



1. If my allocation was under \$10 million, please confirm if I should continue my broadband infrastructure project using the relevant infrastructure Expenditure Category, or if I should switch to the Revenue Replacement category.

Under the Final Rule, published in January 2022, Treasury is assuming a standard allowance of \$10 million for revenue replacement for all recipients. This means that **all LFRF money** received by your town may be assigned to the “Revenue Replacement” category. In other words:

- You no longer need to calculate revenue loss
- All your LFRF funds can be spent on the provision of any normal government service, unless Treasury has stated that an expense is explicitly unallowed.

Treasury has noted that, in general, “government services” **include most services provided by local governments. If it’s a normal cost of operating your town/village/city/county, it is likely in the category of “government services”** and an allowable use of your LFRF funds. You may be able to consider the broadband infrastructure project to meet this definition as it is a cost that would normally be paid for with your local budget.

We highly recommend that you categorize this project under ‘Revenue Replacement’ as Treasury reporting requirements for this project will be much easier when compared with those for the infrastructure expenditure category.

2. Where can I find the slides, webinar recording and Uniform Guidance Desk Reference?

Please find the following documents embedded below (also available on GOFERR’s webpage):

1. Webinar Slide Deck



Final Rule Webinar

2. Webinar Recording Link

<https://attendee.gotowebinar.com/recording/3809644383698693634>

3. Uniform Guidance Desk Reference



Uniform Guidance
Desk Reference - NEU

3. I represent a small town that received under \$40,000 in LFRF funds. What can't I spend this money on?

Please find the list of prohibited uses of SLFRF dollars below:

- Recipients may **not** fund capital projects funded with borrowed money (e.g., a loan or bond). All capital projects funded with LFRF money must be paid with “cash-on-hand”
- Recipients may **not** pay down debt or pay interest on debt with LFRF money
- Recipients may **not** deposit LFRF money into pension funds
- Recipients may **not** use LFRF money to offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation (note that this restriction applies only to State and Territory governments).
- Recipients may **not** use LFRF money to undermine COVID-19 mitigation practices in line with CDC guidance and recommendations
- Recipients may **not** use LFRF money for any settlements and judgements
- Recipients may **not** use LFRF money in violation of the Award Terms and Conditions or conflict of interest requirements under the Uniform Guidance

4. If a town has a capital project lined up and has quite a bit of cash on hand, it appears that the LFRF money could be used to supplement the cash on hand. If so, does the project have to be completed within a certain time frame?

LFRF money can be used to supplement cash on hand to fund capital projects.

If you are planning to utilize LFRF money to fund any project, funds must be used for costs incurred on or after March 3, 2021. Further, costs must be obligated by December 31, 2024, and expended by December 31, 2026.

These timeframes *only* apply to the LFRF portion of your intended project. If you estimate that the *entire* project may only be completed after 12/31/2026, you should provide evidence indicating that the LFRF funds were obligated and expended by 12/31/2024 and 12/31/2026 respectively, and that the remainder of the project was completed using the town's funds.

5. Will we be sent forms for quarterly reporting?

GOFERR and Guidehouse will be providing reporting support for recipients prior to the April 30th, 2022, Project and Expenditure Report deadline. Such support is likely to come in the form of a

webinar on the topic in advance of the deadline, additional guidance materials, and any forms the State is made aware of for reporting purposes.

However, each NEU should watch and look for any guidance that U.S. Treasury may send directly to you or post on its website, which can be found by [clicking here](#).

6. Do any expenditures/projects under \$10 million require a written justification?

Recipients will be required to produce a written justification for certain **premium pay expenditures** and for certain **capital expenditures**.

Premium Pay

If you have a project categorized as premium pay, the Final Rule requires a written justification to the Treasury describing how the premium pay or grant is “responsive to workers performing essential work during the public health emergency” if the workers **do not** meet one of the criteria below:

- Eligible worker receiving premium pay is earning (with the premium included) below 150 percent of their residing state or county’s average annual wage for all occupations, as defined by the Bureau of Labor Statistics Occupational Employment and Wage Statistics, whichever is higher, on an annual basis; or
- Eligible worker receiving premium pay is not exempt from the Fair Labor Standards Act overtime provisions.

This should include a description of the essential worker’s duties, health, or financial risks faced due to COVID-19, and why the recipient determined that the premium pay was responsive. Treasury has indicated that they anticipate that recipients will easily be able to satisfy the justification requirement for front-line workers, like nurses and hospital staff.

Capital Projects

Recipients will need to complete a written justification for capital projects that exceed \$1 million and must submit that written justification to Treasury for all capital projects that exceed \$10 million, as outlined in the table below. [The Coronavirus State & Local Recovery Funds: Overview of the Final Rule](#) states the following:

For large-scale capital expenditures, which have high costs and may require an extended length of time to complete, as well as most capital expenditures for non-enumerated uses of funds, Treasury requires recipients to submit their written justification as part of regular reporting.

Please use the following graphic found in the Final Rule Overview (cited above) that more appropriately illustrates the need for a written justification for capital projects.

If a project has total capital expenditures of	and the use is enumerated by Treasury as eligible, then	and the use is beyond those enumerated by Treasury as eligible, then
Less than \$1 million	No Written Justification required	No Written Justification required
Greater than or equal to \$1 million, but less than \$10 million	Written Justification required but recipients are not required to submit as part of regular reporting to Treasury	Written Justification required and recipients must submit as part of regular reporting to Treasury
\$10 million or more	Written Justification required and recipients must submit as part of regular reporting to Treasury	

A written justification for capital expenditures will consist of the following:

- **Description of the harm or need to be addressed.** Recipients should provide a description of the specific harm or need to be addressed and why the harm was exacerbated or caused by the public health emergency. Recipients may provide quantitative information on the extent and the type of harm, such as the number of individuals or entities affected. Coronavirus State & Local Fiscal Recovery Funds: Overview of the Final Rule U.S. Department of the Treasury
- **Explanation of why a capital expenditure is appropriate.** For example, recipients should include an explanation of why existing equipment and facilities, or policy changes or additional funding to pertinent programs or services, would be inadequate.
- **Comparison of proposed capital project against at least two alternative capital expenditures and demonstration of why the proposed capital expenditure is superior.** Recipients should consider the effectiveness of the capital expenditure in addressing the harm identified and the expected total cost (including pre-development costs) against at least two alternative capital expenditures.

The written justification for capital expenditures is required for projects meeting the criteria outlined above *regardless of the expenditure category that your project is assigned to.*

7. I would like clearer guidance on tax relief and supplantation. Does supplantation apply to municipalities? I understand that the guidance is clear for States and Territories, but does it apply to municipalities?

The Coronavirus State & Local Fiscal Recovery Funds outline the following provision as unallowable **for states and territories**:

No offsets of a reduction of net tax revenue resulting in a change in state or territory law

Because this provision explicitly relates to states and territories as opposed to all recipients, your municipality may not be limited by the same constraints.