



***Coronavirus State & Local Fiscal Recovery
Funds: Overview of the Final Rule
(Key Changes by Category)***

January 6, 2022



Revenue Loss - Replacing Lost Public Sector Revenue

Interim Final Rule

Use of a formula that compares actual revenue to a counterfactual trend that uses the last full fiscal year prior the pandemic & projects forward with an annualized growth adjustment. Also, general revenues are used in the aggregate not on a source- by-source basis.



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Final Rule

Recipients may determine their revenue loss by choosing between two options:

- A standard allowance of up to \$10 million in aggregate, not to exceed their award amount, during the program
- Calculating their jurisdiction's specific revenue loss each year using Treasury's formula, which compares actual revenue to a counterfactual trend



Comments

The standard allowance of \$10 million is an estimate based on the average revenue loss across states and localities. It is available to all recipients and does not affect their total allocation of SLRFR funds.



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Premium Pay

Interim Final Rule

Allows the use of funds to pay a bonus to public employees that have worked during the pandemic.



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Continues to focus on lower income and frontline workers plus expands the share of eligible workers who can receive premium pay w/o a written justification.



Comments

Recipients can expand the number of workers that qualify for premium pay by designating additional non-public sectors as critical so long as doing so is necessary to protect the health and wellbeing of the residents of such jurisdictions.



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Public Health/Negative Economic Impact Projects

Interim Final Rule

No clear provisions on the use of funds for capital expenditures that support an eligible COVID-19 expenditure in response to public health or economic response.



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Clarifies and allows recipients to use funds for capital expenditures that support an eligible COVID-19 public health or economic response. In addition, recipients may also identify other responsive capital expenditures beyond those presumed eligible.



Comments

Treasury identified and added enumerated types of capital expenditures to lessen the administration burden to each of the subcategory of eligible uses, for example:

- Equipment & sites for COVID-19 prevention and treatment
- Behavioral health facilities & equipment
- Technology & equipment for law enforcement response
- Home repair & weatherization
- Improvements to vacant and abandoned properties



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Public Health/Negative Economic Impact Projects

Interim Final Rule

Provides a list of programs available to households and communities that have been "impacted" and "disproportionately impacted" by the pandemic.



Final Rule

Extends the list of allowed uses and households and communities that can be benefited w/o additional analysis.



Comments

Some of the allowed uses of funds that have been added are:

- Assistance paying delinquent taxes
- Financial services for residents and communities not serviced by banks
- Devices and equipment for internet access and digital literacy



Public Health/Negative Economic Impact Projects

Interim Final Rule



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Also, allows the use of funds for community development and neighborhood revitalization activities for disproportionately impacted communities.



Comments

Some of projects added by Treasury:

- Primary care clinics, hospitals, integration of health services and medical equipment and facilities
- Rehabilitation or maintenance, renovation and remediation of environmental contaminants
- Assistance to high poverty school districts
- Demolition or deconstruction
- Greening/vacant lot cleanup



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Public Health/Negative Economic Impact Projects

Interim Final Rule

Provide assistance to unemployed workers, those that lost their jobs due to the pandemic or the resulting recession plus those that lost their jobs before the pandemic started. Also, assistance to state and local governments to restore their workforce to pre-pandemic levels.



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Adds a broader set of uses to restore and support government employment, allowing hiring above pre-pandemic levels, providing funds to pay employees that received pay cuts or furloughs and retention incentives.



Comments

Under the increased flexibility of the final rule, SLFRF funding can be used to:

- Hire back employees for pre-pandemic positions
- Hire above the pre-pandemic baseline and/or have flexibility in positions
- Maintain current compensation levels to prevent layoffs
- Provide worker retention incentives, including reasonable increases in compensation



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Water and Sewer Projects

Interim Final Rule

Provides funds to investments in the existing water, sewer and broadband infrastructure, to improve access to clean water, improve water and sewer systems and provide access to high-quality broadband services.



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Expands the eligibility of infrastructure investments to address challenges with broadband access, affordability, and reliability. also, broadens eligible water and sewer infrastructure investments, like lead remediation and stormwater management projects.



Comments

With broadened eligibility under the final rule, SLFRF funds may be used to fund additional types of projects— such as:

- Additional stormwater infrastructure
- Residential wells
- Certain rehabilitations of dams and reservoirs

In order to be allowable, these projects need to be necessary as defined by the final rule.



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Broadband Projects

Interim Final Rule

Broadband infrastructure that is designed to provide service to unserved or underserved households and businesses.



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The final rule significantly broadens eligible broadband infrastructure investments to address challenges with broadband access, affordability, and reliability.



Comments

The final rule broadens the set of eligible broadband infrastructure investments that recipients may undertake. Recipients may pursue investments in broadband infrastructure meeting technical standards detailed below, as well as an expanded set of cybersecurity investments:

- Prioritize projects designed to serve locations w/o reliable access to a 100/20 Mbps broadband service
- Design projects to meet high-speed technical standards
- Require that service providers accept to service households that participate in the FCC's Affordable Connectivity Program (ACP) or any affordability program for low-income consumers that provides benefits comparable to ACP



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