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Local Finance Notice

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American Rescue Plan Act of 2021: Effective Planning; Equity & Evidence Requirements

This Notice reviews recent [State Comptroller guidance](#) on assessing how municipalities and counties should assess optimal uses of Coronavirus Local Fiscal Recovery Funds (LFRF funds) and summarizes recent U.S. Treasury guidance on American Rescue Plan Act (ARP) requirements for evidence-based interventions, program evaluations, and equitable implementation of LFRF-funded recovery programs. These topics apply to Recovery Plan Performance Reports filed by all counties and municipalities with equal to or greater than 250,000 residents as of the date the local unit certifies the funding; however, U.S. Treasury encourages all local units to focus on evidence and equity as may be applicable to one or more of a local unit's programs or projects. Evidence and equity likely will be a key focus in U.S. Treasury's LFRF monitoring no matter the local unit's population or LFRF award amount.

Please review Local Finance Notices [2021-11](#) and [2021-13](#), along with the resources referenced therein, in conjunction with this Notice.

Effectively Deploying LFRF Funds

The Office of the State Comptroller counsels local governments to engage with community stakeholders to assess community needs, determine priorities, and analyze potential costs to ensure LFRF funds are used efficiently and advance shared community interests. Planning should involve consideration of how LFRF funding will be used to promote equitable delivery of government benefits and opportunities to underserved communities. The section below further explains the concept of equity.

Municipal and county planning should account for other funding streams under ARP and other federal or State assistance programs to effectively coordinate response to the pandemic's negative economic impacts. Coordination and communication between the local government and State, local, and non-profit partners is crucial to ensuring non-duplication of benefits while maximizing the impact of other outside assistance.

Local governments are strongly encouraged to utilize the State's existing infrastructure to administer ARP funds used for housing, rental, utility, or other assistance programs, helping ensure that the funds you dedicate to these programs do not exceed an applicant's unmet need and are only expended on your residents. Any local government with LFRF-funded housing or rental assistance programs should rely on the Department of Community Affairs' [Division of Housing and Community Resources](#) (Division of Housing) for administering those programs, as the Division of Housing already possesses the requisite [rental assistance](#) program infrastructure. The Division of Housing will also be launching a new ARP-funded Low Income Household Water Assistance Program (LIHWAP) to assist residential water and sewerage ratepayers in arrears due to the negative economic impacts of COVID-19. Any similar LFRF-funded municipal or county programs should likewise contact the Division of Housing to administer the program. The Division of Housing will determine an appropriate amount to be charged for offsetting the Division's administrative costs. LFRF funds can be applied toward reasonable costs for program administration.

Municipalities and counties considering LFRF-funded landlord assistance programs should also be aware of the Small Landlord Emergency Grant (SLEG) Program (Rounds [One](#) and [Two](#)) administered by the [Housing and Mortgage Finance Agency](#) (HMFA). Properties receiving SLEG awards for Rounds One and Two can be found [here](#) and [here](#), respectively. Please note that HMFA will be launching its [Homeowner Assistance Fund](#) program to provide financial assistance for homeowners experiencing a significant reduction or loss of income due to COVID-19 and who have been unable to remain current with their mortgage payments.

Local governments offering small business assistance should review grants and loans provided by the Economic Development Authority's Small Business Emergency Assistance [Grant](#) and [Loan](#) Programs, NJ Entrepreneur Support Program, and the CDFI Emergency Assistance Grant/Loan Loss Reserve Fund Program to avoid duplicating benefits already being provided by these programs. Information on EDA COVID-19 program awards and disbursement can be found in the links beneath EDA's COVID-19 Programs Report located under the [Activity & Other Reports](#) heading. Avoiding duplication of benefits is also important for communities heavily impacted by Tropical Storm Ida as resources are made available from the Federal Emergency Management Agency (FEMA) and other agencies and outside organizations.

Municipalities and counties should also weigh how LFRF funds can achieve maximum longer-term impact while minimizing future unfunded legacy costs. Local governments may opt to allocate LFRF funds towards providing government services, thus freeing funds to offset sustained COVID-19 related revenue losses, or deploy funds toward improved stormwater infrastructure to mitigate flooding. The Division of Local Government Services strongly encourages multiple local units to collaborate in using LFRF funds for capital or programmatic eligible uses.

A municipality or county intending to use LFRF funds for eligible projects should develop a realistic timeline for public bidding. Projects expected to exceed \$12.5 million must be submitted to the Office of the State Comptroller (OSC) for review at least 30 calendar days prior to advertisement as required by N.J.S.A. 52:15C-10(b). For contracts valued at \$2.5 million or more, but less than \$12.5 million, local governments are required to notify OSC within 20 business days

after making the award. More information regarding submission of contracts for OSC review may be found on [OSC's procurement website](#). The [OSC COVID-19 Resources](#) website also contains useful information about compliance with federal and State procurement requirements.

Advancing Racial and Economic Equity for Underserved Communities

Consistent with President Biden's [Executive Order 13985](#) (EO 13985 or Executive Order) titled "On Advancing Racial Equity and Support for Underserved Communities through the Federal Government," U.S. Treasury is placing substantial emphasis on LFRF-funded projects promoting racial and economic equity, particularly in program design, outreach, access, geographic and demographic distribution, and outcomes. To support an equitable recovery through immediate economic stabilization for households and businesses and address systemic public health and economic challenges that have contributed to the unequal impact of the pandemic on certain populations, U.S. Treasury emphasizes that LFRF expenditures be grounded in the following three key principles:

- Advancing equity must be a core part of management and policy making processes;
- Successful equity work yields tangible changes positively impacting American lives; and
- Equity benefits all Americans, not just some.

EO 13985 defines equity as the consistent and systematic fair, just, and impartial treatment of all individuals, including individuals who belong to underserved communities that have been denied such treatment. The term "underserved communities" refers to populations sharing a particular characteristic, as well as geographic communities, that have been systematically denied a full opportunity to participate in aspects of economic, social, and civic life. Underserved communities identified in the Executive Order include Black, Latino, and Indigenous and Native American persons, Asian Americans and Pacific Islanders, and other persons of color; members of religious minorities; lesbian, gay, bisexual, transgender, and queer (LGBTQ+) persons; persons with disabilities; persons who live in rural areas; and persons otherwise adversely affected by persistent poverty or inequality.

Local units are reminded that LFRF funds may be deployed toward eligible uses under Expenditure Category 3 (Services to Disproportionately Impacted Communities), which focuses on addressing disproportionate COVID-19 economic and public health impacts on the hardest-hit communities, populations, and households. Services under this expenditure category must be provided within a [Qualified Census Tract](#) (a low-income area as designated by the U.S. Department of Housing and Urban Development (HUD)), to families living in Qualified Census Tracts, or to other populations, households, or geographic areas disproportionately impacted by the pandemic. The formula is based on census tract incomes, which are measured in the American Community Survey rather than the Decennial Census. HUD uses the American Community Survey data in the federal designation formula and 2010 Decennial Census data for population, as described in HUD's September 9, 2021 [Federal Register notice](#). To find whether your municipality has one or more Qualified Census Tracts, zoom into the map and check "Show Tracts Outline" and "Color QCT Qualified Tracts."

Please review the [Recovery Plan Template](#) that U.S. Treasury strongly encourages all counties and municipalities required to submit a Recovery Plan Expenditure Report to follow. The Recovery Plan heavily emphasizes efforts to improve equity and solicit diverse input from underserved communities. As previously stated, even municipalities and counties not required to file a Recovery Plan report should similarly document their adherence to racial and economic equity principles.

U.S. Treasury's recent webinar on driving equity with LFRF funds, along with the accompanying slide presentation, can be found [here](#) and [here](#), respectively.

Evidence-Based Interventions & Program Evaluations

The Recovery Plan report must include whether ARP LFRF funds are being used for evidence-based interventions and/or rigorous program evaluations, and if so, how much is being used for such purposes. This requirement applies most to the following expenditure categories:

- Public Health (EC 1);
- Negative Economic Impacts (EC 2); and
- Services to Disproportionately Impacted Communities (EC 3)

The term "intervention," as used in this section, means a program designed to deliver social benefits and develop human capital of specific communities. Local units must briefly describe the goals of the project under the above-referenced categories and the evidence base for the interventions funded by the project. The ARP requires prior studies of the intervention to have demonstrated either a "strong" or "moderate" evidence base.

A strong evidence base is a body of evidence that can support causal conclusions for the specific program proposed with the highest level of confidence; i.e. one or more well-designed and well-implemented experimental studies conducted on the proposed program with positive findings on one or more intended outcomes.

Moderate evidence is considered a reasonably developed evidence base that can support causal conclusions. The evidence base must consist of either:

- one or more quasi-experimental studies with positive findings on one or more intended outcomes; or
- two or more non-experimental studies with positive findings on one or more intended outcomes.

Examples of research satisfying the above-referenced moderate evidence standards include well-designed and well-implemented quasi-experimental studies that compare outcomes between the group receiving the intervention and a matched comparison group (i.e. a similar population not receiving the intervention).

Local units are encouraged to use relevant evidence clearinghouses, among other sources, to assess the level of evidence for a particular intervention and identify evidence-based models that could be applied in their jurisdiction. An evidence clearinghouse is a central database dedicated

to a particular field of study which collects, classifies, and distributes information obtained from empirical studies. Evidence clearinghouses can help local units identify evidence-based programs that could be funded through ARP and potentially avoid the need to independently gather certain information. Examples of evidence clearinghouses maintained by the federal government include the U.S. Department of Education's [What Works Clearinghouse](#), the U.S. Department of Labor's [Clearinghouse for Labor Evaluation and Research \(CLEAR\)](#), and the [Childcare & Early Education Research Connections and the Home Visiting Evidence of Effectiveness](#) clearinghouses from U.S. Department of Health & Human Services' Administration for Children and Families.

As a means of developing evidence to support policymaking, U.S. Treasury encourages using learning agenda that is either narrowly LFRF-focused or more broadly focused on the recipient's broader policy agenda. Learning agendas are strategic evidence-building plans highlighting priority questions and focusing attention on building evidence needed to solve big problems. A learning agenda shall have the same elements required for a federal agency evidence-building plan pursuant to 5 U.S.C. 312(a) of the Evidence-Based Policymaking Act of 2018 ("Evidence Act")¹:

- (1) A list of policy-relevant questions for which the agency intends to develop evidence to support policymaking.
- (2) A list of data the agency intends to collect, use, or acquire to facilitate the use of evidence in policymaking.
- (3) A list of methods and analytical approaches that may be used to develop evidence to support policymaking.
- (4) A list of any challenges to developing evidence to support policymaking, including any statutory or other restrictions to accessing relevant data.
- (5) A description of the steps the agency will take to accomplish paragraphs (1) and (2).
- (6) Any other information as required by guidance issued by the Director of the federal Office of Management and Budget.

Please reference federal Office of Management and Budget Memorandums [M-19-23](#) and [M-21-27](#) for further detailed information on learning agendas.

Local units are exempt from reporting on evidence-based interventions where a program evaluation is being conducted. Evaluation is an assessment using systematic data collection and analysis intended to assess program/policy/organization's effectiveness and efficiency. In such cases where a local unit is conducting a program evaluation in lieu of reporting the amount of spending on evidence-based interventions, the local unit must describe the evaluation design including:

- whether the evaluation is of a randomized or quasi-experimental design;

¹ [OMB M-19-23](#) at p.7, Footnote 14. Memorandum issued July 10, 2019 by Russell T. Vought, Acting Director, Office of Management and Budget, Executive Office of the President.

- the key research questions being evaluated;
- whether the study has sufficient statistical power to disaggregate outcomes by demographics; and
- the timeframe for completing the evaluation including, if relevant, a link to the completed evaluation.

Please reference federal Office of Management and Budget Memorandum [M-20-12](#) for further detailed information on required program evaluation standards. LFRF funds may be used for program evaluations including targeted consumer outreach, data analysis, and improvements to data, data capacity, and technology necessary to satisfactorily complete the program evaluation.

Local units must post the evaluation publicly once completed and link to the completed evaluation in their Recovery Plan. Upon completing the evaluation or gathering sufficient interim findings to determine the intervention's efficacy, local units should determine whether the spending for the evaluated interventions should be counted towards the dollar amount categorized as evidence-based for the relevant project. Local units may be selected to participate in a national evaluation, which would study their project along with similar projects in other jurisdictions that are focused on the same set of outcomes. In such cases, the local unit may be asked to share with U.S. Treasury information and data needed to undertake the evaluation.

U.S. Treasury's recent webinar on using and evaluating evidence in allocating LFRF funds, along with the accompanying slide presentation, can be found [here](#) and [here](#), respectively.

Approved: Jacquelyn A. Suárez, Director

Document	Internet Address
LFN 2021-11	https://www.nj.gov/dca/divisions/dlgs/lfns/21/2021-11.pdf
LFN 2021-13	https://www.nj.gov/dca/divisions/dlgs/lfns/21/2021-13.pdf
DCA Housing	https://www.nj.gov/dca/divisions/dhcr/
DCA COVID-19 Rental Assistance Program	https://www.nj.gov/dca/cverap2.shtml
NJ HMFA	https://www.nj.gov/dca/hmfa/
Small Landlord Emerg. Grant Program Rd. 1	https://www.nj.gov/dca/hmfa/covid19/sleground1/
Small Landlord Emerg. Grant Program Rd. 2	https://www.nj.gov/dca/hmfa/covid19/sleground2/
SLAG Rd 1 Properties	https://www.njhousing.gov/dca/hmfa/covid19/docs/SLEG_R1_Properties.pdf
SLAG Rd 2 Properties	https://www.njhousing.gov/dca/hmfa/covid19/docs/SLEG_R2_Properties.pdf
HMFA Homeowner Assistance Fund	https://www.nj.gov/dca/hmfa/covid19/haf/
EDA Small Business Emerg. Assistance Grant	https://business.nj.gov/covid/small-business-emergency-assistance-grant-program
EDA Small Business Emerg. Assistance Loan	https://business.nj.gov/covid/emergency-assistance-loan-program

EDA Activity & Other Reports	https://www.njeda.com/public_information/#Activity-reports
OSC COVID-19 Resources Webpage	https://www.nj.gov/comptroller/covid19/resources/index.shtml
OSC COVID-19 Best Practices	https://www.nj.gov/comptroller/covid19/06302021_bestpractices.shtml
OSC Procurement Page	https://www.nj.gov/comptroller/about/work/procurement/contracts.shtml
Presidential Executive Order 13985	https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-advancing-racial-equity-and-support-for-underserved-communities-through-the-federal-government/
HUD Qualified Census Tract Map	https://www.huduser.gov/portal/sadda/sadda_qct.html
HUD 9/9/21 Federal Register Notice	https://www.huduser.gov/portal/Datasets/qct/QCTDDA2022_Notice.pdf
U.S. Treasury Recovery Plan Reporting Template	https://home.treasury.gov/system/files/136/SLFRF-Recovery-Plan-Performance-Report-Template.docx
U.S. Treasury Racial & Economic Equity Webinar	https://www.youtube.com/watch?v=2YvOZUokk7I
U.S. Treasury Equity Slide Presentation	https://home.treasury.gov/system/files/136/SLFRF-Equity-Webinar.pdf
U.S. Dept. of Labor Evidence Clearinghouse	https://clear.dol.gov/
Admin. of Children & Families Clearinghouse	https://www.acf.hhs.gov/opre/research-and-evaluation-clearinghouses
U.S. OMB Memo M-19-23	https://www.whitehouse.gov/wp-content/uploads/2019/07/M-19-23.pdf
U.S. OMB Memo M-21-27	https://www.whitehouse.gov/wp-content/uploads/2021/06/M-21-27.pdf
U.S. OMB Memo M-20-12	https://www.whitehouse.gov/wp-content/uploads/2020/03/M-20-12.pdf
U.S. Treasury Evidence Webinar	https://www.youtube.com/watch?v=czkSBTOd6F4
U.S. Treasury Evidence Slide Presentation	https://home.treasury.gov/system/files/136/SLFRF-Evidence-Webinar.pdf