Coronavirus Local Fiscal Recovery Funds
Interim Final Rule and Guidance Interpretation

DISCLAIMER: The U.S. Department of the Treasury released the Interim Final Rule (IFR) on May 10, 2021. The IFR is interim guidance on the eligible and ineligible uses of the Coronavirus Local Fiscal Recovery Funds (FRF). The public comment period for the FRF will close on July 16, 2021. After this date, the Final Rule will be released, and it will be followed by another period of public comment and releases of FAQs. Staff expect that the guidance will not arrive in its final form until at least mid-September 2021. As such, the information contained below is City staff’s interpretation of the interim guidance and is subject to change based on changes in the guidance, as well as through other interpretations from professional associations like the National League of Cities, NC League of Municipalities, and UNC School of Government.

Federal Objectives for the FRF:
1. To respond to the public health emergency or its negative economic impacts
2. To respond to workers performing essential work during the COVID-19 pandemic
3. To replace lost public sector revenue due to the pandemic
4. To make necessary improvements in water, sewer, or broadband infrastructure

Identified Uses of Funding by Category from the Law and Guidance
The City was allocated $51.7 million through the American Rescue Plan Act. The City received the first half of the funds in May 2021 and will receive the second half in May 2022. The covered period of the fund is from March 3, 2021 to December 31, 2024. The IFR states that some expenses before the passage of the law (March 3, 2021) are eligible, so long as there was not a City obligation before that date. The City must decide what to use the funds for by December 31, 2024, and the funds must be spent with work completed by December 31, 2026.

Responding to the Public Health Emergency and Its Negative Economic Impacts
- Services and programs to reduce the spread of COVID-19, including supporting isolation and quarantine, paid sick and family leave and medical leave to public employees for COVID-19 compliance, enforcing public health orders, purchase PPE and disinfection of public areas
- Behavioral and mental health services, including mental health and substance misuse treatment, crisis intervention, and similar services
- Assistance to small business and non-profits in the form of recovery loans and grants to assist with payroll and operating expenses, reopening assistance, exterior improvements including patio seating and façade improvements, and for technical assistance and business planning including to start-ups
- Assistance to impacted industries, like travel, tourism, and hospitality, to support safe reopening and aid planned expansion delayed by the pandemic
- Aid to Households, including rent, mortgage, and utility assistance; food assistance; home repairs, weatherization, lead remediation, and other housing needs; and job training
- Re-hiring governmental staff to pre-pandemic levels
- Payroll and covered benefits for public safety, public health, and other similar employees

Expanded eligibility in QCTs for these categories:
- Addressing health disparities through community health workers, benefits navigators, and community violence intervention programs
- Efforts to reduce gun violence, including equipment and personnel
- Promoting Housing, including addressing homelessness, providing supportive housing, affordable housing, and voucher programs
- Early childhood child care and learning, including pre-k, other childcare, child welfare services, tutoring, and other similar services
- Investments in healthful community environments, including parks, public plazas, and other public outdoor recreation spaces
- Workforce development through creating public jobs programs, subsidized employment, or combined education/OTJ training programs
Premium Pay for Essential Workers
- Provide premium pay to essential workers, both directly and through grants to third-party workers
- Threshold of 150% of area average wage (approximately $76,500) for eligible workers
- Designed for lower-wage earners in local government or other critical sectors

Replace Public Sector Revenue Loss
- Ensure continuity of vital government services by filling budget shortfalls
- Calculation done by City to recover allowable lost revenue (yields $0 per current rules)
- Broad uses through this revenue method for any allowable governmental purpose other than debt service and other noted ineligible uses

Water, Sewer, and Stormwater Infrastructure
- Includes improvements to infrastructure, such as building or upgrading systems for additional capacity, water treatment and distribution projects, sewer collection and treatment projects, and stormwater management projects
- Eligible uses must align with Environmental Protection Agency project categories in the Clean Water State Revolving Fund and Drinking Water State Revolving Fund
- Enhance cybersecurity systems of critical systems

Broadband Infrastructure
- Focus on households and businesses without access to broadband and those with connections that do not provide minimally acceptable speeds (10 Mbps upload and download) unless impracticable
- Promote digital literacy through training and similar programs

Equity-Focused Services
- Aid to those disproportionately impacted by the pandemic in geographies and populations in qualified census tracts (QCTs)
- Eligibility in QCTs is greatly expanded for addressing health disparities and the social determinants of health, building stronger neighborhoods and communities, addressing educational disparities exacerbated by COVID-19, and promoting health childhood environments

Ineligible Uses
- Changes that reduce net tax revenue must not be offset with the FRF
- Extraordinary payments into a pension fund
- As non-federal match for other federal programs, unless explicitly allowed to do so
- Other restrictions apply to eligible uses