RURAL HEALTH TRANSFORMATION PROGRAM

CAPITAL EXPENDITURES & INFRASTRUCTURE FACT SHEET

Category J Funding for Capital Expenditures and Infrastructure

Investments in existing rural health care facility buildings and infrastructure, including minor building alterations or renovations and equipment upgrades to ensure long-term overhead and upkeep costs are commensurate with patient volume are subject to restrictions in the funding policies and limitations.

Code of Federal Regulations **2 CFR 200.439 specifies additional requirements for allowable renovations and capital expenditures** including additions, improvements, modifications, replacements, rearrangements, reinstallations, minor renovations, and alterations that do NOT materially increase asset value or useful life. Construction is unallowable under the Rural Health Transformation Program.

20%

Spending Cap on Category J. Expenditures under this category cannot exceed **20% of a State's total award per budget period.** States should work closely with their Project Officer and Grants Management Specialist to monitor cumulative spending.

Important Notes:

- *All capital expenditures and infrastructure must be part of an approved initiative.*
- *All Category J costs must be documented in GrantSolutions and reported on the SF-424 and in the budget narrative.*

Table 1: Examples of allowable and unallowable uses of funds under Category J

Examples of Allowable Uses

- ✓ **Building & Equipment Repairs:** Repairing existing structures and equipment to ensure patient and staff safety and comfort, including asbestos abatement.
- ✓ **Minor Building Renovations:** Repurposing existing buildings to offer new clinical services.
- ✓ **Interior Modifications:** Installing or relocating interior walls and partitions to create new patient rooms; installing soundproofing to offer telehealth services.
- ✓ **Workspace Reconfiguration:** Creating additional clinical or patient rooms, open office layouts or converting private offices into clinical space.
- ✓ **Lighting & Electrical:** Upgrading fixtures to energy-efficient systems for lower energy costs.
- ✓ **HVAC & Plumbing:** Replacing vents and thermostats for improved climate control and lower energy costs; replacing inefficient boilers.
- ✓ **Accessibility Improvements:** Installing automatic door openers and ADA-related upgrades, repaving and marking parking lots when necessary for patient access to care.
- ✓ **Security & Safety:** Installing or upgrading security cameras or access control systems.
- ✓ **Childcare Center Renovations:** Conducting renovations when critical to support approved workforce initiatives.
- ✓ **Permanent Functional Signage:** Installing directional instructions for patients and EMS vehicles.
- ✓ **Workforce Housing Renovations:** Carrying out renovations that support recruitment, training or retention of staff as part of an approved workforce initiative**.**

Limitations & Exclusions

- × **No expansion, additions, or increases in square footage** that cause a significant and substantial rise in property value or extend useful life.
- × **Demolition Activities** are considered construction or major renovation and are not allowed.
- × **Cosmetic Improvements** are not allowed (painting, carpet upgrades, artwork, décor that enhances visual appeal without altering core structure).
- × **Construction** (new builds, breaking ground) is entirely unallowable under this grant program.
- × Category J funds **must supplement, not replace, expenditures already planned or obligated** through other funding sources.

Table 2: Category J Use of Funds Expenditure Types

Expenditure Type	Category J?	Notes
Upgrading existing medical equipment	✓ Yes	Counts toward Category J spending cap
Repairing existing equipment	✓ Yes	Counts toward Category J spending cap
Replacing existing equipment (like-for-like)	✓ Yes	Counts toward Category J spending cap
Purchasing brand-new equipment, vehicles, mobile clinics, buildings	× No	New equipment generally does not fall under Category J as Category J focuses on replacement of equipment. New equipment may be an allowable use of funds under Category G or another category, depending upon its purpose, and would not be subject to the Category J spending cap.

Repairing vehicle, ambulance or mobile clinic retrofitting	✓ Yes	Retrofitting and modifications to vehicles, mobile clinics and ambulances would fit under Category J given the alterations and equipment upgrades within the existing vehicle.
Replacing software or hardware for IT systems	✓ Yes	While Category J funds could be used for software and hardware, another use of funds category may be more appropriate and would not subject the expense to a Category J spending cap. States should work closely with their Project Officer and Grants Management Specialist as questions arise.

Table 3: Differences between Uses of Funds under Categories F, G, and J

Category	Definition	Funding Caps	Goal of Category and Example Uses of Funds
F	**IT advances:** Providing technical assistance, software, and hardware for significant information technology advances designed to improve efficiency, enhance cybersecurity capability development, and improve patient health outcomes.	Replacement of an existing HITECH-certified EMR system cannot exceed 5% of total RHT Program award, by budget period	Improve efficiency, cybersecurity capability and improve patient health outcomes. Ex: IT upgrades to equipment to improve hospital efficiency; purchase of cybersecurity software to protect patient data.
G	**Appropriate care availability:** Assisting rural communities to right size their health care delivery systems by identifying needed preventative, ambulatory, pre-hospital, emergency, acute inpatient care, outpatient care, and post-acute care service lines.	N/A	Right size service capacity for current needs. Ex: Ambulance purchases to meet unmet service needs; purchasing equipment to offer dialysis. Note: Ambulances could be Category J expense if the goal is sustainability of equipment by repairing existing vehicles or replacing like-for-like capabilities.
J	**Capital expenditures and infrastructure:** (Minor Renovations) Investing in existing rural health care facility buildings and infrastructure, including minor building alterations or renovations and equipment upgrades to ensure long-term overhead and upkeep costs are commensurate with patient volume, subject to restrictions in the funding policies and limitations.	Cannot exceed 20% of total RHT Program award, by budget period	Short-term investments for long-term sustainability. Investment must be sustainable for the long term. Facility or equipment upgrades that will ensure sustainability to patient care. Ex: HVAC upgrades to lower energy costs long term and improve indoor air quality.

Resources

- 2 CFR 200.439
- 2 CFR 200.313
- Public Law 119-21, SEC. 71401
- RHTP NOFO
- RHTP FAQ 4.9.2026

Questions?

As unique situations arise, States should work closely with assigned **Project Officer** and **Grants Management Specialist** to ensure State plans for funding align with this guidance.