

Dept. of Treasury Interim Final Rule: Coronavirus State and Local Fiscal Recovery Funds

CHA Summary

Internal

On May 17, the Department of Treasury released an [Interim Final Rule \(IFR\)](#) that delineates the eligible uses of the Coronavirus State and Local Fiscal Recovery Fund (SLFR), which was established under the American Rescue Plan (ARP) to provide support to state, local, territorial and tribal governments in their response to the COVID-19 pandemic. Through the SLFRP, \$350 billion in emergency funding is available to support pandemic response activities, fill governments' revenue shortfalls and provide assistance to hard-hit communities and populations. The IFR includes a great deal of flexibility in the use of the funds, which will be distributed in the form of grants to eligible entities. Children's hospitals may want to consider working with their states and localities on funding for key initiatives to address the short and long-term effects of the pandemic on children, families, their communities and their own institutions. Comments are due to Treasury on questions posed in the IFR by July 16.

Funds Distributions

Treasury is distributing the funds directly to each level of government through several allotments.

- Local governments received 50% in May 2021, with the balance to be distributed 12 months later.
- States with a net unemployment rate increase of more than 2% from February 2020 to the latest date when data is available received their full allocation in May 2021.
- States with a net unemployment increase of less than or equal to 2% from February 2020 to the latest date when data is available received 50% in May 2021 with the balance to be distributed 12 months later.
- U.S. territories received a single payment and tribal governments will receive two payments (one in May and one in June, based on unemployment data).

The IFR allows funds to be used to cover costs incurred beginning on March 3, 2021. All funds must be utilized by Dec. 31, 2024, with the period of performance for grants ending Dec. 31, 2026.

Eligible Uses of Funds

There are five general categories of eligible uses of the funds.

1. Support for mitigation efforts, medical expenses related to the public health emergency (PHE), behavioral health care and certain public health and safety staff.
2. Programs to address the negative economic impacts resulting from the PHE on workers, households, small businesses, impacted industries and the public sector.
3. The replacement of lost public sector revenue.
4. The provision of premium pay for essential workers.
5. Investments in water, sewer and broadband infrastructure.

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Potential Opportunities for Children’s Hospitals

The following is an overview of key areas where the SLFR could support children’s hospital priorities and advance children’s health. In addition, Treasury seeks public comment on additional areas that should be considered for support. Relevant questions are highlighted below.

Programs/services to address the public health and economic impacts of the PHE

The IFR includes a non-exclusive list of programs or services that may be funded as part of a government’s efforts to address the public health and economic impacts of the pandemic. It also gives governments flexibility to use funds for a range of other programs or services and provides considerations for evaluating those potential uses. Governments are encouraged to provide financial assistance to households, businesses and non-profits in communities most disproportionately impacted by the pandemic.

Funds could help support children’s hospitals’ initiatives to address COVID-19 mitigation efforts, short and long-term COVID-related medical expenses and behavioral health care needs exacerbated by COVID, including:

- Services to address behavioral health care needs exacerbated by the pandemic, including:
 - Mental health, substance use disorder treatment and other behavioral health services
 - Hotlines or warmlines and/or crisis intervention
 - Services or outreach to promote access to health and social services
- Mitigation efforts, including:
 - Vaccine programs, testing, contact tracing, quarantines, PPE and related medical expenses
 - Enhancement of health care capacity, including alternative care facilities
 - Support for vulnerable populations to access medical or public health services
 - Support for prevention, mitigation, or other services in schools and congregate living facilities
 - Ventilation improvements in health care facilities and schools

In addition, children’s hospitals could seek funds to support a broader range of services and programs to address the impact of COVID-19 on health outcomes in low-income communities and families in [Qualified Census Tracts](#) or other geographic areas disproportionately impacted by the pandemic. Examples of eligible expenditures include:

- Funding for community health workers and/or public benefits navigators
- Housing services to support healthy living environments
- Remediation of lead paint or other lead hazards

Request for Comments—Treasury seeks comments on the following:

- Are there other types of services or costs that should be considered as eligible uses to respond to the **public health impacts** of COVID-19? How do these respond to the PHE?

Programs/services to address the negative economic impacts caused by the PHE

The IFR allows government entities to provide a range of assistance to individuals, households, small business, non-profits and industries that face economic hardship as a result of the pandemic. The IFR directs governmental entities to consider whether economic harm exists (including loss of revenue) and whether it was made worse by the

PHE. The IFR encourages governmental entities to consider funding services and programs that will result in long-term positive health and economic outcomes, in addition to responding to immediate challenges.

Eligible uses of funds that may be of interest to children’s hospitals include:

- Aid to impacted industries. Though the focus is on the travel, tourism and hospitality industries, the IFR does clarify that aid can be provided to other industries.
 - In those circumstances, governmental entities should consider the extent of the economic impact on the particular industry in comparison to travel, tourism and hospitality and whether the negative impact is due to COVID-19.
 - The IFR includes reporting requirements related to any assistance given to private-sector businesses.
- Provision of financial assistance to small businesses and non-profits to mitigate financial hardship, including loans and grants to mitigate declines in revenues.
- Support for evidence-based practices to address the social, emotional and behavioral health needs of students.
- Support for home visiting programs to families with young children.
- Enhanced services for foster care youth and child welfare-involved families, including mental health services.

Request for Comments—Treasury seeks comments on the following:

- Are there other types of services or costs that should be considered as eligible uses to respond to the **negative economic impacts** of COVID-19? Describe how these respond to the PHE.
- Are there other services or costs that should be considered as eligible uses to respond to the **disproportionate impacts of COVID-19 on low-income populations and communities**? Describe how these respond to the PHE or the negative impacts, including the exacerbation of pre-existing challenges.
- What other presumptions, or considerations could be used to assess “**impacted industries**”?

Provide premium pay to essential workers

Funds may be used to remunerate essential workers (including health care workers) for the elevated health risks they face as a result of COVID. Under ARP, premium pay is defined as an amount up to \$13 per hour in addition to current wages, not to exceed \$25,000 per worker.

- Funds should target lower income essential workers.
- Justification must be provided to Treasury if the pay increases a worker’s total pay above 150% of their state’s average annual wage for all occupations.
- Premium pay may be provided retrospectively to the beginning of the PHE.