

Treasury Issues Final Rule for State and Local Fiscal Recovery Funds Program to Support the Ongoing COVID Response

January 6, 2022

The final rule enables state and local governments to meet immediate pandemic response needs and promote long-term recovery.

WASHINGTON — Today, the U.S. Department of the Treasury issued the Final Rule for the State and Local Fiscal Recovery Funds (SLFRF) program, enacted as a part of the American Rescue Plan, which delivers \$350 billion to state, local, and Tribal governments to support their response to and recovery from the COVID-19 pandemic.

The SLFRF program ensures governments have the resources needed to respond to the pandemic, including providing health and vaccine services, supporting families and businesses struggling with the pandemic's economic impacts, maintaining vital public services, and building a strong and equitable recovery.

To date, Treasury has distributed more than \$245 billion to state, local, and Tribal governments as a part of the SLFRF program, accounting for over 99% of funds eligible to be disbursed in 2021 – including funds to many communities that had not received federal assistance since the onset of the pandemic. Recipients of funds were encouraged to begin using funds under the interim final rule, which was released in May 2021. Governments have been spending these funds to [address](#) the COVID-19 pandemic and its economic effects, including by expanding access to testing, vaccines, and taking other steps to protect their communities including those that are high-risk and underserved. A [recent analysis](#) by the Center on Budget and Policy Priorities found that state governments have appropriated nearly 70% of their available funds as of November 2021.

“Through the State and Local Fiscal Recovery Funds, the American Rescue Plan has provided state and local governments with the support they need to respond to the ongoing pandemic and plan for an equitable recovery,” said Deputy Secretary of the Treasury Wally Adeyemo. “As the Delta and Omicron variants have illustrated, pandemic response needs will continue to evolve. These funds ensure that governments across the country have the flexibility they need

to vaccinate their communities, keep schools open, support small businesses, prevent layoffs, and ensure a long-term recovery.”

The final rule – which takes effect on April 1, 2022 – provides state and local governments with increased flexibility to pursue a wider range of uses, as well as greater simplicity so governments can focus on responding to the crisis in their communities and maximizing the impact of their funds.

The State and Local Fiscal Recovery Funds Program final rule provides additional clarity and flexibility for recipient governments, including:

- First, Treasury has expanded the non-exhaustive list of uses that recipients can use to respond to COVID-19 and its economic impacts – ensuring states and localities can adapt quickly and nimbly to changing public health and economic needs. This includes clarifying that recipients can use funds for certain capital expenditures to respond to public health and economic impacts and making services like childcare, early education, addressing learning loss, and affordable housing development available to all communities impacted by the pandemic.
- Second, Treasury has expanded support for public sector hiring and capacity, which is critical for the economic recovery and in maintaining vital public services for communities.
- Third, Treasury has streamlined options to provide premium pay for essential workers, who bear the greatest health risks because of their service in critical sectors.
- Fourth, Treasury has broadened eligible water, sewer, and broadband infrastructure projects – understanding the unique challenges facing each state and locality in delivering clean water and high-speed broadband to their communities.
- In addition to these expansions, Treasury has greatly simplified the program for small localities – many of whom have received a historic federal investment in their communities through this program – including through the option to elect a standard allowance for revenue loss rather than calculating revenue loss through the full formula.

[View the final rule text.](#)  [View a user-friendly overview of the major provisions of the final rule](#) .

###