relationship. In Treasury's eyes, this is an important change because Treasury previously kept deferring this requirement to subsequent reporting periods, but finally confirmed that no project aligned with expenditure category 6.1 will be required to report.

0:6:7.340 --> 0:6:12.760

Siddharth Ramachandran

On this data subrecipient and support data. Lastly, the payroll obligation.

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Siddharth Ramachandran

So the treasuries SLFRF definition for an obligation is essentially a commitment to pay a third party based on a contract, a grant, a loan, a subaward, or some official arrangement with that nature.

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Siddharth Ramachandran

Read the FAQ is provided a lot of clarity and flexibility regarding how recipients can obligate funds and how this definition can change. So the FAQs noted that funds can be obligated through means other than contracts or subawards. The example used in the FAQs is payroll costs, which are normally obligated when expended if there's no employment contract. If you pay your employee that, that's paycheck salary, whatever is obligated and expended in one fell swoop.

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Siddharth Ramachandran

So Treasury makes it clear that in instances like that, recipients should use their own established practices and policies regarding when they're considered to have incurred an obligation, and how those obligations are to be documented. So this appears to be.

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Siddharth Ramachandran

Similar to including obligations via a memo to file, as that's probably the best way to maintain consistency within your own practices.

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Siddharth Ramachandran

So if you go to the next slide, I'm going to briefly review the aspects or tenets of uniform guidance that no longer apply.

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Siddharth Ramachandran

So the three major parts of uniform guidance that no longer apply for projects that align with expenditure category 6.1 are the uniform guidance procurement requirements. I'm going to go through an example and following slide about that. The federally prescribed subrecipient monitoring thresholds and then lastly the federal interest in real property. So procurement requirements as you'll see in the example have become far more lenient for projects that align with expenditure categories 6.1 subrecipient monitoring.

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Siddharth Ramachandran

Is no longer needed because, as we saw previously, for projects that align with expenditure category 6.1.

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Siddharth Ramachandran

Uh, pleasures not requiring recipients to.

0:8:15.540 --> 0:8:33.60

Siddharth Ramachandran

Report on sub recipient or sub uh subaward data. The lack of sub recipient or sub award data renders the need for subrecipient monitoring entirely obsolete. Federal interest in real property indicates the previous stipulations of uniform guidance that required.

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Siddharth Ramachandran

An investment in land or buildings or housing of that nature to maintain the same purpose as originally funded for the entirety of the project. Else there would have been some sort of reimbursement that it would have to take place between the recipient of these funds and the.

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Siddharth Ramachandran

Major proponents of this project, as well as the state government, these have changed. I'm going to walk through a couple of examples to hopefully clear this up.

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Siddharth Ramachandran

So following slide, I'm going to walk through the changes between.

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Siddharth Ramachandran

A change in federal procurement requirements before July 27th and then after July 27th. Since the SLFRF FAQs have been released. So let's take an example. Let's say municipality wants to use their 6.1 funds or revenue loss funds. The purchase of a fleet of electric vehicles for its Police Department.

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Siddharth Ramachandran

Before the FAQ that were released on July 27th, the municipality would have to go through a series of very intensive processes. So firstly it would have to.

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Siddharth Ramachandran

Include a written procurement policy, a conflict of interest policy. It would be required to keep records detailing all aspects of the procurement process, a rationale for procurement, ensuring that it was competitive, or why it couldn't have been competitive.

0:9:58.170 --> 0:10:4.230

Siddharth Ramachandran

There would have to be as significant competitive bidding process record keeping of transactions.

0:10:4.870 --> 0:10:18.160

Siddharth Ramachandran

And they would also be requirements to take affirmative steps to ensure that the vendor of the contractor was a small business, minority owned business or a woman business or a woman owned business or a business that was headquartered in the United States of America.

0:10:19.670 --> 0:10:20.860

Siddharth Ramachandran

After this guidance.

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Siddharth Ramachandran

None of those requirements really apply, so the municipality will not be required to follow uniform guidance procurement rules and it's subject to their own procurement standards if they have any. And this includes the municipalities own conflict of interest rules, documentation requirements and requirements forbidding as you can see a change like this creates an immense amount of flexibility and leniency for projects of this nature.

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Siddharth Ramachandran

If you go to the next slide, I'll walk through a quick example about how.

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Siddharth Ramachandran

The disposition for real property change impacts projects that you may want.

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Siddharth Ramachandran

That you may want to engage in in the future, particularly projects that align with the expenditure category 6.1.

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Siddharth Ramachandran

So for example, I mean this party wants to build a public high school with whether the last months prior to the July 27th guidance.

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Siddharth Ramachandran

If the building of the land was no longer needed as a high school, the municipality would be required to either transfer the title of the property to the federal government or pay the federal government and percentage of the properties value proportionate to the federal government's participation in the acquisition or improvement of the property. So essentially, if the federal government and if SLFRF funds were used to fund 60 to 70% of that project.

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Siddharth Ramachandran

When?

0:11:42.250 --> 0:11:48.760

Siddharth Ramachandran

That building no longer would be when that building ceased to be used as a high school.

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Siddharth Ramachandran

The municipality will be required to pay 70% to 70% of the sale value of that of that property that the federal government.

0:11:59.470 --> 0:12:1.230

Siddharth Ramachandran

After the July 27th guidance.

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Siddharth Ramachandran

If the SLFRF revenue loss funds are the project only source of federal funding.

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Siddharth Ramachandran

The municipality would not be subject to the property standards found in uniform guidance. It's not bound to the use of the land and building solely as a public high school and may repurpose or sell the property subject to only its own rules and regulations. If the funds were given to the municipality by the state, it would be subject to the States regulation. But as you can see, there is far more lenience for repurposing project of this nature as opposed to maintaining and reporting on it.

0:12:37.220 --> 0:12:38.110

Siddharth Ramachandran

In perpetuity.

0:12:40.260 --> 0:12:41.370

Siddharth Ramachandran

You go to the next slide.

0:12:42.580 --> 0:12:48.790

Siddharth Ramachandran

Walk through a few aspects of uniform guidance that are still part of.

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Siddharth Ramachandran

They're all required for projects that aligned with expenditure category 6.1.

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Siddharth Ramachandran

So the first aspect of uniform guidance that still applies to projects aligning with expenditure category 6.1 would be financial management. So an any use financial management or record keeping system

must identify all federal awards received and track all expenditures or obligations pertaining to this award.

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Siddharth Ramachandran

The second tenant that applies to expenditure category 6.1 would be the monitoring and reporting on program performance. So in any you must monitor all SLFRF funded activities, projects and so on to assure compliance with applicable federal requirements. As mentioned before, for projects that align with expenditure category 6.1, you will not need to monitor subrecipients, but you still need to monitor that a project is aligning with the SLFRF eligible uses and it's not violating.

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Siddharth Ramachandran

And and if they prohibited uses of of the SLFRF.

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Siddharth Ramachandran

So that general monitoring would still need to be there, and that's and that's found in uniform guidance as well.

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Siddharth Ramachandran

Lastly.

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Siddharth Ramachandran

Reasonable cost. So in any you must follow the reasonable cost principles outlined in uniform guidance for projects that aligned with six point 1 specifically before incurring the cost in any, you must assess if the nature and amount of the cost does not exceed that which would have been incurred by a prudent person under the circumstances prevailing at the time. Essentially what this means is there needs to be some level of accountability for how much a contract is, how much a price of a good or service would be.

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Siddharth Ramachandran

There have been significant economic disruptions as a result of the COVID-19 pandemic, and Treasury has acknowledged that in fact, it's mentioned multiple times in the final rule.

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Siddharth Ramachandran

And stuff economic disruptions would cause natural supply side inflation. And so if costs are higher than what they would normally be.

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Siddharth Ramachandran

That doesn't violate the main major tenets of cost, reasonableness. That being said, we want to hedge against paying an unreasonable amount for something that wouldn't normally cost that amount. An example, a crude example would be if a fire truck costs about 7:00 or \$8 million, no level of supply side

disruption should lead to that sort of purchase, but 1020%, something like that. That's. That makes sense given what occurred with the pandemic.

0:15:22.70 --> 0:15:41.130

Siddharth Ramachandran

So I'm going to pass it back to Jake to walk through some of the more some of the prohibited uses of the SLFRF dollars. Keep in mind, there have been sick. This FAQ document released on July 27th allowed for greater lenience, but there are still prohibited uses for projects that aligned with expenditure category 6.1.

0:15:42.290 --> 0:16:1.580

Jake Landry

Thanks said. That's, as my colleague said, you said I'm going to go over the prohibited uses of SLFRF dollars, so the prohibited uses of SLFRF Rs follows. Recipients may not pay down debt or pay interest on any debt with SLFRF money, including debt taken out to partially funds and SLFRF project.

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Jake Landry

Recipients may not deposit SLFRF money into pension funds. Recipients may not use SLFRF money to offset or reduction in net tax revenue resulting from a change in law, regulation or administrative interpretation.

0:16:16.110 --> 0:16:29.620

Jake Landry

Recipients may not use SLFRF money to undermine COVID-19 mitigation practices in line with CDC guidance and recommendations. And finally, recipients may not use SLFRF money for any settlements and or judgments.

0:16:31.320 --> 0:16:33.280

Jake Landry

And I will hand it back to Sid to wrap up.

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Siddharth Ramachandran

Thank you. So in terms of next steps, we just move on to the next slide for projects that have already been funded, no action is really needed.

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Siddharth Ramachandran

But for new projects, if you don't already have local policies or procedures.

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Siddharth Ramachandran

It would be wise just established them as soon as possible to ensure consistency and oversight of these SLFRF funded programs. Now that a lot of uniform guidance or a decent amount of uniform guidance does not necessarily apply to projects that align with expenditure category 6.1 you are subject to your own established policies and procedures.

0:17:11.130 --> 0:17:25.920

Siddharth Ramachandran

For more information on the applicability of uniform guns to your project, you can either refer to the FAQs which are embedded in this slide deck itself on the following slide, or the any uniformly desk reference that will be hosted on GOFERR S website very shortly.

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Siddharth Ramachandran

Umm to reach out to either myself, Jake or anyone else in the Guidehouse and go for team, please either submit your questions via the any reform on GOFERR S website or send us a direct e-mail.

0:17:42.630 --> 0:17:54.860

Siddharth Ramachandran

Or even jump on the phone. And so I'm sure many. If you do have my phone number, our emails could mean the following slide and we'll leave it up for a couple of minutes just in case. If you want to jump that down.

0:17:58.750 --> 0:18:6.760

Siddharth Ramachandran

So did this. These are a few additional resources. The project will spend user guide compliance, reporting document and of course the.

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Siddharth Ramachandran

FAQ document released by Treasury on July 27th and the next slide has our emails, of course. Myself, Jake and Hillary Thompson.

0:18:20.340 --> 0:18:23.670

Siddharth Ramachandran

Once again, this recording will be posted on GOFERR's website.

0:18:25.710 --> 0:18:31.440

Siddharth Ramachandran

We will send out a consolidated FAQ document from all the questions we've gathered from this webinar.

0:18:32.880 --> 0:18:35.990

Siddharth Ramachandran

And we'll post the slide deck on their website shortly.

0:18:36.790 --> 0:18:38.350

Siddharth Ramachandran

The one thing that we are.

0:18:39.430 --> 0:18:49.110

Siddharth Ramachandran

Going to revise and have for you by early to mid next week is a consolidated a newer version of the NEU Uniform Guidance Desk reference.

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Siddharth Ramachandran

Once again, we strongly encourage all any use to align all their projects and all their funding to expenditure categories. 6.1 As the broad eligibility and streamline reporting requirements, as well as newly Nancy. As a result of this, new FAQ's makes it a great option to provide to fund most, if not all, government services.

0:19:13.470 --> 0:19:16.700

Siddharth Ramachandran

Thank you very much for listening and I hope you have a wonderful rest of your day.