



# FAQ – Coronavirus Local Fiscal Recovery Fund (CLFRF)

Revised July 13, 2021

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## Introduction

The purpose of this document is to provide a centralized point of reference for jurisdictions in Texas receiving Coronavirus Local Fiscal Recovery Fund (CLFRF) allocations from the Treasury Department and distributed by TDEM. This FAQ draws on guidance published by the U.S. Department of Treasury and is tailored to address common questions concerning eligible costs and the implementation of recovery activities compliant with Treasury requirements and program guidance.

Please note that this FAQ only applies to CLFRF funds allocated to non-entitlement units of local government (NEUs). For information on TDEM’s CRF for Jurisdictions and CRF for LEA programs, including separate FAQs, please visit <https://tdem.texas.gov/crf/> and <https://tdem.texas.gov/crf-lea/>.

Jurisdictions with additional questions should contact their Regional Unit Chief, as identified on the below map, or email [CRF@tdem.texas.gov](mailto:CRF@tdem.texas.gov).

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## General Information

### Question 1: How does this program work?

The CLFRF program is a component of the American Rescue Plan Act of 2021 and provides funding to local governments to broadly respond to the COVID-19 public health emergency. In accordance with Treasury requirements, TDEM will distribute two tranches of payments to eligible non-entitlement units of local government (NEUs), which are local governments typically serving populations of under 50,000.

NEUs may use the funds to respond to the COVID-19 emergency or its negative economic impacts, provide premium pay for essential workers, replace lost public sector revenue, and invest in water, sewer, and broadband infrastructure.

To participate in the program, NEUs must execute a funding agreement with the Treasury Department and provide banking, contact, and budgetary information. TDEM will then distribute the first tranche, representing half of an NEU's total allocation. No earlier than one year later, TDEM will distribute the remaining half of funds in the second tranche.

NEUs participating in the program will have direct obligations to the Treasury Department, including reporting and recordkeeping requirements. All costs are subject to audit by the Treasury Office of Inspector General and Government Accountability Office and improperly-used funds will be subject to recoupment by Treasury.

### Question 2: How does this program relate to the Coronavirus Relief Fund (CRF) funding that has been allocated to jurisdictions and local education agencies?

#### Answer

The CLFRF is authorized by the American Rescue Plan Act of 2021 and is a separate program and funding source than the Coronavirus Relief Fund (CRF). TDEM advises any NEUs who participated in the CRF program to review this FAQ and Treasury Department guidance in its entirety.

TDEM is responsible for distributing funds to all eligible non-entitlement units of local government (NEUs). Each NEU may then use the funds to cover any eligible activities identified by the Treasury Department.

The below table identifies similarities and differences between the CLFRF and CRF programs:



	CLFRF	CRF
TDEM Review of Expenses	None	100% of costs
Method of Funding	Entire amount paid in two tranches	20% advance; remainder provided on a reimbursement basis
Reporting on Use of Funds	Required	Not required
Cost Reasonableness / Procurement	Required	Not required
Loss of Revenue	Allowed up to the extent of the reduction of revenue experienced due to the pandemic	Not allowed
Premium Pay / Hazard Pay	Allowed for all eligible workers performing essential work	Allowed in limited circumstances
Consultant Costs	Allowed	Pre-approval required; limited to 5% of allocation
Cost Category Requirements	None	75% of costs must be for medical expenses, public health expenses, and payroll expenses.
Period of Performance	3/3/21 - 12/31/26. NEUs must obligate all spending by 12/31/24.	3/1/20 - 12/30/20

**Question 3: How long do I have to use this funding?**

**Answer**

CLFRF funds may be used to cover costs incurred from March 3, 2021, through December 31, 2026. However, participants must obligate all funding by December 31, 2024. In this context, “obligate” means an order placed for property and services and entering into contracts, subawards, and similar transactions that require payment.

NEUs must return all funds not obligated by December 31, 2024, and any funds not expended to cover such obligations by December 31, 2026.

**Question 4: Where can I find additional information and resources?**

**Answer**

Information and resources are available at the following website:

<https://tdem.texas.gov/clfrf/>

<https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-fund/non-entitlement-units>

Additionally, the Treasury Department also provides email notifications when it updates its guidance for the CLFRF program. In order to stay aware of any program changes or announcements, all NEUs are encouraged to [register](#) to receive program updates by email.

TDEM has also created a [Timeline Check-In](#), which includes step-by-step instructions for registering and receiving funding.

You may also contact your TDEM Regional Unit Chief with any specific questions.



**UPDATED**  
7/13/2021**Question 5:** How much funding will my NEU receive?**Answer**

Funds will be provided on the basis of each NEU's population. Under CLFRF requirements, no NEU will receive an amount greater than 75 percent of its most recent budget.

Treasury has defined "most recent budget" as an NEU's total annual budget, including both operating and capital expenditure budgets, in effect as of January 27, 2020. For multi-year budgets without year-by-year breakouts, NEUs should report a straight annualized average of the multi-year budget.

Each NEU must submit a top-line total of its budget, certified by an authorized representative. If an NEU does not adopt a formal budget, it may certify its most recent annual total expenditures as of January 27, 2020, in lieu of a budget total. TDEM will review the certified information and adjust NEU allocations as necessary to comply with this requirement.

**Question 6:** Is there additional training available?**Answer**

Yes. As the program launches, TDEM will be conducting daily introductory briefings to provide additional information on program requirements and answer questions from participants. TDEM will provide specific notification when these briefings begin.

Additionally, NEUs should contact their TDEM Regional Unit Chief if they have any specific questions.

**Question 7:** What documentation is required to support my expenses?**Answer**

NEUs should maintain all relevant documentation that supports compliance with CLFRF requirements, regulations, and Treasury Department guidance. Records must be maintained for a period of five (5) years after all funds have been expended or returned to the Treasury Department, whichever is later. Unlike the CRF program, NEUs will not be submitting expense documentation to TDEM for review.

**Question 8:** Do procurement requirements apply to purchases made with CLFRF funds?**Answer**

The Uniform Administrative Regulations related to procurement (2 CFR 200.317 – 327) apply to expenses funded through the CLFRF. NEUs must have and use documented procurement procedures, consistent with State and local laws and regulations, for the acquisition of property or services. All costs must be reasonable.



**UPDATED**  
7/13/2021**Question 9:** Is there a cost share requirement?**Answer**

CLFRF funding is provided at a 100% federal share. There is no matching requirement for NEUs participating in the program.

Additionally, CLFRF funds may not be used as non-federal match for other federal programs whose statute or regulations bar the use of federal funds to meet matching requirements. This includes the FEMA Hazard Mitigation Grant Program (HMGP) and Public Assistance Program.

**Question 10:** Is registration on SAM.gov required?**Answer**

Yes. The Terms and Conditions require all jurisdictions to comply with requirements regarding registration with the System for Award Management (SAM.gov). These requirements include maintaining an active registration and ensuring all associated information is up to date. TDEM will not issue payment until it can verify the registration is current.

**Question 11:** Can CLFRF cover expenses TDEM has deemed ineligible or eligible later under the CRF program for jurisdictions?**Answer**

Generally, no, due to the non-overlapping periods of performance of the two programs.

TDEM's CRF program for jurisdictions covered costs incurred between March 1, 2020, and December 30, 2020.

In contrast, the CLFRF program covers costs incurred between March 3, 2021, and December 31, 2024.

**Question 12:** What is the Assistance Listing Number / Catalog of Federal Domestic Assistance (CFDA) number for this program?**Answer**

The Assistance Listing Number (ALN) for the CLFRF program is 21.027. This was published on May 28, 2021, on SAM.gov. Please note that the ALN was formerly known as the Catalog of Federal Domestic Assistance (CFDA) number.

To expedite payments and meet statutory deadlines, Treasury issued initial payments under an existing ALN. If you have already received funds or captured the initial ALN in your records, please update your systems and reporting to reflect the final ALN 21.027. NEUs must use the final ALN for all financial accounting, audits, subawards, and associated program reporting requirements.



## Application and Payment Process

UPDATED  
7/13/2021

### Question 13: How does my NEU receive funding?

#### Answer

TDEM will provide funding after receiving a certified submission package from each NEU. A copy of the submission package is located on TDEM's CLFRF website. The submission package must be executed by the mayor, city manager, or other official duly authorized to bind the NEU to the Terms and Conditions.

NEUs will upload the completed submission package to TDEM's Grants Management System (GMS). As part of this process, they will designate authorized agents as points of contact and provide bank direct deposit information. Additionally, NEUs must provide their certified top-line budget totals in effect as of January 27, 2020.

TDEM will then review the submission package for completeness, verify active SAM.gov registration, and confirm the NEU's certified budget or total expenditures. TDEM will assign each eligible participant a unique NEU Recipient Number, which NEUs must reference when submitting all required reports to the Treasury Department.

TDEM will also provide notice to any NEUs whose allocations have been reduced due to the statutory requirement that funding to NEUs may not exceed 75 percent of its most recent budget. Treasury has defined "most recent budget" as an NEU's total annual budget, including both operating and capital expenditure budgets, in effect as of January 27, 2020.

NEUs may reference the [Timeline Check-In](#), which includes step-by-step instructions for registering and receiving funding.

### Question 14: Who can certify the fund Terms and Conditions?

#### Answer

The person certifying the fund has to be the person with the authority to enter into legally binding contacts on behalf of the NEU. Typically, that would be the mayor. However, if the city manager holds that authority, then the city manager can certify.



**Question 15:** How do I access the Grants Management System (GMS)?**Answer**

NEUs may access GMS by navigating to <https://grants.tdem.texas.gov/> and either signing into an existing account or registering for a new one. Entities without an account will need to request access to the Texas Grants Management System as soon as possible. Accessing the system is a two-step process:

1. Complete the steps described in the Register for [GMS Access Job Aid](#).
2. Complete and email in the [Designation of Account Approval](#) form.

Additionally, NEUs may reference the [Timeline Check-In](#), which includes step-by-step instructions for registering and receiving funding.

**Question 16:** How do I open a GMS Account?**Answer**

After you receive access to the system, you will next need to request funding assistance in GMS under disaster SPA2021. TDEM has created an [instructional job aid](#) to facilitate this process.

You will then need to upload your application documents directly to your account. To help facilitate this process, TDEM has prepared an [instructional job aid](#) detailing account activation.

Additionally, NEUs may reference the [Timeline Check-In](#), which includes step-by-step instructions for registering and receiving funding.

**Question 17:** Is there a deadline to apply for funding?**Answer**

NEUs should apply for funding as soon as possible. TDEM will make every reasonable effort to contact all eligible NEUs and encourage participation in the program.

In the event that an NEU is unresponsive after at least 60 days of outreach efforts, funds may re-allocated for an additional distribution to responsive and participating NEUs.



**Question 18:** What if an NEU decides it does not want this funding?**Answer**

Each NEU has the discretion to decline its funding allocation and transfer funds to the state instead. As part of this process, an NEU must provide a signed notice to TDEM, which TDEM must transmit to the Treasury Department. If the NEU does not provide such notice, it will remain legally obligated under the funding agreement to the Treasury Department to account for the uses of the funds and report on such uses.

**Question 19:** What are the reporting requirements?**Answer**

Each NEU participating in the CLFRF program must submit annual Project and Expenditure reports directly to the Treasury Department. The initial annual Project and Expenditure report will cover activity from the date of award to September 30, 2021 and must be submitted to Treasury by October 31, 2021. The subsequent annual reports must be submitted to Treasury by October 31 each year.

NEW  
7/13/2021

**Question 20:** Can a county in Texas apply for this funding?**Answer**

No. The funding distributed by TDEM is specifically for NEUs.

While Local Fiscal Recovery Funds are available for counties in Texas, that funding must be requested directly through the Treasury Department. Treasury has established a [website](#) with more information on how to request these funds.

## Use of Funds

**Question 21:** What can funds be used for?**Answer**

The American Rescue Plan requires that funds be expended by December 31, 2026, for the following purposes:

- (1) To respond to the public health emergency with respect to COVID-19 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
- (2) To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the State, territory, or tribal government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;



- (3) For the provision of government services to the extent of the reduction of revenue of such State, territory, or Tribal government due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the State, territory, or tribal government prior to the emergency; or
- (4) To make necessary investments in water, sewer, or broadband infrastructure

In issuing its guidance on the use of CLFRF funds, the Treasury Department has provided a more detailed, non-exclusive list of programs or services eligible:

- (1) **Responding to the public health emergency or its negative economic impacts.** An NEU may use funds to respond to the public health emergency or its negative impacts, including for one or more of the following purposes:
  - a) **COVID-19 response and prevention.** Expenditures for the mitigation and prevention of COVID-19, including:
    - 1. Expenses related to COVID-19 vaccination programs and sites, including staffing, acquisition of equipment or supplies, facilities costs, and information technology or other administrative expenses;
    - 2. COVID-19-related expenses of public hospitals, clinics, and similar facilities;
    - 3. COVID-19-related expenses in congregate living facilities, including skilled nursing facilities, long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities;
    - 4. Expenses of establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs and other capital investments in public facilities to meet COVID-19-related operational needs;
    - 5. Costs of providing COVID-19 testing and monitoring, contact tracing, and monitoring of case trends and genomic sequencing for variants;
    - 6. Emergency medical response expenses, including emergency medical transportation, related to COVID-19;
    - 7. Expenses for establishing and operating public telemedicine capabilities for COVID-19-related treatment;
    - 8. Expenses for communication related to COVID-19 vaccination programs and communication or enforcement by recipients of public health orders related to COVID-19;
    - 9. Expenses for acquisition and distribution of medical and protective supplies, including sanitizing products and personal protective equipment;
    - 10. Expenses for disinfection of public areas and other facilities in response to the COVID-19 public health emergency;



11. Expenses for quarantining or isolation of individuals;
  12. Expenses of providing paid sick and paid family and medical leave to public employees to enable compliance with COVID-19 public health precautions;
  13. Expenses for treatment of the long-term symptoms or effects of COVID-19, including post-intensive care syndrome;
  14. Expenses for the improvement of ventilation systems in congregate settings, public health facilities, or other public facilities;
  15. Expenses related to establishing or enhancing public health data systems; and
  16. Mental health treatment, substance misuse treatment, and other behavioral health services
- b) **Public health and safety staff.** Payroll and covered benefit expenses for public safety, public health, health care, human services, and similar employees to the extent that the employee's time is spent mitigating or responding to the COVID-19 public health emergency.
- c) **Hiring state and local government staff.** Payroll, covered benefits, and other costs associated with the NEU increasing the number of its employees up to the number of employees that it employed on January 27, 2020.
- d) **Assistance to unemployed workers.** Assistance, including job training, for individuals who want and are available for work, including those who have looked for work sometime in the past 12 months or who are employed part-time but who want and are available for full-time work.
- e) **Contributions to state unemployment insurance trust funds.** Contributions to an Unemployment Trust Fund up to the level required to restore the Unemployment Trust Fund to its balance on January 27, 2020, or to pay back advances received under Title XII of the Social Security Act (42 U.S.C. § 1321) for the payment of benefits between January 27, 2020.
- f) **Small businesses.** Assistance to small businesses, including loans, grants, in-kind assistance, technical assistance, or other services, that responds to the negative economic impacts of the COVID-19 public health emergency.
- g) **Nonprofits.** Assistance to nonprofit organizations, including loans, grants, in-kind assistance, technical assistance, or other services, that responds to the negative economic impacts of the COVID-19 public health emergency.
- h) **Assistance to Households.** Assistance programs, including cash assistance programs, that respond to the COVID-19 public health emergency.
- i) **Aid to impacted industries.** Aid to tourism, travel, hospitality, and other impacted industries that responds to the negative economic impacts of the COVID-19 public health emergency.



- j) **Expenses to improve efficacy of public health or economic relief programs.** Administrative costs associated with the NEU's COVID-19 public health emergency assistance programs, including services responding to the COVID-19 public health emergency or its negative economic impacts, that are not federally funded.
- k) **Survivor's benefits.** Benefits for surviving family members of individuals who have died from COVID-19, including cash assistance to widows, widowers, or dependents of individuals who died of COVID-19.
- l) **Disproportionately impacted populations and communities.** A program, service, or other assistance that is provided in a Qualified Census Tract or that is provided to other households, businesses, or populations disproportionately impacted by the COVID-19 public health emergency, such as:
  - 1. Programs or services that facilitate access to health and social services, including:
    - i. Assistance accessing or applying for public benefits or services;
    - ii. Remediation of lead paint or other lead hazards; and
    - iii. Community violence intervention programs;
  - 2. Programs or services that address housing insecurity, lack of affordable housing, or homelessness, including:
    - i. Supportive housing or other programs or services to improve access to stable, affordable housing among individuals who are homeless;
    - ii. Development of affordable housing to increase supply of affordable and high-quality living units; and
    - iii. Housing vouchers and assistance relocating to neighborhoods with higher levels of economic opportunity and to reduce concentrated areas of low economic opportunity;
  - 3. Programs or services that address or mitigate the impacts of the COVID-19 public health emergency on education, including:
    - i. New or expanded early learning services;
    - ii. Assistance to high-poverty school districts to advance equitable funding across districts and geographies; and
    - iii. Educational and evidence-based services to address the academic, social, emotional, and mental health needs of students;
  - 4. Programs or services that address or mitigate the impacts of the COVID-19 public health emergency on childhood health or welfare, including:



- i. New or expanded childcare;
    - ii. Programs to provide home visits by health professionals, parent educators, and social service professionals to individuals with young children to provide education and assistance for economic support, health needs, or child development; and
    - iii. Services for child welfare-involved families and foster youth to provide support and education on child development, positive parenting, coping skills, or recovery for mental health and substance use.
- (2) **Providing premium pay to eligible workers.** An NEU may use funds to provide premium pay to eligible workers of the NEU who perform essential work or to provide grants to eligible employers, provided that any premium pay or grants provided must respond to eligible workers performing essential work during the COVID-19 public health emergency. An NEU uses premium pay or grants to respond to eligible workers performing essential work during the COVID-19 public health emergency if it prioritizes low- and moderate-income persons. The NEU must provide, whether for itself or on behalf of a grantee, a written justification to the Treasury Secretary of how the premium pay or grant responds to eligible workers performing essential work if the premium pay or grant would increase an eligible worker's total wages and remuneration above 150 percent of the State of Texas' average annual wage for all occupations or their residing county's average annual wage, whichever is higher.
- (3) **Providing government services.** For the provision of government services to the extent of a reduction in the NEU's general revenue, calculated according to a formula established by Treasury.
- (4) **To make necessary investments in infrastructure.** NEUs may use funds to make investments in:
  - a) **Clean Water State Revolving Fund and Drinking Water State Revolving Fund investments.** Projects or activities of the type that would be eligible under section 603(c) of the Federal Water Pollution Control Act (33 U.S.C. § 1383(c)) or section 1452 of the Safe Drinking Water Act (42 U.S.C. § 300j-12); or
  - b) **Broadband.** Broadband infrastructure that is designed to provide service to unserved or underserved households and businesses and that is designed to, upon completion,
    1. Reliably meet or exceed symmetrical 100 Mbps download speeds and upload speeds; or
    2. In cases where it is not practicable, because of the excessive cost of the project or geography or topography of the area to be served by the project, to provide service meeting the symmetrical 100 Mbps upload/download speeds:
      - i. Reliably meet or exceed 100 Mbps download speed and between at least 20 Mbps and 100 Mbps upload speed; and



- ii. Be scalable to a minimum of 100 Mbps download speed and 100 Mbps upload speed.

CLFRF requirements provide flexibility for NEUs to use funds for programs or services that are not specifically identified on Treasury's detailed list but which meet the objectives of responding to the COVID-19 public health emergency with respect to COVID-19 or its negative economic impacts.

The Treasury Department has also established an [FAQ document](#) that includes a large section related to the eligible uses of funds. TDEM encourages all NEUs to reference this FAQ prior to implementing activities that would be covered by the CLFRF.

#### Question 22: May funds be used to offset lost tax revenue?

##### Answer

Lost tax revenue is eligible, up to the amount of revenue lost due to the COVID-19 public health emergency.

#### Question 23: May funds be used to address pension shortfalls?

##### Answer

No. NEUs may not use CLFRF funds to make a payment into a pension fund if both:

- (1) The payment reduces a liability incurred prior to the start of the COVID-19 public health emergency and
- (2) The payment occurs outside of the NEU's regular timing for making such payments.

#### Question 24: How is premium pay defined?

##### Answer

Premium pay means an amount of up to \$13 per hour that is paid to an **eligible worker**, in addition to wages or remuneration the eligible worker otherwise receives, for all **essential work** performed by the eligible worker during the COVID-19 public health emergency. Such amount may not exceed \$25,000 with respect to any single eligible worker. Premium pay will be considered to be in addition to wages or remuneration the eligible worker otherwise receives if, as measured on an hourly rate, the premium pay is:

- (1) With regard to work that the eligible worker previously performed, pay and remuneration equal to the sum of all wages and remuneration previously received plus up to \$13 per hour with no reduction, substitution, offset, or other diminishment of the eligible worker's previous, current, or prospective wages or remuneration; or
- (2) With regard to work that the eligible worker continues to perform, pay of up to \$13 that is in addition to the eligible worker's regular rate of wages or remuneration, with no reduction, substitution, offset, or other diminishment of the workers' current and prospective wages or remuneration.



Please see **Question 25** and **Question 26** for more information on how **eligible workers** and **essential work** are defined.

**Question 25:** For the purposes of premium pay, how are eligible workers defined?

**Answer**

Eligible workers means workers needed to maintain continuity of operations of essential critical infrastructure sectors, including health care; emergency response; sanitation, disinfection, and cleaning work; maintenance work; grocery stores, restaurants, food production, and food delivery; pharmacy; biomedical research; behavioral health work; medical testing and diagnostics; home- and community-based health care or assistance with activities of daily living; family or child care; social services work; public health work; vital services to Tribes; any work performed by an employee of a State, local, or Tribal government; educational work; school nutrition work, and other work required to operate a school facility; laundry work; elections work; solid waste or hazardous materials management, response, and cleanup work; work requiring physical interaction with patients; dental care work; transportation and warehousing; work at hotel and commercial lodging facilities that are used for COVID-19 mitigation and containment; work in a mortuary; work in critical clinical research, development, and testing necessary for COVID-19 response.

In addition, the chief executive officer of a NEU may designate workers in any additional sectors as critical to protect the health and well-being of the residents of their NEU. NEUs should maintain documentation of any such designation in their project files.

**Question 26:** For the purposes of premium pay, how is essential work defined?

**Answer**

Essential work means work that is not performed while teleworking from a residence and involves:

- (1) Regular in-person interactions with patients, the public, or coworkers of the individual that is performing the work; or
- (2) Regular physical handling of items that were handled by, or are to be handled by patients, the public, or coworkers of the individual that is performing the work.

**Question 27:** For the purposes of providing government services, how is general revenue defined?

**Answer**

General revenue means money that is received from tax revenue, current charges, and miscellaneous general revenue, excluding refunds and other correcting transactions, proceeds from issuance of debt or the sale of investments, agency or private trust transactions, and intergovernmental transfers from the Federal government, including any transfers made pursuant to section 9901 of the American Rescue Plan Act. General revenue does not include revenues from utilities. Revenue from Tribal business enterprises must be included in general revenue.



**Question 28:** Will revenue be calculated on an entity-wide basis or on a source-by-source basis (e.g., property tax, income tax, sales tax, etc.)?

**Answer**

NEUs should calculate revenue loss on an entity-wide basis. This approach minimizes the administrative burden, provides for greater consistency across NEUs, and presents a more accurate representation of the net impact of the COVID-19 public health emergency on an NEU's revenue, rather than relying on financial reporting prepared by each recipient, which vary in methodology used and which generally aggregates revenue by purpose rather than by source.

**Question 29:** For the purposes of providing government services, how is the reduction in general revenue calculated?

**Answer**

A reduction in an NEU's revenue equals:

$$\text{Max} \{ [\text{Base Year Revenue} * (1 + \text{Growth Adjustment})^{\left(\frac{n_t}{12}\right)}] - \text{Actual General Revenue}_t; 0 \}$$

Where:

- **Base Year Revenue** is the NEU's general revenue for the most recent full fiscal year prior to the COVID-19 public health emergency;
- **Growth Adjustment** is equal to the greater of 4.1 percent (or 0.041) and the NEU's average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency;
- **n** equals the number of months elapsed from the end of the base year to the calculation date;
- **Actual General Revenue** is the NEU's actual general revenue collected during the 12-month period ending on each calculation date;
- **Subscript t** denotes the specific calculation date.

NEUs who encounter difficulty calculating their revenue loss should contact their TDEM Regional Unit Chief.

**Question 30:** What is the time period for estimating revenue loss?

**Answer**

NEUs are permitted to calculate the extent of reduction in revenue as of four points in time:

- December 31, 2020;
- December 31, 2021;
- December 31, 2022; and



- December 31, 2023

This approach recognizes that some NEUs may experience lagged effects of the pandemic on revenues. Upon receiving CLFRF payments, NEUs may immediately calculate revenue loss for the period ending December 31, 2020.

**Question 31:** Once an NEU has identified a reduction in revenue, are there any restrictions on how they use funds up to the amount of the reduction?

### Answer

Treasury guidance gives NEUs broad latitude to use funds for the provision of government services to the extent of reduction in revenue. Government services can include, but are not limited to, maintenance of infrastructure or pay-go spending for building new 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.

However, paying interest or principal on outstanding debt, replenishing rainy day or other reserve funds, or paying settlements or judgments would not be considered provision of a government service, since these uses of funds do not entail direct provision of services to citizens. This restriction on paying interest or principal on any outstanding debt instrument, includes, for example, short-term revenue or tax anticipation notes, or paying fees or issuance costs associated with the issuance of new debt. In addition, the overarching restrictions on all program funds (e.g., restriction on pension deposits, restriction on using funds for non-federal match where barred by regulation or statute) would apply.

**Question 32:** How is a small business defined?

### Answer

Small business means a business concern or other organization that:

- (1) Has no more than 500 employees, or if applicable, the size standard in number of employees established by the Administrator of the Small Business Administration for the industry in which the business concern or organization operates, and
- (2) Is a small business concern as defined in section 3 of the Small Business Act (15 U.S.C. § 632)

**Question 33:** Is there still an administrative convenience for public health and public safety employees?

### Answer

Many of the expenses authorized under the Coronavirus Relief Fund (CRF) are also eligible uses under the CLFRF. **However, in the case of payroll expenses for public safety, public health, health care, human services, and similar employees (hereafter, public health and safety staff), the CLFRF does differ from the CRF.** This change reflects the differences between the American Rescue Plan and CARES Act and recognizes that the response to the COVID-19 public health emergency has changed and will continue to



change over time.

In particular, funds may be used for payroll and covered benefits expenses for public safety, public health, health care, human services, and similar employees, including first responders, to the extent that the employee's time is dedicated to responding to the COVID-19 public health emergency.

For administrative convenience, an NEU may consider a public health and safety employee to be entirely devoted to mitigating or responding to the COVID-19 public health emergency, and therefore fully covered, if the employee, or his or her operating unit or division, is primarily dedicated (e.g., more than half of the employee's time is dedicated) to respond to the COVID-19 public health emergency.

NEUs may use presumptions for assessing whether an employee, division, or operating unit is primarily dedicated to the COVID-19 response. The NEU should maintain records to support its assessment, such as payroll records, attestations from supervisors or staff, or regular work product or correspondence demonstrating work on the COVID-19 response. NEUs need not routinely track staff hours. NEUs should periodically reassess their determinations.

#### Question 34: May an NEU transfer funds to a separate entity?

##### Answer

Yes. An NEU may transfer funds to a private nonprofit organization, a public benefit corporation involved in the transportation of passengers or cargo, or a special-purpose unit of state or local government. In addition, NEUs are authorized to transfer funds to other constituent units of government (e.g., a county is able to transfer funds to a city, town, or school district within it) or to private entities.

Each NEU receiving CLFRF funds is considered a "recipient". A transferee receiving a transfer from a recipient will be considered a subrecipient. The recipient remains responsible for monitoring and overseeing the subrecipient's use of CLFRF funds and other activities related to the award to ensure that the subrecipient complies with the statutory and regulatory requirements and the terms and conditions of the award. Recipients also remain responsible for reporting to Treasury on their subrecipients' use of payments from the CLFRF for the duration of the award.

Transfers must qualify as an eligible use of funds by the transferor. Once funds are received, the transferee must abide by the restrictions on use applicable to the transferor under the American Rescue Plan and CLFRF regulations and guidance. For example, if a city transferred funds to a school district within its borders to respond to the COVID-19 public health emergency, the school district would be bound by the eligible use requirements applicable to the city in carrying out the city's goal.

This also means that city A may not transfer funds to city B for use in city B because such transfer would not, from the perspective of the transferor (city A), be an eligible use in city A.



**Question 35:** May an NEU use its funding to pay interest or principal on outstanding debt?

**Answer**

No. Expenses related to financing, including servicing or redeeming notes, would not address the needs of pandemic response or its negative economic impacts. Such expenses would also not be considered provision of government services, as these financing expenses do not directly provide services or aid to citizens.

**Question 36:** May an NEU use its funding to meet non-federal matching requirements?

**Answer**

CLFRF funds are subject to pre-existing limitations in other federal statutes and regulations and may not be used as non-federal match for other Federal programs whose statute or regulations bar the use of Federal funds to meet matching requirements. This includes programs funded through the Stafford Act.

