



# Coronavirus Local Fiscal Recovery Funds

Frequently Asked Questions on Allowable Uses and Reporting Requirements

## LFRF Reporting

### 1. What are the reporting requirements tied to the use of my LFRF dollars?

Beginning April 30, 2022, each NEU will be required to submit annual Project and Expenditure Reports to the U.S. Treasury. Treasury will be launching a portal to allow recipients to complete and submit reports online, however, it is not live yet. We expect additional direction from Treasury on the reporting requirement and on how to use the portal soon.

We are awaiting further guidance from Treasury on what will be required for that first report beyond the initial information they provided in their [Compliance and Reporting Guidance](#) (see pages 15 -23). GOFERR and Guidehouse have developed a few documents that synthesize the requirements for the Project and Expenditure Report as detailed in the Compliance and Reporting Guide. Please find the complete resources embedded below:

- Uniform Guidance Desk Reference:



NEU Uniform  
Guidance Desk Refere

- Subrecipient Assessment Tool:



NEU Subrecipient  
Risk Assessment

- Federal Award Classification Checklist:



Federal Award  
Classification Check

## LFRF Expenditure Categories

### 2. What type of projects am I allowed to use my LFRF dollars to fund?

The U.S. Treasury has identified seven main categories of projects that are allowable uses of LFRF grant funds. These seven categories are:

1. Public Health
2. Negative economic impacts of COVID-19
3. Services to Disproportionately Impacted Communities
4. Premium Pay
5. Infrastructure
6. **Revenue Replacement**
7. Administrative Costs

Under the [Final Rule](#), published in January 2022, Treasury has established a standard allowance of \$10 million for revenue replacement for all recipients. This means that **all LFRF funds** received by New Hampshire NEUs can be assigned to the 'Revenue Replacement' category. Additionally, Treasury has indicated that allowable uses under

Revenue Replacement include the Provision of Government Services, defined broadly as, “services traditionally provided by recipient governments.” In summary:

- NEUs no longer need to calculate revenue loss<sup>1</sup>
- All NEU LFRF funds can be spent on the provision of government services, unless Treasury has stated that an expense is explicitly unallowed.

Further, the required reporting for this expenditure category is far more streamlined than reporting for other allowable uses. In its [Project and Expenditure User Guide](#), Treasury indicates that NEUs will check a box to indicate that they are using their allocation for revenue replacement. After selecting this option, NEUs will only need to certify that LFRF money has not been used to fund any of the prohibited uses (outlined in the Final Rule) and provide a brief narrative of the LFRF funded project(s).

Due to the broad eligibility defined in the ‘Revenue Replacement’ category and the streamlined reporting requirements associated with selecting the ‘standard allowance’, **NEUs may be able to place all their SLFRF-eligible costs into the ‘Revenue Replacement’ category. However, compliance with the Uniform Guidance on subrecipients, contracting and audits is still required for funds categorized as revenue replacement.**

As a reminder, while GOFERR, and through its consultant Guidehouse, can offer general guidance around the interpretation of LFRF guidance, the State is explicitly restricted from approving specific projects or confirming their allowability. If you have clarifying questions, please submit those through the [GOFERR My Inquiry Portal](#), which is monitored daily.

***PLEASE NOTE: In the answers to questions below, you will notice the repeated use of language with regard to the Final Rule and a standard allowance relative to government services under the Revenue Replacement reporting/expenditure category. This is due to the new breadth of that category and potential uses permitted by the Final Rule. Most of the answers then go on to more directly address the question presented.***

## Public Health (E.C 1)

### **3. Can LFRF be used to invest in ventilation and filtration air systems in town offices?**

As mentioned above, In the Final Rule, Treasury gives local government recipients the option to elect a "standard allowance" of up to \$10 million to spend on government services under the ‘Revenue Replacement’ category, E.C 6.

This option means that as an NEU that received less than \$10 million, you may spend your entire allocation of LFRFs on “government services”.

Treasury has noted that, in general, “government services” **include most services provided by NEUs**. You may be able to consider the ventilation and filtration air systems in town offices to meet this definition as it is a cost that would normally be paid for with your local budget.

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<sup>1</sup> Under the Interim Final Rule, NEUs needed to calculate lost revenue comparing 2019 to 2020. The growth-adjusted difference was your allowed “revenue replacement” funding amount. The Final Rule assumes a standard allowance of \$10 million in revenue replacement, effectively removing the need for NEUs to do this calculation, and allowing all LFRF money received by the NEU to be expended in the context of ‘revenue replacement’.

In addition to the 'Revenue Replacement' category, this project **may** qualify within eligible category 1, Public Health.

In its [Interim Final Rule \(IFR\)](#) on Coronavirus State and Local Fiscal Recovery Funds, Treasury points to the following as eligible uses in the context of addressing the effects of the public health emergency (see page 18):

*COVID-19 Mitigation and Prevention. A broad range of services and programming are needed to contain COVID-19. Mitigation and prevention efforts for COVID-19 include vaccination programs; medical care; testing; contact tracing; support for isolation or quarantine; supports for vulnerable populations to access medical or public health services; public health surveillance (e.g., monitoring case trends, genomic sequencing for variants); enforcement of public health orders; public communication efforts; enhancement to health care capacity, including through alternative care facilities; purchases of personal protective equipment; support for prevention, mitigation, or other services in congregate living facilities (e.g., nursing homes, incarceration settings, homeless shelters, group living facilities) and other key settings like schools; ventilation improvements in congregate settings, health care settings, or other key locations; enhancement of public health data systems; and other public health responses. They also include capital investments in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics. These COVID-19 prevention and mitigation programs and services, among others, were eligible expenditures under the CRF and are eligible uses under this category of eligible uses for the Fiscal Recovery Funds.*

The Final Rule does not restrict these uses for "COVID-19 Mitigation and Prevention" as seen through the following:

*In the final rule, Treasury is maintaining an expansive list of enumerated eligible uses to mitigate and prevent COVID-19, given the wide-ranging activities that governments may take to further these goals, including "other public health responses.*

#### **4. Can LFRF be used to install a dedicated server for an Emergency Management Center?**

As mentioned above, in the Final Rule, Treasury gives local government recipients the option to elect a "standard allowance" of up to \$10 million to spend on government services under the 'Revenue Replacement' category, E.C 6.

This option means that as an NEU that received less than \$10 million, you can spend your entire allocation of LFRFs on "government services".

Treasury has noted that, in general, "government services" **include most services provided by NEUs**. You may be able to consider the dedicated server for an Emergency Management Center to meet this definition as it is a cost that would normally be paid for with your local budget.

In addition to the 'Revenue Replacement' category, this project **may** qualify within eligible category 1, Public Health.

If the town believes the enhancement to the communications system will support COVID-19 mitigation efforts, it may be an eligible investment of LFRF. This could also be considered a capital investment in public facilities/services to meet pandemic operational needs. Refer to the below excerpts of the IFR (see page 18):

*A broad range of services and programming are needed to contain COVID-19. Mitigation and prevention efforts for COVID-19 include vaccination programs; medical care; testing; contact tracing; support for isolation or quarantine; supports for vulnerable populations to access medical or public health services; public health surveillance (e.g., monitoring case trends, genomic sequencing for variants); enforcement of*

*public health orders; public communication efforts; enhancement to health care capacity, including through alternative care facilities... They also include capital investments in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics.*

The Final Rule does not restrict these uses for “COVID-19 Mitigation and Prevention” as seen through the following:

*In the final rule, Treasury is maintaining an expansive list of enumerated eligible uses to mitigate and prevent COVID-19, given the wide-ranging activities that governments may take to further these goals, including “other public health responses.*

## Negative Economic Impacts (E.C 2)

### **5. Can LFRF be used to make improvements to recreation and outdoor facilities?**

As mentioned above, In the Final Rule, Treasury gives local government recipients the option to elect a "standard allowance" of up to \$10 million to spend on government services under the ‘Revenue Replacement’ category, E.C 6.

This option means that as an NEU that received less than \$10 million, you can spend your entire allocation of LFRFs on “government services”.

Treasury has noted that, in general, “government services” **include most services provided by NEUs**. You may be able to consider the improvement to outdoor facilities to meet this definition as it is a cost that would normally be paid for with your local budget.

In addition to the ‘Revenue Replacement’ category, this project **may** qualify within eligible category 2, Negative Economic Impacts.

In its Frequently Asked Questions (FAQs) on eligible uses of LFRFs (available [here](#)), Treasury provides the following question and answer (see page 11):

*Would investments in improving outdoor spaces (e.g. parks) be an eligible use of funds as a response to the public health emergency and/or its negative economic impacts? [6/23]*

*....For example, investments in parks, public plazas, and other public outdoor recreation spaces may be responsive to the needs of disproportionately impacted communities by promoting healthier living environments and outdoor recreation and socialization to mitigate the spread of COVID-19. Second, recipients may provide assistance to small businesses in all communities. Assistance to small businesses could include support to enhance outdoor spaces for COVID-19 mitigation (e.g., restaurant patios) or to improve the built environment of the neighborhood (e.g., façade improvements). Third, many governments saw significantly increased use of parks during the pandemic that resulted in damage or increased maintenance needs. The Interim Final Rule recognizes that “decrease[s] to a state or local government’s ability to effectively administer services” can constitute a negative economic impact of the pandemic.*

The Final Rule did not restrict these uses for “negative economic impacts” as seen through the following:

*The final rule maintains the standard articulated in the interim final rule. For clarity, the final rule re-articulates that when assessing whether a program or service is an eligible use to respond to the negative economic impacts of the COVID–19 public health emergency, Treasury will consider the two eligibility requirements discussed below. First, there must be a negative economic impact, or an economic harm,*

*experienced by an individual or a class. The recipient should assess whether, and the extent to which, there has been an economic harm, such as loss of earnings or revenue, that resulted from the COVID–19 public health emergency. A recipient should first consider whether an economic harm exists and then whether this harm was caused or made worse by the COVID–19 public health emergency. This approach is consistent with the text of the statute, which provides that funds in this category must be used to “respond to the public health emergency with respect to... its negative economic impacts.”*

## Services to Disproportionately Impacted Communities (E.C 3)

### **6. Can LFRF be used to provide early learning services to certain households?**

As mentioned above, in the Final Rule, Treasury gives local government recipients the option to elect a "standard allowance" of up to \$10 million to spend on government services under the 'Revenue Replacement' category, E.C 6.

This option means that as an NEU that received less than \$10 million, you can spend your entire allocation of LFRFs on "government services".

Treasury has noted that, in general, "government services" **include most services provided by NEUs**. You may be able to consider the early learning services to meet this definition as it is a cost that would normally be paid for with your local budget.

In addition to the 'Revenue Replacement' category, this project **may** qualify within eligible category 3, Services to Disproportionately Impacted Communities.

The Interim Final Rule (linked [here](#)) provides the following as an eligible use of LFRF dollars (see page 141):

*Disproportionately Impacted Populations and Communities. A program, service, or other assistance that is provided in a Qualified Census Tract, that is provided to households and populations living in a Qualified Census Tract, that is provided by a Tribal government, or that is provided to other households, businesses, or populations disproportionately impacted by the COVID-19 public health emergency, such as:*

*(A) New or expanded early learning services;*

*(B) Assistance to high-poverty school districts to advance equitable funding across districts and geographies; and*

*(C) Educational and evidence-based services to address the academic, social, emotional, and mental health needs of students*

The Final Rule has made a slight modification to the existing eligibility under these programs as seen through the following:

*Treasury has determined that several enumerated uses included in the interim final rule for disproportionately impacted communities are directly responsive to negative economic impacts experienced by impacted households. **In the final rule, these uses have been moved from "disproportionately impacted" to "impacted" households accordingly,** making these services available to both disproportionately impacted and impacted households. These uses include assistance applying for public benefits or services; programs or services that address or mitigate the impacts of the COVID-19 public health emergency on childhood health or welfare, including childcare, early learning services, programs to provide home visits....*

## Premium Pay (E.C 4)

### **7. Can LFRF be used to pay COVID stipends to school crossing guards who were unable to work because of school closures and for selectmen who still conducted in person meetings all through 2020 until now?**

As mentioned above, In the Final Rule, Treasury gives local government recipients the option to elect a "standard allowance" of up to \$10 million to spend on government services under the 'Revenue Replacement' category, E.C 6.

This option means that as an NEU that received less than \$10 million, you can spend your entire allocation of LFRFs on "government services".

Treasury has noted that, in general, "government services" **include most services provided by NEUs**. You may be able to consider the COVID stipends to meet this definition as it is a cost that would normally be paid for with your local budget.

In addition to the 'Revenue Replacement' category, this project **may** qualify within eligible category 4, Premium Pay.

One category of eligible use is premium pay, which the IFR introduces as follows (see page 40 [here](#)):

*Fiscal Recovery Funds payments may be used by recipients to provide premium pay to eligible workers performing essential work during the COVID-19 public health emergency or to provide grants to third-party employers with eligible workers performing essential work. These are workers who have been and continue to be relied on to maintain continuity of operations of essential critical infrastructure sectors, including those who are critical to protecting the health and wellbeing of their communities.*

The IFR defines eligible workers as follows (see pages 116-117 [here](#)):

*Eligible workers means workers needed to maintain continuity of operations of essential critical infrastructure sectors, including health care; emergency response; sanitation, disinfection, and cleaning work; maintenance work; grocery stores, restaurants, food production, and food delivery; pharmacy; biomedical research; behavioral health work; medical testing and diagnostics; home- and community-based health care or assistance with activities of daily living; family or child care; social services work; public health work; vital services to Tribes; any work performed by an employee of a State, local, or Tribal government; educational work, school nutrition work, and other work required to operate a school facility; laundry work; elections work; solid waste or hazardous materials management, response, and cleanup work; work requiring physical interaction with patients; dental care work; transportation and warehousing; work at hotel and commercial lodging facilities that are used for COVID-19 mitigation and containment; work in a mortuary; work in critical clinical research, development, and testing necessary for COVID-19 response.*

The IFR defines the following as an appropriate sum for premium pay (see page 48):

*In providing premium pay to essential workers or grants to eligible employers, a recipient must consider whether the pay or grant would "respond to" to the worker or workers performing essential work. Premium pay or grants provided under this section respond to workers performing essential work if it addresses the heightened risk to workers who must be physically present at a jobsite and, for many of whom, the costs associated with illness were hardest to bear financially. Many of the workers performing critical essential services are low- or moderate income workers, such as those described above. The ARPA recognizes this by defining premium pay to mean an amount up to \$13 per hour in addition to wages or remuneration the worker otherwise receives and in an aggregate amount not to exceed \$25,000 per eligible worker*

Because of this "upper limit," premium pay can likely only be used to add on to an existing salary as opposed to being able to fund it in entirety.

The Final Rule does not restrict the definition of "eligible workers" and, in fact, expanded this definition for ease of reporting as seen through the following:

*In the final rule, Treasury will preserve the definition of "eligible worker" as it was defined in the interim final rule with minor modifications to clarify that all public employees of recipient governments are already included in the interim final rule definition of "eligible worker." A more specific eligibility system (e.g., linking eligibility to specific occupational or industry codes) would have provided more certainty but would have been much more rigid. In contrast, the current definition is flexible enough to give recipients the ability to tailor their premium pay programs to meet their needs while ensuring that programs focus on sectors where workers were forced to shoulder substantial risk as a result of the COVID-19 pandemic*

## Infrastructure (E.C 5)

### 8. Can LFRF be used to invest in septic systems?

As mentioned above, In the Final Rule, Treasury gives local government recipients the option to elect a "standard allowance" of up to \$10 million to spend on government services under the 'Revenue Replacement' category, E.C 6.

This option means that as an NEU that received less than \$10 million, you can spend your entire allocation of LFRFs on "government services".

Treasury has noted that, in general, "government services" **include most services provided by NEUs**. You may be able to consider the septic systems to meet this definition as it is a cost that would normally be paid for with your local budget.

In addition to the 'Revenue Replacement' category, this project **may** qualify within eligible category 5, Infrastructure.

In its FAQs on eligible uses of LFRFs (available [here](#)), Treasury provides the following question and answer (see page 6):

*What types of water and sewer projects are eligible uses of funds?*

*The [Interim Final Rule](#) generally aligns eligible uses of the Funds with the wide range of types or categories of projects that would be eligible to receive financial assistance through the Environmental Protection Agency's Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF).*

*Under the DWSRF, categories of eligible projects include: treatment, transmission and distribution (including lead service line replacement), source rehabilitation and decontamination, storage, consolidation, and new systems development.*

*Under the CWSRF, categories of eligible projects include: construction of publicly owned treatment works, nonpoint source pollution management, national estuary program projects, decentralized wastewater treatment systems, stormwater systems, water conservation, efficiency, and reuse measures, watershed pilot projects, energy efficiency measures for publicly-owned treatment works, water reuse projects, security measures at publicly-owned treatment works, and technical assistance to ensure compliance with the Clean Water Act.*

Additionally, Page 17 in the "Overview of Clean Water State Revolving Fund Eligibilities" (linked [here](#)) outlines the following eligible activities for a decentralized wastewater treatment expense.

*Decentralized wastewater treatment is an onsite or clustered system used to collect, treat, and disperse or reclaim wastewater from a small community or service area (e.g., septic systems, cluster systems, lagoons). Eligible decentralized wastewater treatment projects include the upgrade (e.g., nutrient removal), repair, or replacement of existing systems; construction/installation of new systems; costs associated with the establishment of a responsible management entity (RME) (e.g., permitting fees, legal fees, etc.); and septage treatment works and pumper trucks to support the proper maintenance of decentralized systems.*

The Final Rule does not restrict the eligibility of “private septic systems” as seen through the following:

*Consistent with the CWSRF, the installation, repair, or replacement of private septic units continues to be an eligible use of SLFRF funds under the final rule. For example, eligible projects include those that address groundwater contamination resulting from faulty septic units and those that would connect failing septic systems to centralized wastewater treatment. Consistent with the DWSRF, connecting homes served by a private well to a public water system is an eligible use of SLFRF funds*

### **9. Can LFRF be used for Stormwater or Culvert management projects?**

As mentioned above, In the Final Rule, Treasury gives local government recipients the option to elect a "standard allowance" of up to \$10 million to spend on government services under the ‘Revenue Replacement’ category, E.C 6.

This option means that as an NEU that received less than \$10 million, you can spend your entire allocation of LFRFs on “government services”.

Treasury has noted that, in general, “government services” **include most services provided by NEUs**. You may be able to consider the stormwater or culvert management projects to meet this definition as it is a cost that would normally be paid for with your local budget.

In addition to the ‘Revenue Replacement’ category, this project **may** qualify within eligible category 5, Infrastructure.

In its FAQs on eligible uses of LFRFs (available [here](#)), Treasury provides the following question and answer (see page 6):

*How should states and local governments assess whether a stormwater management project, such as a culvert replacement, is an eligible project for State and Local Fiscal Recovery Funds? [7/14]*

*FAQ 6.7 describes the overall approach that recipients may take to evaluate the eligibility of water or sewer projects. For stormwater management projects specifically, as noted in the EPA’s Overview of Clean Water State Revolving Fund Eligibilities, “Stormwater projects must have a water quality benefit.” Thus, to be eligible under CSFRF/CLFRF, stormwater management projects should be designed to incorporate water quality benefits consistent with the goals of the Clean Water Act. Summary of the Clean Water Act.*

The Final Rule does not restrict the eligibility of “stormwater or culvert management systems” as seen through the following:

*The CWSRF includes a broad range of stormwater infrastructure projects, and as such these projects were eligible under the interim final rule and continue to be eligible under the final rule. These projects include gray infrastructure projects, such as traditional pipe, storage, and treatment systems. Projects that manage, reduce, treat, or recapture stormwater or subsurface drainage water are also eligible, including real-time control systems for combined sewer overflow management, and sediment control. Culvert*

*infrastructure projects are eligible under the CWSRF if they 1) implement a nonpoint source management plan, 2) implement National Estuary Program Comprehensive Conservation and Management Plan, or 3) implement a stormwater management plan with the goal of providing a water quality benefit. Stormwater projects under the CWSRF also encompass a number of eligible green infrastructure categories, such as green roofs, green streets, and green walls, rainwater harvesting collection, storage, management, and distribution systems, real-time control systems for harvested rainwater, infiltration basins, constructed wetlands, including surface flow and subsurface flow (e.g., gravel) wetlands, bioretention/bioswales (e.g., bioretention basins, tree boxes), permeable pavement, wetland, riparian, or shoreline creation, protection, and restoration, establishment or restoration of urban tree canopy, and replacement of gray infrastructure with green infrastructure including purchase and demolition costs.*

#### **10. Can LFRF be used for PFAS testing/remediation?**

As mentioned above, in the Final Rule, Treasury gives local government recipients the option to elect a "standard allowance" of up to \$10 million to spend on government services under the 'Revenue Replacement' category, E.C 6.

This option means that as an NEU that received less than \$10 million, you can spend your entire allocation of LFRFs on "government services".

Treasury has noted that, in general, "government services" **include most services provided by NEUs**. You may be able to consider the PFAS testing/remediation projects to meet this definition as it is a cost that would normally be paid for with your local budget.

In addition to the 'Revenue Replacement' category, this project **may** qualify within eligible category 5, Infrastructure.

In its FAQs on eligible uses of LFRFs (available [here](#)), Treasury provides the following question and answer (see page 27):

*What types of water and sewer projects are eligible uses of funds?*

*The Interim Final Rule generally aligns eligible uses of the Funds with the wide range of types or categories of projects that would be eligible to receive financial assistance through the Environmental Protection Agency's Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF).*

*Under the DWSRF, categories of eligible projects include: treatment, transmission and distribution (including lead service line replacement), source rehabilitation and decontamination, storage, consolidation, and new systems development.*

*Under the CWSRF, categories of eligible projects include: construction of publicly owned treatment works, nonpoint source pollution management, national estuary program projects, decentralized wastewater treatment systems, stormwater systems, water conservation, efficiency, and reuse measures, watershed pilot projects, energy efficiency measures for publicly-owned treatment works, water reuse projects, security measures at publicly-owned treatment works, and technical assistance to ensure compliance with the Clean Water Act.*

Additionally, please note the following as it pertains to PFAS testing. The Drinking Water State Revolving Fund (DWSRF) and Clean Water State Revolving Fund (CWSRF) handbooks (linked in the Treasury FAQs above) do not specifically mention PFAS contamination/remediation. However, the handbooks for the DWSRF and CWSRF are from 2017 and 2016, respectively. An EPA fact sheet from 2019, linked [here](#), clearly states that DWSRF can be used to address infrastructure needs related to PFAS:

*The DWSRF can provide financial assistance to publicly-owned and privately-owned community water systems, as well as non-profit non-community water systems, for drinking water infrastructure projects. Projects must either facilitate the system's compliance with national primary drinking water regulations or significantly further the health protection objectives of the Safe Drinking Water Act. PFAS chemicals qualify as emerging contaminants, as well as synthetic organic chemicals (SOCs), and infrastructure needs related to addressing PFAS are eligible projects.*

The below excerpt from the Interim Final Rule (linked [here](#)) likely means that DWSRF projects are LFRF eligible projects (see page 63):

*The Interim Final Rule does this by aligning eligible uses of the Fiscal Recovery Funds with the wide range of types or categories of projects that would be eligible to receive financial assistance through the Environmental Protection Agency's (EPA) Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF).*

The Final Rule explicitly outlines PFAS and other testing activities as eligible under E.C 5, as seen through the following:

*In addition, Treasury has provided in the final rule that recipients may use SLFRF funds for an expanded set of infrastructure projects that improve access to and provision of safe drinking water for individuals served by residential wells. Eligible projects under this category include rehabilitation of private wells, testing initiatives to identify contaminants in wells, and treatment activities and remediation strategies that address contamination.*

## Revenue Replacement (E.C 6)

### **11. Can LFRF be used to make improvements to our town buildings?**

This project **may** qualify within eligible category 6, Revenue Replacement.

Local governments have broad latitude to use LFRFs to fund most government activities to the extent that they experienced a reduction in revenue due to the public health emergency.

Treasury describes the government services that may be eligible for LFRF funding in the context of revenue loss in its FAQs on LFRF eligible uses (available [here - see page 15](#)):

*Once a recipient has identified a reduction in revenue, are there any restrictions on how recipients use funds up to the amount of the reduction?*

*The Interim Final Rule gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue. Government services can include, but are not limited to, maintenance of infrastructure or pay-go spending for building new infrastructure, including roads; modernization of cybersecurity, including hardware, software, and protection of critical infrastructure; health services; environmental remediation; school or educational services; and the provision of police, fire, and other public safety services. However, paying interest or principal on outstanding debt, replenishing rainy day or other reserve funds, or paying settlements or judgments would not be considered provision of a government service, since these uses of funds do not entail direct provision of services to citizens. This restriction on paying interest or principal on any outstanding debt instrument, includes, for example, short-term revenue or tax anticipation notes, or paying fees or issuance costs associated with the issuance of new debt. In addition, the 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) would apply.*

## Administrative Costs (E.C 7)

### 12. Can LFRF be used to compensate time spent on eligible COVID-19 administrative work?

As mentioned above, In the Final Rule, Treasury gives local government recipients the option to elect a "standard allowance" of up to \$10 million to spend on government services under the 'Revenue Replacement' category, E.C 6.

This option means that as an NEU that received less than \$10 million, you can spend your entire allocation of LFRFs on "government services".

Treasury has noted that, in general, "government services" **include most services provided by NEUs**. You may be able to consider the administrative work to meet this definition as it is a cost that would normally be paid for with your local budget.

In addition to the 'Revenue Replacement' category, this project **may** qualify within eligible category 7, Administrative Costs. In its FAQs on LFRF eligible uses(available [here – see page 38](#)), Treasury includes the following question-and-answer on eligible uses in the category of COVID-19 administrative expenses.

#### *10.2. Can recipients use funds for administrative purposes?*

*Recipients may use funds to cover the portion of payroll and benefits of employees corresponding to time spent on administrative work necessary due to the COVID–19 public health emergency and its negative economic impacts. This includes, but is not limited to, costs related to disbursing payments of Fiscal Recovery Funds and managing new grant programs established using Fiscal Recovery Funds.*

The Final Rule does not restrict the eligibility of "administrative expenses", as seen through the following:

*The interim final rule provided that funds could be used for: "Expenses to improve efficacy of public health or economic relief programs: Administrative costs associated with the recipient's COVID-19 public health emergency assistance programs, including services responding to the COVID-19 public health emergency or its negative economic impacts, that are not federally funded." In the final rule, Treasury is clarifying that there are several categories of eligible administrative expenses. First, recipients may use funds for administrative costs to improve the efficacy of public health or economic relief programs through tools like program evaluation, data analysis, and targeted consumer outreach (see section Effective Service Delivery: Program Evaluation, Data, and Outreach). Second, recipients may use funds for administrative costs associated with programs to respond to the public health emergency and its negative economic impacts, including programs that are not funded by SLFRF or not federally funded. In other words, Treasury recognizes that responding to the public health and economic impacts of the pandemic requires many programs and activities, some of which are not funded by SLFRF. Executing these programs effectively is a component of responding to the public health and negative economic impacts of the pandemic. Finally, recipients may use funds for direct and indirect administrative costs for administering the SLFRF program and projects funded by the SLFRF program*