# Logo Description automatically generatedOverview

**Coronavirus Local Fiscal Recovery Funds**

*Frequently Asked Questions on Treasury’s Updated LFRF FAQs*

On July 27, 2022, Treasury released updated FAQs that included substantial changes to the applicability of the Uniform Guidance (UG) to the use of revenue loss funds (Expenditure Category 6.1). The most substantial change was that, because there is no federal purpose being carried out by the award of revenue loss funds (Expenditure Category 6.1), subsequent disbursement of revenue loss funds by the recipient to other entities **never gives rise to a subrecipient relationship**

Further, Treasury clarified that, given the purpose and very broad scope of eligible uses of the revenue replacement funds, **only a subset of the Uniform Guidance requirements applies to recipients’ use of revenue loss funds.**

**Please find a few supporting documents embedded below:**

**Guidehouse LFRF Updated Guidance Slide Deck – 8/11/2022**

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**Coronavirus State and Local Fiscal Recovery Funds: Frequently Asked Questions – 7/27/2022**



# Questions

***How will NEUs be required to document adherence to reasonable cost principles?***

The UG requirements indicate that a NEU must follow ‘reasonable cost principles.’ Specifically, before incurring a cost an NEU must assess if **the nature and amount of the cost does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time**the decision was made to incur the cost. This can be found in the following UG citation[[1]](#footnote-2)

* 200.404(e) **Reasonable costs** – This requirement outlines that deviation from established practices should be considered in determining the reasonableness of costs.

Broadly speaking, if the cost of your project is in line with your other general costs and you followed your normal procurement policies, you will not need specific reasonable cost documentation.

Please note that there is an implicit expectation that costs for general goods and services may have increased because of the pandemic and based on economic circumstances. If this is the case, you still will not need document any reasonable cost principles adherence, as long as the increase is in line with general economic circumstances. Again, the standard is whether a “prudent person” would make the purchase under the same costs and circumstances. Treasury has not issued formal thresholds to determine cost reasonableness, but in the case that you are uncertain, or believe that there is a question about what a prudent person would do, we recommend writing a memo-to-file for your own records outlining the reason for such a cost. This document will not need to be uploaded into the Treasury Portal for reporting purposes, but should be kept in your files in case of an audit.

***Under the revenue replacement project category, can we make updates to our Town Hall building?***

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 6.1.

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 and normal expenses that NEUs would incur.** Although we don’t approve or disapprove specific expenses, the town may be able to consider the improvement to the Town Hall to be an eligible expense if it is a cost that would normally be paid for with your local budget.

Treasury describes the government services that may be eligible for LFRF funding in the context of revenue loss in its Final Rule:[[2]](#footnote-3)

*Government services include, but are not limited to, maintenance or pay-go funded building of 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. The aforementioned list of government services is not exclusive. However, recipients should be mindful that other restrictions may apply, including those articulated in the section Restrictions on Use.*

***If a town does not have any need for SLRF funds, can they be returned?***

Please note that an entire NEUs’ award (under $10 million) can be used to pay for any normal government services or expenses faced by your town during the relevant time periods (see the question below about timeframes for more details on this). These expenses could include town staff payroll, assistance to residents, sanitation, road maintenance, etc.

Currently, there is not a process in place for NEUs to decline and transfer their payments if the initial tranche was accepted last year. In guidance issued last year, Treasury described the process of declining and transferring the **entire award** in its Guidance on Distribution of Funds to Non-entitlement Units of Local Government (available [here – see page 5](https://home.treasury.gov/system/files/136/NEU_Guidance.pdf))

*Process requests to transfer to the State. If a State receives notification from an NEU that it would like to decline its funding allocation and transfer funds to the State under Section 603(c)(4) of the Act, Treasury will consider this action as a cancellation of the award on the part of the eligible NEU and a modification of the award to the State. A State will not be required to transfer the amount of the payment to the NEU just for the NEU to transfer it back to the State. As part of this process, the NEU must provide a signed notice to the State, which the State must transmit to Treasury as part of its interim report due August 31, 2021 (or as part of a subsequent report, if applicable). If the NEU does not provide such notice, it will remain legally obligated under the award with respect to accounting for the uses of the funds and the reporting on such uses. Treasury will provide a standard notice form that will be required for this use.*

We will provide updates to this guidance if Treasury provides more information, however at this point it appears as though a NEU acceptance the first tranche was an acceptance of the entire award (first tranche and second tranche), as a result, unless the NEU declined the entire award it will be unable to decline the second tranche.

***When is the next report due?***

For NEUs which are allocated less than $10 million in federal funding (each NEU in New Hampshire), the initial Project and Expenditure Report covered from March 3, 2021, to March 31, 2022 and was required to be submitted to Treasury by April 30, 2022.

The subsequent annual reports will cover one calendar year and must be submitted to Treasury by **April 30 of each year.** Your next report will be due April 30, 2023.

***As we start our projects should we be filling out the documents in our portals as we go along?***

It is recommended that NEUs track obligations and expenditures on an ongoing basis. This ensures that you have all of the necessary information when it is time to report. NEUs will be unable to update the documents in the portal regularly throughout the year (it is closed outside of a window prior to the reporting deadline), but will be able to populate the reporting portal in early April 2023 when it reopens.

***Is there a deadline to beginning/ending a project that has already been approved?***

The following timeframes apply to use of the funds:

Timeframe to award (obligate) funds: March 3, 2021 - December 31, 2024

Timeframe to expend (liquidate) funds: March 3, 2021 - December 31, 2026

In other words, funds must be assigned to a specific project, subrecipient, contract, or beneficiary by December 31, 2024. Those funds then must be completely spent by December 31, 2026.

***Annual Reporting: Has there been any indication a project submitted under one expenditure category could be adjusted to another (e.g. water to revenue loss)?***

Yes. A project’s expenditure category can be adjusted between reports, and it is advisable for all NEUs to report all activities under the “Revenue Loss” expenditure category.

As mentioned previously, 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 Loss” category, E.C. 6.1. Choosing this option is highly recommended for all NEUs, as the requirements for Revenue Loss projects are significantly less burdensome than any other expenditure category.

This option means that as an NEU that received less than $10 million, the NEU can spend its entire allocation of LFRFs on “government services”. Treasury has noted that, in general, “government services” **include most services provided by NEUs, and also include all activities eligible under other expenditure categories.** We strongly encourage NEUs to align all projects under, E.C. 6.1 – Provision of Government Services due to the broad eligibility allowed and streamlined reporting requirements.

1. 2 CFR 200.404(e) [↑](#footnote-ref-2)
2. 87 FR 4408 (January 27, 2022) [↑](#footnote-ref-3)