

## MEMORANDUM

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**TO:** Municipal and County Chief Executives  
**FR:** Executive Office for Administration & Finance Federal Funds Office (FFO)  
**DT:** June 3, 2021  
**RE:** Coronavirus Local Fiscal Recovery Fund (CLFRF) Eligible Uses

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On March 11, 2021, the President of the United States signed into law the American Rescue Plan Act of 2021 (ARPA), Pub. L. No. 117-2. This law provides resources through the new Coronavirus Local Fiscal Recovery Fund (CLFRF) to local governments to respond to the public health emergency caused by the Coronavirus Disease (COVID-19). This fund is administered by the US Department of the Treasury (hereafter, “US Treasury” or “Treasury”).

On May 10, 2021, the US Treasury issued the [Interim Final Rule](#) (IFR) (i.e., eligibility guidelines) document for CLFRF. The “key takeaways” regarding eligibility uses of CLFRF are outlined in this memo. This memo should be used as a brief outline of the relevant Treasury guidance. For specific eligibility questions, municipalities should refer to Treasury’s published materials.

Of note, **unlike with the CARES Act Coronavirus Relief Fund – Municipal Program (CvRF-MP), A&F’s Federal Funds Office (FFO) and the Division of Local Services (DLS) will not make individual eligibility determinations regarding the use of CLFRF for specific expenses.** The responsibility for such determinations falls on the municipality or county, as they are the “prime recipient” of the funding. Municipalities and counties should refer to the IFR when making such determinations. This varies from CvRF-MP, as the Commonwealth was the prime recipient of the relevant CvRF-MP funding, which was then “sub-granted” to eligible municipalities (the “subrecipients”).

### Eligible Uses

Treasury has identified five core areas for deploying funds:

1. **Public health spending.** This includes COVID-19 mitigation efforts, medical expenses, behavioral health, and certain public health and safety staff.
2. **Economic impacts of the public health emergency.** These include efforts to mitigate economic harm to workers, households, small businesses, affected industries, and the public sector.
3. **Lost public sector revenue.** Payments may be used to fund government services to the extent of revenue reductions from the pandemic (further information on this eligible use can be found [here](#)).
4. **Premium pay for essential workers.** Funds may be used for additional support for those who have faced the greatest health risks because of their service in critical infrastructure sectors (further information on this eligible use can be found in [the IFR](#), pages 40-46).

5. **Water, sewer, and broadband infrastructure.** Recipients may invest to improve access to clean drinking water, support wastewater and stormwater infrastructure, and expand access to broadband internet.
  - a. Wide range of eligible water and sewer infrastructure projects – specifically, all that would otherwise 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).
  - b. Broadband projects must provide service to unserved and underserved households and businesses. Eligible projects are expected to be designed to deliver, upon project completion, service that reliably meets or exceeds symmetrical upload and download speeds of 100 Mbps

**Potential eligible uses** within these five core areas include the following expenses:

- Direct COVID-related costs (testing, contact tracing, etc.)
- Public health and safety staff
- Hiring state and local government staff up to the number of employees to pre-pandemic levels
- Assistance to unemployed workers, including job training
- Contributions to UI systems
- Small business assistance
- Nonprofit assistance
- Assistance to households
- Aid to impacted industries
- Expenses to improve efficacy of public health or economic relief programs
- Survivor’s benefits

**CLFRF funding *cannot* be used to:**

- Replenish a “rainy day” fund or other reserve fund
- Make a deposit to a pension fund

### **Addressing Disparities in Public Health Outcomes**

Additional uses are eligible for populations within a “[Qualified Census Tract](#)” (QCT) - a low-income area [as designated by the Department of Housing and Urban Development](#). **The recipients of such services are presumed eligible without an individual determination of COVID-19 impact** due to Treasury’s presumption of adverse impacts from COVID-19 to all populations located within a QCT. Services targeted towards these populations and funded through CLFRF can include all eligible uses listed above, as well as those that:

- Address health disparities and the social determinants of health
- Invest in housing and neighborhoods
- Address educational disparities
- Promote healthy childhood environments

Recipients (municipalities and counties) have the ability to generate their own definition of “disproportionately impacted populations or communities”, so long as the recipient can “support their determination that the pandemic resulted in disproportionate public health or economic outcomes to the specific populations, households, or geographic areas to be served.”

## **Transfers**

**Counties and municipalities are able to transfer CLFRF funding other governmental, private, and non-profit organizations.** The IFR stipulates that the transferee becomes the subrecipient and the transferor (in this scenario, the county or municipality), as the prime recipient, is responsible for ensuring that transferred funds used in compliance with guidelines laid out in the IFR and maintains responsibility for all relevant [spending reporting requirements](#).

**Counties and municipalities are able to transfer their award to the Commonwealth without such subrecipient restrictions applying,** however. In this scenario, the Commonwealth becomes the prime recipient of the funding and Treasury adjusts award amounts for the “original” recipient accordingly. For such a transfer to be initiated, the county or municipality must submit a formal request to Treasury.