

Treasury's 2023 Interim Final Rule (IFR)

In August 2023, Treasury released an updated [Interim Final Rule \(IFR\)](#) for CLFRF. This new update adds three eligibility categories and does not modify any of the prior expenditure categories contained in the Final Rule (i.e., any previously eligible activities remain eligible).

For recipients that elected the standard allowance and are designating their full award under this expenditure category, there are no changes included in the new IFR other than that the standard allowance provision can now be selected through the April 2025 reporting period. Additionally, the three new expenditure categories included in the new IFR are also eligible under the revenue loss provision.

The three new Expenditure Categories are:

1. **Relief for Natural Disasters** – The IFR provides a framework for using SLFRF funds to provide emergency relief from natural disasters or their negative economic impacts. Recipients must first identify a natural disaster that has occurred or is expected to occur imminently, as declared by either the federal or state government, or that can justifiably be expected to occur in the future, and then identify emergency relief. The emergency relief must be related and reasonably proportional to the impact identified.
2. **Surface Transportation** – The IFR provides a framework for using SLFRF funds for surface transportation projects. This funding can be used first, as supplements for projects receiving Department of Transportation (DOT) funding, second, as match for certain designated surface transportation projects or to repay a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan, and third, those not receiving funding from DOT, but which would be eligible for RAISE grants or for which a framework has been agreed with Treasury. Please note funds obligated for Surface Transportation projects must be expended by September 30, 2026.
3. **Title I Projects** – The IFR outlines how recipients may use SLFRF funds to invest in community development activities that are eligible under the Community Development Block Grant (CDBG) program. The eligible activities under Title I projects eligible use category are broad and enable recipients to undertake a wide range of community development projects. Ineligible activities under CDBG are also ineligible for SLFRF funding under this expenditure category. Please note funds obligated for Title I projects must be expended by September 30, 2026.

According to the [Overview of the Interim Final Rule \(2023\)](#), “Recipients using SLFRF funds for Surface Transportation projects and Title I projects must supplement, and not supplant, other federal, state, territorial, Tribal, and local government funds (as applicable) ‘otherwise available for such uses’”, which includes:

- “For non-federal funds, if they have been obligated for activities or projects that are eligible as part of any Surface Transportation project or Title I project, or

- For federal funds, if a federal agency has committed to a particular project pursuant to an award agreement or otherwise”.

For the Surface Transportation projects and Title I projects eligible use categories, this means that SLFRF recipients may not:

- “De-obligate funds that were obligated for specific uses that are eligible Surface Transportation project or Title I project activities (e.g., cancel, amend, renegotiate, or otherwise revise or abrogate a contract, subaward, or similar transaction that requires payment) and replace those previously obligated funds with SLFRF funds.
- Use SLFRF funds to replace federal or non-federal funds identified in a federal commitment, such as an award agreement. The supplement, not supplant restriction does not apply to the other eligible use categories in the SLFRF program, including the emergency relief from natural disasters eligible use category”.¹

¹ U.S. Treasury’s [Overview of the Interim Final Rule \(2023\)](#), p. 9