



NACo UPDATE:

OVERVIEW OF U.S. TREASURY'S FINAL RULE FOR ARPA FISCAL RECOVERY FUND

January 2022

KEY HIGHLIGHTS OF THE GUIDANCE

1. **Final Rule is effective April 1, 2022**, but counties can take advantage of new provisions prior to the effective date
2. **Allows counties to use up to \$10 million of ARPA Recovery Funds as “lost revenue” for the provision of general government services** without needing to use the Treasury revenue loss formula
3. Improves revenue loss calculation formula **to include utility revenue and liquor store sales, at option of counties**
4. **Clarifies eligible use of funds for capital expenditures** and written justification for certain projects
5. **Presumes certain populations were “impacted” and “disproportionately impacted” by the pandemic** and therefore are eligible to receive a broad range of services and support – designed to minimize administrative burden
6. **Streamlines options for premium pay**, by broadening the share of eligible workers who can receive premium pay
7. **Authorizes re-hiring of local government staff**, either at or above pre-pandemic levels
8. Allows Recovery Funds to be used for **modernization of cybersecurity**, including hardware and software
9. Broadens eligible use of funds for **water and sewer projects** to include culvert repair, dam and reservoir rehabilitation
10. Broadens eligible **broadband infrastructure investments** to ensure better connectivity to broader populations

ILLUSTRATION ONLY OF ALLOWABLE USES OF RECOVERY FUNDS,
PER U.S. TREASURY GUIDANCE



Support Public Health Response

Fund COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff



Replace Public Sector Revenue Loss

Use funds to provide government services to the extent of the reduction in revenue experienced due to the pandemic



Water and Sewer Infrastructure

Make necessary investments to improve access to clean drinking water and invest in wastewater and stormwater infrastructure



Address Negative Economic Impacts

Respond to economic harms to workers, families, small businesses, impacted industries, and the public sector



Premium Pay for Essential Workers

Offer additional support to those who have and will bear the greatest health risks because of their service in critical infrastructure sectors



Broadband Infrastructure

Make necessary investments to provide unserved or underserved locations with new or expanded broadband access

DECODING *THE LANGUAGE* OF THE GUIDANCE

Throughout the Final Rule, U.S. Treasury uses various **key words** that are important to understand in determining the eligible use of funds.

- “**Should**” and “**must**” = *mandatory* reporting, use and compliance
- “**May**” and “**encourage**” = Allows county *discretion*, even as a federal preference
- **Proportional & Reasonable** are key terms in determining the level of investment for eligible activities

REPLACING LOST REVENUE

Counties can use Recovery Funds to provide government services, up to the amount of revenue loss experienced using one of two Treasury approaches. Under the Final Rule, **counties now have two options:**

KEY NEW FEATURES IN FINAL RULE

1. NEW \$10 MILLION REVENUE LOSS ALLOWANCE

- Counties may allocate up to \$10 million of their total Recovery Fund allocation to spend on government services
- Counties may still calculate actual revenue loss through Treasury formula – both must pick 1 of the 2 approaches
- Simplifies reporting requirements for counties using the standard \$10M standard allowance
- 2,137 counties (70%) now eligible to invest entirety of allocated Recovery Funds in general government services

2. IMPROVEMENTS TO THE REVENUE LOSS FORMULA

- Revenue loss **growth rate changed from 4.1% to 5.2%** as the new standard default allowance for the formula
- General revenue now includes **utility revenue and liquor store revenue**, *at the discretion of the county*
- Counties may choose to calculate revenue loss on a **fiscal year or calendar year** basis – *must pick & stay with 1 option*
- Counties must adjust actual revenue totals for the effect of **tax cuts/increases adopted after January 6, 2022**

REPLACING LOST REVENUE

Counties may use “lost revenue” for **general government services up to the *revenue loss* amount**, whether that be the standard allowance amount (\$10 million) or the amount calculated using Treasury’s formula:

- **Government services generally include any service traditionally provided by a government**, unless Treasury has stated otherwise
- **Common examples** include, but are not limited to:
 - Construction of schools and hospital
 - Road building and maintenance, and other infrastructure
 - Health services
 - General government administration, staff and administrative facilities
 - Environmental remediation
 - Police, first responders and other public safety services (including purchase of fire trucks and police vehicles)

RECOVERY FUNDS USED TO REPLACE “REVENUE LOSS” ARE MORE FLEXIBLE AND MAY BE USED FOR A BROAD RANGE OF GOVERNMENT SERVICES, PROGRAMS AND PROJECTS OUTSIDE OF TYPICAL ELIGIBLE USES OF RECOVERY FUNDS UNDER THE FINAL RULE. **HOWEVER, REVENUE RECOUPMENT CANNOT BE USED FOR RAINY DAY FUNDS, DEBT SERVICES, AND EXTRAORDINARY PENSION CONTRIBUTIONS**

REPLACING LOST REVENUE

KEY TAKEAWAYS

- **Counties have two options to calculate revenue loss:**
 1. **Up to \$10 million** of ARPA allocation standard allowance, OR
 2. Calculate revenue loss with Treasury formula, with a **new 5.2% default growth rate**
- Final Rule increases the “average annual growth rate” from **4.1% to 5.2%** when calculating revenue loss, or the county can calculate its own average annual growth rate
- **If your county previously declared “\$0” for revenue loss in the Interim Report**, the county may change and update this number in the first Project and Expenditure Report
- **If your county is declaring revenue loss**, you must still abide by the reporting requirements within the Project and Expenditure Report’s “revenue loss” category

REPLACING LOST REVENUE

Counties may use “lost revenue” for **general government services up to the *revenue loss* amount**, whether that be the standard allowance amount (\$10 million), or the amount calculated using Treasury’s formula:

HOWEVER, the following activities are NOT an eligible use of a county’s “revenue loss” allowance:

- Extraordinary contribution to a **pension fund**
- **Debt service** payment, including Tax Anticipation Notes (TANs)
- Rainy day or **reserve account**
- **Settlement agreement, judgment, consent decree or judicially confirmed debt** (*with limited exceptions*)
- **(NEW) Activity that conflicts with the purpose of the American Rescue Plan Act statute** (e.g. uses of funds that conflict with COVID-19 mitigation practices in line with CDC guidance and recommendations)
- **Violations of Award Terms and Conditions or conflict of interest requirements** under the Uniform Guidance

PUBLIC HEALTH & NEGATIVE ECONOMIC IMPACTS

KEY NEW FEATURES IN FINAL RULE

1. AID TO IMPACTED INDUSTRIES

- Clarifies how to designate an impacted industry
- Clarifies eligible uses to impacted industries

2. PUBLIC SECTOR CAPACITY

- Allows re-hiring of county staff to pre-pandemic levels, OR
- Adjusted level up to 7.5% above pre-pandemic baseline
- Support for staff retention, avoiding layoffs and funds for furloughed workers

3. CAPITAL EXPENDITURES

- Eligible projects must respond to pandemic and be proportional to impact
- Required written justification for certain projects

Counties can use
funds for other
aspects of health
and economic
response

PUBLIC HEALTH & NEGATIVE ECONOMIC IMPACTS

1 **PUBLIC HEALTH**

4 **ASSISTANCE TO NONPROFITS**

2 **ASSISTANCE TO HOUSEHOLDS**

5 **AID TO IMPACTED INDUSTRIES**

3 **ASSISTANCE TO SMALL BUSINESSES**

6 **PUBLIC SECTOR CAPACITY**

PUBLIC HEALTH RESPONSE

COVID-19 MITIGATION

- The Final Rule provides a list of enumerated eligible uses for COVID-19 mitigation including, **but not limited to:**
 - Vaccination/testing programs
 - Monitoring, contact tracing and public health surveillance
 - Public health data systems
 - COVID-19 prevention and treatment
 - Support for isolation and quarantine
 - Transportation to reach vaccination or testing sites, or other prevention and mitigation services for vulnerable populations
 - Support for prevention, mitigation or other services in congregate living facilities, public facilities, schools, small businesses, nonprofits and impacted industries
 - Emergency operation centers and emergency response equipment (**i.e. emergency response radio systems**)

PUBLIC HEALTH RESPONSE

MEDICAL EXPENSES

- Recovery Funds may be used for expenses to **households, medical providers, or other incurred medical costs** due to the pandemic, including:
 - **Unreimbursed expenses for medical care** for COVID-19 testing or treatment (i.e. uncompensated care costs)
 - **Paid family and medical leave** for public employees
 - **Emergency medical response** expenses
 - **Treatment of long-term symptoms** or effects of COVID-19

Counties may use
Recovery Funds for
uncompensated care
costs for medical
providers or out-of-
pocket costs for
individuals

PUBLIC HEALTH RESPONSE

BEHAVIORAL HEALTH CARE

The Final Rule allows a very broad range of activities, including for the general public:

- **Behavioral health facilities and equipment**
- Prevention, outpatient treatment, inpatient treatment, crisis care, diversion programs
- Enhanced behavioral health services in schools
- Services for pregnant women or infants born with neonatal abstinence syndrome
- Support for equitable access to reduce disparities in access to high-quality treatment
- Peer support groups, costs for residence in supportive housing or recovery housing, the 988 National Suicide Prevention Lifeline
- Expansion of access to evidence-based services for opioid use disorder prevention, treatment, harm reduction and recovery

NEGATIVE ECONOMIC IMPACTS

IMPACTED HOUSEHOLDS

- Treasury presumes the following households and communities are **impacted** by the pandemic:
 - **Low-or-moderate income** households or communities
 - Households that experienced **unemployment**
 - Households that experienced **increased food or housing insecurity**
 - Households that **qualify for CHIP, childcare subsidies, CCDF or Medicaid**
 - Households that **qualify for National Housing Trust Fund** – *for affordable housing programs*
 - Any **student that lost access to in-person** education – *services to address lost instructional time in K-12*

NEGATIVE ECONOMIC IMPACTS

IMPACTED HOUSEHOLDS

The Final Rule outlines the following eligible uses of Recovery Funds to respond to the **impacts** of the pandemic on households and communities (non-exhaustive list):

- Food assistance and food banks
- Emergency housing assistance
- Health insurance coverage expansion
- Benefits for surviving family members who have died from COVID-19
- Burials, home repair and home weatherization
- Cash assistance
- Assistance in accessing and applying for public benefits or services
- Child care and early learning services
- Assistance to address the impact of early learning loss for K-12 students

NEGATIVE ECONOMIC IMPACTS

DISPROPORTIONATELY IMPACTED HOUSEHOLDS

- Treasury presumes the following households and communities are **disproportionately impacted** by the pandemic:
 - **Low-income** households and communities
 - Households residing in **Qualified Census Tracts (QCTs)**
 - Households that **qualify for certain federal benefits** (i.e. TANF, SNAP, SSI, WIC, Section 8 vouchers, LIHEAP)
 - Households receiving services provided by **Tribal governments**

NEGATIVE ECONOMIC IMPACTS

DISPROPORTIONATELY IMPACTED HOUSEHOLDS

The Final Rule outlines the following eligible uses of Recovery Funds to respond to the **disproportionate impacts** of the pandemic on households and communities (non-exhaustive list):

- Pay for community health workers to help households access health and social services
- Remediation of lead paint or other lead hazards
- Primary care clinics, hospitals, integration of health services into other settings, and other investments in medical equipment and facilities designed to address health disparities
- Housing vouchers and assistance relocating to neighborhoods with higher economic opportunity
- Investments in neighborhoods to promote improved outcomes
- Improvements to vacant/abandoned properties
- Services to address educational disparities
- School and other educational equipment and facilities

NEGATIVE ECONOMIC IMPACTS

The Final Rule also clarifies what a “low-income” and “low-or-moderate income” household is:

IMPACTED HOUSEHOLD OVERVIEW	DISPROPORTIONATELY IMPACTED HOUSEHOLD OVERVIEW
<ul style="list-style-type: none"> Income at or below 300 percent of the Federal Poverty Guidelines Income at or below 65 percent of area median income for its county Counties may use a default household size of three when easier for administration Counties may presume any household earning below \$65,880 is impacted and eligible for services Counties may designate additional households as impacted or disproportionately impacted 	<ul style="list-style-type: none"> Income at or below 185 percent of the Federal Poverty Guidelines Income at or below 40 percent of area median income for its county Counties may use a default household size of three when easier for administration Counties may any household earning below \$40,626 is disproportionately impacted

NEGATIVE ECONOMIC IMPACTS

ASSISTANCE TO SMALL BUSINESSES

Treasury defines small businesses by having no more than 500 employees, in general, and is independently owned and operated and is not dominant in its field of operation.

IMPACTED SMALL BUSINESSES

- Decreased revenue or gross receipts
- Financial insecurity
- Increased costs
- Capacity to weather financial hardship
- Challenges covering payroll, rent or mortgage and other operating costs
- Other reasonable factors determined by the county

DISPROPORTIONATELY IMPACTED

SMALL BUSINESSES

- Small business operating in **Qualified Census Tracts**
- Small businesses operate by **Tribal governments or on Tribal lands**
- Small businesses operating in **U.S. territories**

NEGATIVE ECONOMIC IMPACTS

ASSISTANCE TO SMALL BUSINESSES

ELIGIBLE USES TO SUPPORT IMPACTED SMALL BUSINESSES

- Loans or grants to mitigate financial hardship (i.e. support payroll and benefits, costs to retain employees, and mortgage, rent, utility and other operating costs)
- Technical assistance, counseling, or other services to support business planning
- **For loans, please refer to additional Treasury guidance and overall federal rules on loan provisions with federal funds**

ELIGIBLE USES TO SUPPORT DISPROPORTIONATELY IMPACTED SMALL BUSINESSES

- Rehabilitation of commercial properties, storefront improvements and façade improvements
- Technical assistance, business incubators and grants for start-up or expansion costs for small businesses
- Support for microbusinesses, including financial, childcare and transportation costs

NEGATIVE ECONOMIC IMPACTS

ASSISTANCE TO NONPROFITS

Treasury defines a nonprofit as 501(c)(3) and 501(c)(19) tax-exempt organizations.

IMPACTED NONPROFITS

- Decreased revenue
- Financial insecurity
- Increased costs (i.e. uncompensated services)
- Capacity to weather financial hardship
- Challenges covering payroll, rent or mortgage and other operating costs

DISPROPORTIONATELY IMPACTED NONPROFITS

- Nonprofits operating in Qualified Census Tracts
- Nonprofits operating in Tribal governments
- Nonprofits operating in U.S. territories

ELIGIBLE USES INCLUDED

- Loans or grants to mitigate financial hardship
- Technical or in-kind assistance or other services that mitigate negative economic impacts of the pandemic

NEGATIVE ECONOMIC IMPACTS

AID TO IMPACTED INDUSTRIES

- **The Final Rule states that an industry can be designated as “impacted”:**
 1. If the industry is in the travel, tourism or hospitality sectors, the industry is impacted
 2. If the industry is outside of travel, tourism or hospitality sectors, the industry is impacted if:
 - a. The industry **experienced at least 8 percent employment loss from pre-pandemic levels, or**
 - b. The industry **is experiencing comparable or worse economic impacts as the tourism, travel and hospitality industries** as of the date the Final Rule is published (12/6/2022)
- **Recipients (i.e. counties) have flexibility to define industries**
- **Aid can only be provided to businesses and attractions that were **operating prior to the pandemic and affected by required closures****

RESTORE PUBLIC SECTOR CAPACITY

Counties may use Recovery Funds to restore and bolster public sector capacity, which supports government's ability to deliver critical COVID-19 services.

1. **Payroll and covered benefits** for public safety, public health, health care, human services and similar employees of a recipient government
2. Rehiring public sector staff to **pre-pandemic levels or above pre-pandemic levels (7.5 percent growth allowance)**
3. Support and retaining public sector workers by:
 - **Providing additional funding for employees who experienced pay reductions** or were furloughed
 - **Maintain current compensation levels** to prevent layoffs
 - **Provide worker retention incentives**, including reasonable increases in compensation (must be additive to an employee's regular compensation and are less than 25 percent of the rate of base pay for an individual and no more than 10 percent for a group)
 - **Cover administrative costs** associated with administering with hiring, support and retention programs
4. **Effective service delivery**

RESTORE PUBLIC SECTOR CAPACITY

PUBLIC SAFETY, PUBLIC HEALTH AND HUMAN SERVICES STAFF

PUBLIC SAFETY STAFF	PUBLIC HEALTH STAFF	HUMAN SERVICES STAFF
<ul style="list-style-type: none"> • Police officers • Sheriffs/deputy sheriffs • Firefighters • Emergency medical responders • Correctional and detention officers • Dispatchers and supervisor personnel that directly support public safety staff 	<ul style="list-style-type: none"> • Employees involved in providing medical, physical or mental health services (i.e. medical staff in schools, prisons, etc.) • Laboratory technicians, medical examiners, morgue staff • Other support services essential for patient care • Employees of public health departments 	<ul style="list-style-type: none"> • Employees providing or administering social services and public benefits • Child welfare services employees • Child, elder or family care employees

RESTORE PUBLIC SECTOR CAPACITY

GOVERNMENT EMPLOYMENT AND REHIRING PUBLIC SECTOR STAFF

- Counties have two options to restore pre-pandemic employment, depending on the recipient's needs:

1. Hire back county FTEs for pre-pandemic positions that existed on January 27, 2020

OR

2. Hire above the pre-pandemic levels of up to 7.5 percent above pre-pandemic baseline.

If a county wants to hire above pre-pandemic baseline, it must complete the following steps:

- Identify the county's FTE level on January 27, 2020
- Multiply the pre-pandemic baseline by 1.075 (***adjusted pre-pandemic baseline***)
- Identify county's budgeted FTE level on March 3, 2021 (***actual number of FTEs***)
- Subtract the ***actual number of FTEs*** from the ***adjusted re-pandemic baseline*** to determine number of FTEs that can be covered. ***Counties do NOT have to hire for the same role that existed pre-pandemic***

RESTORE PUBLIC SECTOR CAPACITY

EFFECTIVE SERVICE DELIVERY

Recovery Funds may be used to improve the efficacy of **public health and economic programs**.

- **Supporting program evaluation, data and outreach through:**
 - **Program evaluation** and evidence resources
 - **Data analysis resources** to gather, assess, share and use data
 - **Technology infrastructure** to improve access to and user experience of government IT systems
 - **Community outreach** and engagement activities
- **Administrative needs:**
 - **Backlogs** caused by shutdowns (*NACo Note Only: court backlogs, records backlogs, service backlogs*)
 - **Technology infrastructure** to adapt government operations to the pandemic (i.e. video-conferencing software, data and case management systems)

CAPITAL EXPENDITURES

Counties can use Recovery Funds for **capital expenditures** that respond to the public health and negative economic impacts of the pandemic.

- **Projects must be related to public health and/or negative economic impacts** and be proportional to the pandemic impact identified
- ***No pre-approval*** is required or provided for capital expenditures
- To ensure the expenditure is eligible, **counties are required to write a written justification for capital expenditures** equal to or greater than \$1 million, which includes the following:
 1. **Description of harm or need** to be addresses (i.e. number of individuals)
 2. Explanation of **why the capital expenditure is appropriate** (i.e. why existing resources are inadequate)
 3. **Comparison of proposed capital expenditure project** against at least two alternative capital expenditures and why the proposed capital expenditure is superior

Counties are required
to write a written
justification for
capital expenditures
equal to or greater
than \$1 million

CAPITAL EXPENDITURES

Counties can use Recovery Funds for capital expenditures that respond to the public health and negative economic impacts of the pandemic.

COST OF CAPITAL EXPENDITURE PROJECT	USE IS ENUMERATED BY TREASURY AS ELIGIBLE	USE IS BEYOND THOSE ENUMERATED BY TREASURY AS ELIGIBLE
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 county does not need to submit as part of reporting	Written justification required and county must submit as part of regular reporting
\$10 million or more	Written justification required and county must submit as part of regular reporting	

CAPITAL EXPENDITURES

EXAMPLES <u>ELIGIBLE</u> CAPITAL EXPENDITURE PROJECTS	EXAMPLES <u>INELIGIBLE</u> CAPITAL EXPENDITURE PROJECTS
<ul style="list-style-type: none"> • Schools • Childcare facilities • Medical facilities generally dedicated to COVID-19 treatment and mitigation (i.e. ICUs, emergency rooms, etc.) • Temporary medical facilities • Emergency operation centers • Behavioral health facilities • Affordable housing and permanent supportive housing • Primary care clinics, hospitals • Improvements to vacant/abandoned properties 	<ul style="list-style-type: none"> • Construction of new correctional facilities • Construction of new congregate facilities • Construction of convention centers, stadiums and other larger capital projects intended for general economic development

PREMIUM PAY

Counties may use Recovery Funds to provide premium pay (\$13/per hour) to eligible workers performing essential work, either in public sector roles or through grants to third-party employers.

KEY NEW FEATURES IN FINAL RULE

1. ADDITIONAL STREAMLING OF PREMIUM PAY

- Under IFR, counties were able to submit a written justification to Treasury to ensure workers not listed could receive premium pay
- Final Rule permits counties to award premium pay to workers that are not exempt from the Fair Labor Standards Act overtime provisions WITHOUT submitting a written justification

2. CLARIFICATION ON TYPES OF ELIGIBLE PREMIUM PAY

- Clarifies that premium pay may be provided in installments or lump sums (i.e. monthly, quarterly, etc.) and
- Premium pay can be awarded to hourly, part-time or salaried or non-hourly workers
- Volunteers cannot receive premium pay

Under the Final Rule,
premium pay may **still be**
retroactive and only be
provided to **eligible workers**
that are performing
essential work (in
person/regular physical
handling of items)

PREMIUM PAY

The Final Rue outlines three steps for determining premium pay eligibility:

1. Any work performed by an employee of the state, local or tribal government, among others
2. Verify that the eligible worker performs essential work including risk of COVID exposure
 - Work involving **regular in-person interactions** or regular physical handling of items also handled by others
 - Worker would **NOT** be engaged in essential work *if telework performed from a residence*
3. Confirm that premium pay responds to workers performing essential work during the public health emergency
 - Determine **average annual wage for county employees**
 - **Any employee normally eligible for overtime as non-exempt from the FLSA overtime provisions**
 - If worker does not meet any of the above, county must submit written justification with presumptive allowance

WATER AND SEWER INFRASTRUCTURE

Counties can use to make a broad range of water and sewer infrastructure investments.

KEY NEW FEATURES IN FINAL RULE

1. NEW ELIGIBLE WATER AND SEWER PROJECTS

- Under the IFR, eligible projects were aligned with those under EPA's Clean Water State Revolving Fund and Drinking Water State Revolving Fund
- **Final Rule provides additional eligible projects, including:**
 - Broader set of lead remediation projects (i.e. facets, fixtures and internal plumbing in schools and childcare facilities)
 - Culverts
 - Residential wells
 - Certain dams and reservoirs (related to drinking water)

WATER AND SEWER INFRASTRUCTURE

Counties can use Recovery Funds to make a broad range of investments in water and sewer infrastructure. The Final Rule provides additional categories for eligible water and sewer projects.

NEW ELIGIBLE WATER & SEWER PROJECTS UNDER FINAL RULE	
<ul style="list-style-type: none"> • Culvert repair • Resizing, and removal, replacement of storm sewers, and additional types of stormwater infrastructure • Infrastructure to improve access to safe drinking water for individual served by residential wells, including testing initiatives, and treatment/remediation strategies that address contamination • Dam and reservoir rehabilitation if primary purpose of dam or reservoir is for drinking water supply and project is necessary for provision of drinking water 	<ul style="list-style-type: none"> • Broad set of lead remediation projects eligible under EPA grant programs authorized by the Water Infrastructure Improvements for the Nation (WIIN) Act, including: <ul style="list-style-type: none"> — Lead testing — Installation of corrosion control treatment — Lead service line replacement — Water quality testing, compliance monitoring, and remediation activities (i.e. replacement of internal plumbing and faucets and fixtures in schools and childcare facilities)

BROADBAND INFRASTRUCTURE

The Final Rule **broadens eligible broadband infrastructure investments** to ensure better connectivity for residents.

KEY NEW FEATURES IN FINAL RULE

1. BROADENS BROADBAND INFRASTRUCTURE FLEXIBILITY

- Under IFR, counties were required to invest in households and businesses without reliable wireline 25 Mbps download/3 Mbps upload
- **Final Rule allows counties to invest in locations without reliable wireline 100 Mbps download/20 Mbps upload**

Under the IFR, counties were required to invest in households and businesses without reliable wireline 25 Mbps download / 3 Mbps upload

BROADBAND INFRASTRUCTURE

The Final Rule also includes the following clarification on broadband projects:

1. IDENTIFY AN ELIGIBLE AREA FOR INVESTMENT

- Counties are encouraged to prioritize projects that are designed to **serve locations without access to reliable wireline** 100 Mbps download/20 Mbps upload speeds
- Beyond the threshold, **counties have broad flexibility to define need in a community.**
Examples of need include:
 - Lack of access to a reliable high-speed broadband connection
 - Lack of affordable broadband
 - Lack of reliable service

2. DESIGN A PROJECT TO MEET HIGH-SPEED TECHNICAL STANDARDS

- Projects are required to meet or exceed 100 Mbps download/100 Mbps upload (flexibility for 100 Mbps/20 Mbps)

3. ENROLLMENT IN LOW-INCOME SUBSIDY PROGRAM

- FCC's Affordable Connectivity Program (ACP) and provide access to broad-based affordability program to low-income consumers

NON-FEDERAL MATCH AND COST SHARE REQUIREMENTS

- Funds available **under the “revenue loss” eligible use category may be used to meet the non-federal cost share or matching requirement** of other federal programs (i.e. DWSRF and CWSRF)
 - **However, these funds may NOT be use for the non-federal share state’s Medicaid and CHIP programs, even under the “revenue loss” category**
- **Recovery Funds beyond those under the “revenue loss” category, cannot be used as the non-federal match or cost-share requirement** of other federal programs other than as specifically provided for by statute (i.e. certain broadband deployment projects and Infrastructure Investments and Jobs Act)

DEFINING INELIGIBLE EXPENSES

The Final Rule maintains the Interim Final Rule's restriction on use with additional clarification.

1

PENSION FUNDS

- Final Rule clarifies that prohibition of “extraordinary contributions” to pension funds applies to all recipients except for Tribal governments

2

OTHER RESTRICTIONS

- Funding debt service, legal settlements or judgements
- Deposits to rainy day funds or financial reserves
- Clarifies additional restrictions that apply, including that:
 - Uses of funds may not undermine COVID-19 mitigation practices in line with CDC guidance
 - Uses of funds may not violate Uniform Guidance conflict of interest requirements and other laws

3

NET REDUCTION IN REVENUE (STATES & TERRITORIES)

- Final Rule maintains that IFR's prohibition on states and localities for using Recovery Funds to directly or indirectly offset reduction in net tax revenue



STRONGER COUNTIES. STRONGER AMERICA.

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