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March 25, 2021

The Honorable Janet Yellen
Secretary
U.S. Department of Treasury
1500 Pennsylvania Ave., N.W.
Washington, D.C. 20220

Dear Secretary Yellen:

The National League of Cities (NLC) is the nation's foremost resource and non-partisan advocate for municipal governments and their leaders, representing all of America's 19,000 cities, towns, and villages and more than 218 million people.

NLC is committed to the success of the American Rescue Plan Act ("The Act"), and to promoting outcomes that advance our mission of "helping city leaders build better communities". The Act adheres to NLC's longstanding principles for direct federal intervention to stop local government fiscal decline resulting from the COVID-19 pandemic. We urge the U.S. Treasury Department to hold fast to these same principles as you prepare eagerly awaited guidance for Coronavirus State and Local Fiscal Recovery Funds:

1. **Emergency funding should be fair and appropriate for each and every local government, with no minimum population threshold for eligibility.** Every city, town, and village is entitled to a calculated share of the \$65.1 billion for municipal governments. The inaccurate grant estimates provided by Congress have become a cause for concern for municipal governments that are missing or misclassified. We strongly urge you to rely on NLC and our network of State Municipal Leagues to refine and perfect calculations of payments to localities.
2. **Aid should be directly allocated through familiar and proven government revenue sharing programs.** CDBG is the most familiar revenue sharing mechanism for states and localities operating at reduced capacities due to staff furloughs and layoffs.
3. **Entanglement of state and local funding should be minimized.** A lack of clarity burdened the CARES Act Coronavirus Relief Fund from the start, resulting in confusion, delays, and infighting among primary and secondary grant recipients. The U.S. Treasury must uphold the local control intended by the Act by providing clear and unambiguous direction to state, county, and municipal governments that state governments may not impose additional limitations beyond those defined by Treasury. Moreover, with approximately 60 cents of every dollar from the Coronavirus State and Local Fiscal Recovery Funds going to state governments, and 40 cents going to local governments, the U.S. Treasury Department should take steps to invalidate efforts by states to use The Act as justification for cuts in state government payments to localities.

4. **Eligible expenditures should be targeted to the widespread health and economic consequences of COVID-19**, including unavoidable revenue shortfalls resulting from federal, state, and local measures to contain the spread of coronavirus. In addition, we urge the U.S. Treasury Department to provide direction that Coronavirus Local Recovery Funds are no more restrictive than the CARES Act Coronavirus Relief Fund; or, if this is not the case, to identify new restrictions specifically.

Putting The Act into action is a massive endeavor. NLC stands ready to work with you and your team at the U.S. Treasury Department on implementing The Act and Sec. 9901-603 of The Act (“The Section”). To that end, NLC has gathered initial feedback from local elected officials and our 49 state league partners on the most important points regarding The Section. We have highlighted the most commonly asked questions here and attached two appendixes, one with the questions NLC has received from members and state leagues about The Section (Appendix A), as well as anomalies related to data runs produced by The House Committee on Oversight and Reform (Appendix B).

Metropolitan City as defined on March 11, 2021

NLC wants to confirm that the definition of the term “metropolitan area”, as used in 42 U.S.C. 5302(a)(4), is determined as of March 11, 2021, the date The Act was enacted into law. The issue is relevant to Section 9901, which adds The Section, to Title VI of the Social Security Act and in particular is relevant to Section 603(g)(4) which defines the term “metropolitan city.”

“(4) METROPOLITAN CITY.—The term ‘metropolitan city’ has the meaning given that term in section 102(a)(4) of the Housing and Community Development Act of 1974 (42 U.S.C. 5302(a)(4)) and includes cities that relinquish or defer their status as a metropolitan city for purposes of receiving allocations under section 106 of such Act (42 U.S.C. 5306) for fiscal year 2021.

Section 603(g)(4) incorporates the meaning of “metropolitan city” set forth in 42 U.S.C. 5302(a)(4), which provides:

The term "metropolitan city" means (A) a city within a metropolitan area which is the central city of such area, as defined and used by the Office of Management and Budget, or (B) any other city, within a metropolitan area, which has a population of fifty thousand or more.

On January 19, 2021 the Office of Management and Budget (“OMB”) issued a notice (“The Notice”) requesting comment on “Recommendations From the Metropolitan and Micropolitan Statistical Area Standards Review Committee to the Office of Management and Budget Concerning Changes to the 2010 Standards for Delineating Metropolitan and Micropolitan Statistical Areas.”

The Notice stated that after OMB has considered the recommendations of the review committee comments and the comments received through The Notice, any revisions to the standards will be announced in a final notice. The recommendations include the following: the minimum urban area to qualify for a metropolitan statistical area should be increased from 50,000 to 100,000.

It is possible that the definition of metropolitan area could be changed at any time affecting The Section, specifically Sec. 603(g)(4), with certain metropolitan areas ceasing to be metropolitan areas with uncertain and possibly catastrophic results. NLC is opposed to changing the definition of metropolitan. However, if a change is adopted, this unintended scenario can be avoided by determining that the term “metropolitan area” is defined as of the date The Act was enacted into law.

House Committee on Oversight and Reform Committee Data Runs

The House Oversight and Reform Committee (“The Committee”) released numerous data runs estimating how much each city, town and village would be allocated from The Section. In partnership with our state leagues, NLC noticed anomalies with the data runs.

- o Both the states of Michigan and Minnesota contain overlapping jurisdictions within their states. For example, in the data run released on March 8 by The Committee, more than 200 villages in Michigan were accidentally dropped from the data runs due to this overlapping jurisdiction issue.
- o In Kentucky, 83 suburban cities in Jefferson County are excluded from the nonentitlement calculation produced by The Committee on March 8. Louisville Metro effectively serves as a form of county government while the suburban cities retain their incorporation status and generally have the same authorities as all other cities in Kentucky. The U.S. Census Bureau still considers them cities like all of the other municipalities in the state and excludes their population from Louisville Metro to avoid double counting.
- o A handful of cities in Michigan relinquished their entitlement status to their county, and they are thus misclassified even though they should be Metropolitan Cities under The Act. For example, Ann Arbor, one of the handful of cities, qualifies as a Metropolitan City because Ann Arbor is the principal city of the Ann Arbor Metropolitan Statistical Area, and because it is a city with a population of greater than 50,000. However, it is misclassified as a nonentitlement unit of local government.
- o Virginia contains independent cities. Many of the 38 independent cities in Virginia are shown in the March 8 data run in the counties tab as well as tabs for cities. This is an issue flagged for us by the Virginia Municipal League.
- o For all issues related to the data runs, see Appendix B that contains all the missing and misclassified cities.

We would request that the U.S. Treasury Department work with NLC and its affiliate state leagues to ensure that all cities, towns and villages are 1) accurately accounted for; and 2) properly classified as a Metropolitan City or Nonentitlement Units of Local Government.

Funds free of interference by the state or county

NLC would like to confirm the following understanding that The Section of The Act provides distinct pots of funds for counties and municipalities, and that Sec. 9901-602 provides a distinct pot of money for states, the District of Columbia, and tribal governments. It is further our understanding that nothing

in Sec. 9901-602 or The Section would allow either a state or county government to put more burdensome requirements on a municipality that receives funding, especially those that receive their money through the state, than what is prescribed by guidance from the U.S. Treasury Department or contained in The Act.

Lost revenue

Sec. 9901-603(c)(1)(C) states:

(C) for the provision of government services to the extent of the reduction in revenue of such metropolitan city, nonentitlement unit of local government, or county due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the metropolitan city, nonentitlement unit of local government, or county prior to the emergency;

NLC seeks clarity on the term “revenues.” How are revenues in 9901-603(c)(1)(C) defined? Intergovernmental transfers from states, sales and property tax collections, user fees, as well as additional and other sources of revenues are all streams of revenue that municipalities collect.

Additionally, NLC seeks clarity for “the most recent full fiscal year...prior to the emergency.” More than half of municipalities use a July 1 starting date for their fiscal year, while a quarter use January 1 as their start date. What is the demarcation line from which the full fiscal year starts? Is it March 1, 2020, the federal public health emergency declaration?

Definition of water, sewer, or broadband

The Act at 9901-603(c)(1)(D) (“The Infrastructure Clause”) uses the term “or”. In legal drafting “or” is used as a disjunctive conjunction, creating a choice between competing ideas. NLC seeks clarity that municipalities will be able to spend in all three categories and not just one, as might be construed by the use of the word “or” in The Infrastructure Clause. Additionally, NLC seeks clarity on whether the money for water, sewer, or broadband can be used on projects already underway or only on new projects.

Moreover, NLC would strongly encourage the U.S. Treasury Department to broadly interpret The Infrastructure Clause to include wastewater and stormwater. The following suggests how the clause could be interpreted:

Section 9901(c)(1)(D) of The Act authorizes the use of funds to “make necessary investments in water, sewer, or broadband infrastructure.” For purposes of implementing The Infrastructure Clause, water and sewer infrastructure investments include, but are not limited to, projects eligible for assistance under section 1383(c) of Title 33 of the Federal Water Pollution Control Act, section 300j-12(a)(2) of Title 42 of the Safe Drinking Water Act, and section 10364(a)(1) of Title 42 of the Secure Water Act, including specifically construction of publicly owned treatment works, measures to manage, reduce, treat, or recapture stormwater or subsurface drainage water, indoor and outdoor distributed water conservation and efficiency measures, centralized and decentralized water, wastewater, or stormwater recycling and reuse measures, upgrades, rehabilitation or replacement

of drinking water facilities or portions of drinking water facilities, and acquisition of land and conservation easements necessary for protecting drinking water sources.

Finally, the connectivity needs of communities throughout the COVID-19 pandemic and recovery have been extensive and challenging to meet, as the obstacles to connectivity by local governments, residents, and businesses vary widely from community to community. NLC encourages the U.S. Treasury Department to ensure maximum flexibility for use of these funds for broadband purposes, including explicitly allowing the use of funds for: municipal broadband infrastructure, municipal information technology and cybersecurity needs, broadband planning and assessment, digital inclusion programming such as staff assistance to residents in locating affordable or subsidized broadband subscriptions and connected devices, and skills training. Treasury should also explicitly allow use of funding for broadband-related purposes. Treasury should not limit the use of funding for broadband to only un- or underserved areas, nor should receipt of other federal or state broadband funding restrict the use of this funding for broadband.

Federal requirements associated with the funds

NLC seeks clarity about whether a city, town or village that uses the funds allocated to it under the section for water, sewer, or broadband, needs to comply with requirements typically associated with federal dollars. For example, does a municipality need to comply with Davis-Bacon or NEPA?

Aid to impacted industries

Cities, towns and villages from Alaska to Maine, from Louisiana to California have been impacted by downturns in tourism during the past year. NLC seeks clarity on whether or not aid to impacted industries outlined at Sec. 9901-603(c)(1)(A) allows tourism, travel, and hospitality to recover lost revenue. Allowing these affected industries to recover lost revenue from Sec. 9901-603(c)(1)(A) will allow municipalities to help rebuild and revitalize these industries.

Tracking the funds and the compliance burden


The Section at 603(d) requires “periodic reports providing detailed accounting” for those entities who receive funds. Many of America’s 19,000 cities, towns and villages have never received a federal grant before. The funds from The Act represents a new opportunity as well as new administrative burdens. Managing the funds at a city, town, or village level will represent a challenge and require new levels of effort (“LOE”) for administrative staff to be added to the budget. Will a permissible use of funds include hiring, training, and maintaining the positions to oversee the funds and periodic accounting? Is software needed to comply with this mandate a permissible use under The Act? NLC would hope the answer to both questions would be “yes.” Many towns and villages are charting new waters and expertise and software will be required to be compliant.

Providing timely guidance to municipalities

Reflecting upon the CARES Act Coronavirus Relief Fund (“CRF”), direct recipients had trouble spending the money due to the delay in providing initial guidance, as well as the constant and changing nature of the guidance coming from the U.S. Treasury Department’s Office of General Counsel. NLC hopes this time that the guidance, which will inevitably be rolled out in stages, will be done so in a way to minimize the time between when municipalities receive the funds and the time they begin disbursing them.

Thank you for considering our request, and we look forward to your response. If you have any questions regarding our concerns, I encourage you to reach out to Irma Esparza Diggs, Senior Executive and Director, Federal Advocacy, at diggs@nlc.org.

Sincerely,



Clarence Anthony
CEO and Executive Director
National League of Cities

Appendix A: Questions submitted by cities, towns and villages

1. Definitions

- a. How will Treasury measure lost revenue?
 - i. In Alabama, online sales taxes grew by \$86 million last year, but locally sourced sales, lodgings and motor fuel taxes were down. Do cities need to show a net losses among all revenue types? Or, can they use funds to off-set losses among specific line items regardless of whether they saw a net gain or loss?
- b. The ARP Sec. 9901-603 (c)(1)(D) states that an eligible use of funds is “to make necessary investments in water, sewer, or broadband infrastructure.” The statute uses the term “or” instead of “and”. Should we interpret this to mean that a local government can make necessary investments in only one of those three categories?
 - i. How does Treasury define “necessary”?
- c. How will small businesses be defined?
- d. Are any portions of the fund via reimbursement, or is everything "spend as you go"?
- e. What is meant specifically by ‘periodic reporting?’ Can Treasury please define what ‘periodic’ means for reporting requirements?
- f. What is the definition of eligible worker for the ARP funding?

2. Guidance, Allotment, and Allocation Process

- a. The ARP Sec. 9901-603(a) states funds will remain available through December 31, 2024. Is this a date by which the funds much be obligated or spent?
- b. On guidance, will the Treasury Department be issuing rolling guidance like for the CARES Act?
- c. How can municipalities verify that their allotment is accurate?

- d. Where/when will there be additional guidance on eligible expenses?
- e. Will the federal government publish a timeline as to when guidance will be issued for new ARP programs as well as for existing federal programs receiving special supplemental appropriations? Will states have to designate federal cognizant agencies for any of the ARP programs?
- f. The U.S. Secretary of Treasury is authorized to make pro rata adjustments for several of the ARP programs. Will the Secretary's adjustments for local governments not receiving direct allocations be subject to pro rata adjustments by the states or will the Secretary's actions take into account the distributions for smaller localities?
- g. Will periodic reports require information in addition to financial? If so, will the federal government issue guidance for the programmatic information and metrics for such reporting?
- h. When do we expect the first payment?
- i. Will Treasury submit the certified amount for each community in the coming weeks?
- j. Is there a specific account number that is labeled to record these funds or has that not been determined yet?
- k. Also, is there a way Treasury could commit to announcing and communicating modifications in guidance on the SAME DAY each month and not modify the guidance in between these timeframes to make adhering to the federal guidance more manageable?
- l. Since we have to "opt in" to receive funds if we are a direct recipient. Do we have a sense when that opt in will be available?

3. Receiving Funds

- a. For metropolitan and non-entitlement communities, what are the rules and conditions to receive local relief funding? NLC recommends and encourages clarification that for municipal funds (non entitlement), that state governments do not have the authority to layer on additional restrictions beyond what Treasury includes. (Many state governments did so for Coronavirus Relief Funds beyond what Treasury included which resulted in severe delays or non-receipt of funds, and different rules by state.)
- b. What specifically qualifies for this program and what is the exact schedule to spend it by?
- c. For non-entitlement communities, does the 75% of annual budget maximum payment apply to each tranche or to the total payment. Clarify whether the 75% is per payment or in total.
- d. Regarding the 75% of budget cap on ARP payments, If ARP funds are used for a water or sewer utility project, does the 75% cap apply to the utility budget, or does the cap apply to the city's general fund, regardless of the project?
- e. Please confirm that the prohibition in the ARP Act against using ARP funds to directly or indirectly offset tax reductions or delay a new tax or tax increase does not apply to the payments made to local governments.
- f. Is there a size minimum for grants to municipalities?
- g. Our city has a population of nearly 90,000, and we have chosen to coordinate receipt of our CDBG funding through our County. We understand that we are (by population definition) a "Metropolitan City." However, we are listed on the "Other Non-Counties" list that was distributed on March 8th. Are we still able to apply directly from Treasury because of our population? Or, because we're included on the "Other Non-Counties" list, must we apply indirectly through the state?

- h. If these are direct payments, does that mean that when the state receives the money, they will just turn around and send the funds to the municipality without any "request" for funds?
- i. Are there forms we need to complete such as those required with the Cares Act from last year?
- j. Will the funds need to be expended first then towns seek reimbursement?

4. Reporting Requirements

- a. Is there any paperwork that cities need to prepare in order to receive their funds from the Treasury Department in the case of an entitlement city or from the state in the case of a nonentitlement city?
- b. We need some clarification about whether we need to earmark this money toward certain things and/or if we need to outline these and report back how and where we spent the money. Certainly we have faced economic hardship in our small community, job losses, and therefore revenue losses as well. We had a shortfall in the budget for FY2021 and expect it to be even more difficult to budget for FY2022 that begins on July 1. We are required to balance our budget against projected revenue, but our revenue has dropped significantly. We could use this injection of cash to do several things on our bucket list, but do we have to outline and keep track of every dollar spent and what we spent it on? If we do, is that at the state or federal level? Or both? In reading what is available to me today, this is not clear. We know how much we are to expect, we know what we can do with these funds, but it is not clear if we have to account for our actions and to whom. Am I missing something?
- c. What are the reporting requirements?

- d. Fiscal years in Virginia runs from July 1 through June 30. For revenue purposes do we use FY 2019 (July 1, 2018 through June 30, 2019) as our tax collections base? The March 2020 emergency declaration fell at the end of the third quarter of FY 2020.
 - e. I am hoping to get a better understanding of what kind of reporting we will need to submit for our ARP funds. Specifically if we are using this for lost revenues are all revenue type losses eligible? We have a recreation Center that was shut down most of the year, can we use these funds to cover the gap in lost revenues for this upcoming fiscal year and the amount borrowed from General Fund to cover for the current year. IF this is allowed it would also be good to know what type of reporting we would have to supply to justify the use of funds
 - f. Should earned interest need to be calculated and returned after 12/31/2024?
 - g. Will a municipality be able to decide how to spend its allocation of funds under the guidance to come from the Treasury Department, or will we have to seek approval from someone before we can spend funds?
5. Allowable Uses: Lost Revenue
- a. Are cities only allowed to replace revenue losses based on the amount collected from previous fiscal years (as outlined in 603(c)(C)), or are cities able to use this funding to make up the entire revenue shortfall due to COVID-19?
 - b. Consider a scenario in which, for example, the COVID-19 global pandemic reduced the revenue of a city's general fund by approximately \$1 million. Although specific program services were not reduced (due to the use of reserves and/or loans), this loss of revenue reduced the amount of funding that would have otherwise been available to enhance present and future municipal services. Can ARP funds received for revenue losses

pursuant to Sec. 9901-603(c)(1)(C) be used to replenish reserves/pay back loans and fund the general operating expenses of the local government (i.e., not be limited to COVID-related expenses)?

- c. Consider a scenario in which, for example, park and recreation revenue declined because of the cancelation of events. Is replacing the lost revenue from these events an eligible use of funds?
- d. I realize only 3 states have municipal liquor. Minnesota is one of them. My city has municipal liquor with an on-sale (bar) that has had closures and capacity restrictions. Can the money be used for lost revenue for the municipal liquor store? We have not been able to use prior COVID funds for lost revenue at the liquor store. I am also on the Minnesota Municipal Liquor Store Board, so I am not only asking for my city, but all cities in Minnesota with a municipal liquor store.
- e. We are hoping to implement a new meter system since ours is 50+ years old. There is much work to be done before the meters can be installed, such as new meter boxes, resetters, etc. I was wondering if this would be covered (as part of our infrastructure) by the monies that the town will receive as part of the American Rescue Plan? I also wonder if the meters themselves are considered part of our infrastructure and if so, would they be covered as well.
- f. Are there non-supplanting rules attached to the funds that can be used to replace lost revenue, such that the funds could only be used to restore FTEs and programs that were cut in 2020? Or can the funds be used to pay for currently budgeted expenditures that are at risk of further cuts due to ongoing shortfalls?

- g. Our City has paid parking, which was suspended at the outset of COVID. The Third Pillar of the ARP indicates that funds may be used to offset lost revenue during COVID. But revenue from paid parking, by City Ordinance, can only be used for Roads, Sidewalks and Parking Lots. My question is, since the Fourth Pillar says that funds cannot be used for infrastructure items other than water, sewer and broadband, can we use ARP funds to offset lost revenue in our Parking Account?
- h. For a loss in revenue to a City, what period of time is applicable?
- i. Can funds be used to offset lost revenue due to interest rate reductions (can be blamed on the economy, the CARES Act and giving free money to banks so they don't need ours)?
- j. If a service continued (i.e. parking operations) and no employees were laid off, can we still use these funds as revenue replacement to replenish the fund?
- k. May a community use the second payment of ARP funds for lost revenues in 2021?
- l. If a city's sales tax revenue was fine, but their lodging tax was down, can they use that as a comparison/for a hospitality related grant program?
- m. If a city replaces lost sales or lodging taxes with ARP, would the city be able to use those funds as if they were sales or lodging tax dollars? The concern is that they don't want to replace lost revenues and then still have those funds be subject to ARP guidelines.
- n. Are cities only allowed to replace revenue losses based on the amount collected from previous fiscal years (as outlined in 603(c)(C)), or are cities able to use this funding to make up the entire revenue shortfall due to COVID-19?
- o. Is the measure of revenue loss a bottom line number or targeted to impact revenue groups? We've had to curtail capital improvements and redirect those revenues to sustain operations, thus the appearance of less revenue loss than actual

- p. Is trend analysis permitted to identify future revenue losses?
- q. Considering there are no tracing requirements, what methodology or reporting standards does Treasury either require or recommend in determining reduction in revenue due to COVID-19?

6. Allowable Uses: Employment

- a. Can budgeted administrative staff time incurred to respond to COVID-19 impacts since March 1, 2020, which did not qualify for CARES Act reimbursement because the time did not meet the explicit “substantially different use” criteria of the CARES Act, be recovered under Sec. 9901-603(c)(1)(A)? Can this time be estimated or must it be explicitly broken out on the original timesheet for the pay periods in question?
- b. Understanding that pension funds are not eligible, but, is OPEB (retiree health care) eligible for ARPA funds?
- c. Is backpay for essential employees allowed with ARP funds?
- d. Can communities use ARP funds to pay for hiring staff to administer programs and help with accounting and reporting relating to ARP?
- e. does the restriction on deposits into pension funds apply to normal payroll contribution associated with positions, for example positions that are added back with this funding? Or, just lump sum payments to pension funds?
- f. can premium pay for emergency workers be agreed to (unionized labor) and made retroactive if was not previously provided under the CBA
- g. Under CRF funds, we received guidance that police officers were considered to be "substantially dedicated" to the COVID pandemic, effectively allowing Cities to subsidize existing police salaries. If the new funds are no more restrictive than CRF

funds, do you expect that we will be able to subsidize our police salaries with ARP funds?

- h. Can a city use the funds to pay off our Pension Bond?
 - i. Can cities fund positions and programs this year that they cut last year due to budget constraints caused by COVID? For example, one city cut seasonal public works and parks employees last year and did not budget for them this year. If possible, they would like to use ARP funds to hire those positions for this upcoming summer. The question is whether they would be able to replace the lost revenues from 2020 in order to hire workers in 2021.
 - j. Is there guidance on the hazard pay provisions or is that up to the states?
7. Allowable Uses: Infrastructure and Projects
- a. Are cities only allowed to replace revenue losses based on the amount collected from previous fiscal years (as outlined in 603(c)(C)), or are cities able to use this funding to make up the entire revenue shortfall due to COVID-19?
 - b. Is stormwater an eligible use under the definition of “water, sewer, or broadband infrastructure” language?
 - c. When a city receives money from the Treasury or through the state as a pass-through and they want to use the money for infrastructure, do they need to follow all of the federal requirements that usually accompany federal money? For example, a NEPA review?
 - d. Can ARP funding provided under Sec. 9901-603(c)(1)(D) be used to pay for water quality infrastructure improvements that are designed to capture and treat stormwater runoff in order to prevent polluted water from entering a creek that feeds an underground

aquifer? This aquifer is a major source of the water that is delivered to the city's water service customers.

- e. Can ARP funding provided under Sec. 9901-603(c)(1)(D) be used to pay for water quality infrastructure improvements that are designed to capture and treat stormwater runoff in order to prevent polluted water from entering a creek that feeds an underground aquifer? This aquifer is a major source of the water that is delivered to the city's water service customers.
- f. Can the funds provided to replace lost revenue be used for capital improvement projects that were deferred due to COVID-19 revenue losses?
- g. Can funds granted to cities be used for road reconstruction/repairs. Can these funds be used for drainage projects?
- h. Do we know if water projects have to wait until funds are provided or can we start before?
- i. If you are completing a water/sewer project paid with ARP funding, can a portion or all that project cost be assessed back to the adjoining property owner?
- j. If replacing sewer/water mains using ARP funding can the associated road reconstruction or restoration be paid with ARP funding also?
- k. May communities use ARP funding to replace privately owned lead water service pipes running from the publicly owned water main to a house or commercial building?
- l. Supplanting is the use of federal funds to replace already designated funds. If we have a project that was already accounted for with municipal funds and is now eligible for ARP funds can we use the new federal funding? In other words, there should be an allowance

for supplantation with this funding (which is ordinarily not the case with other federal funding).

- m. On Infrastructure projects, do they need to be completed by 2024 or can they be work in progress?
 - n. Is there any indication that funds will be eligible for other Capital Projects outside of water, sewer, and broadband, such as a City Facility, Public Works Building, or Fire Station?
 - o. May a community use ARP funds to pay for a required water tower painting project and an upgrade to the water utility's water control system software?
 - p. May a community use ARP funds to pay for a city hall building expansion to provide social distancing for elections and public meetings?
 - q. Can a city use S/L funds to purchase a public housing development to provide affordable housing for local aviation workers?
8. Allowable Uses: Miscellaneous
- a. Is debt an eligible expense? Can the ARP funds be used to pay off debt incurred by a city?
 - b. Are there any restrictions by immigration status for use of local aid for assistance programs for individuals?
 - c. Can the ARP funds be used as a match for other federally funded programs?
 - d. Can these funds be invested in the meantime while the local unit is determining what to spend the funds on?
 - i. Are there any restrictions related to investing?
 - ii. Are there any yield restrictions on investing ARP funds?

- e. Can you use those funds for your portion of a 50/50 matching grant that you have received for 2022 for example?
- f. Can ARP funds be placed in an interest-bearing account?
- g. Can funds be used to fund emergency services that are not a separate district? For example, municipal ambulance, fire or police?
- h. Can ARP funds be used to purchase fire and rescue equipment (e.g. a fire truck and/or other fire equipment and apparatus)?
- i. Any restrictions on budgeted vs. unbudgeted programs such as with CARES Act?
- j. Are entities city and counties create together, such a landfills entitled to any of these funds?
- k. We gave financial relief to our utility customers from the recent ice storm. Can we use these funds to repay the city for the absorption amount that we gave our residents?
- l. we are a community that relies on tourism. Our operating revenue was reduced by 3/4 last fiscal year. Did I understand that these funds cannot supplement operating funds?
- m. Would expenditures incurred that were deemed ineligible in CARES Act, encumbered as such, but are now eligible under this program be considered able to be covered by ARP?
- n. May ARP funds be used by a community to establish a special-purpose economic development revolving loan fund?
- o. May a municipality use ARP funds to provide property tax refunds to municipal property tax payers?
- p. May a municipality retain some ARP dollars to cover administrative costs associated with distributing the dollars to local businesses and non-profits affected by the pandemic?

- q. Can a city still give out a grant to a business even though they might have received a PPP loan, Shuttered Venue Operators or Restaurant Fund grant?
- r. Can money be put into reserves to make up for not putting as much into reserves in the past budget year due to pandemic?
- s. The City and our region has experienced tremendous housing challenges over the past 3-5 years, and current Covid-19 pandemic has made matters even more urgent for low-to-moderate income households. Could the ARP funds be used for: (1) Conduct a comprehensive housing study to understand conditions, identify challenges and recommendations; (2) Revolving loan funds for home owners and property owners to update old housing stock, address code deficiencies, and improve efficiency?
- t. With assistance to local businesses, would recapitalization of our Revolving Loan Fund to businesses be allowed?
- u. Can the funds be used for the purchase of automobiles or services vehicles?
- v. What does it mean "respond to the public health emergency", can we upgrade HVAC to improve building ventilation, etc?
- w. Considering there are no tracing requirements, does Treasury consider the permitted use of COVID-19 relief funding to be fungible?
- x. Are there any limitations to which government services can benefit from the receipt of COVID-relief funding? (i.e., "for the provision of government services")
- y. Can COVID-relief funding be used to offset legal obligations originating prior to/during COVID?

9. Transferring Funds

- a. Consider a scenario in which, for example, the number of delinquent accounts receivable in the city water utilities have increased and there is substantial doubt that the funds will be able to be collected. May we use ARP funding provided under either Sec. 9901-603(c)(1)(A) or 9901-603(c)(1)(C) to reimburse the water utilities for these delinquent accounts?
- b. The ARP Sec.9001-603 (c)(3) allows a local government to transfer the money to a special purpose unit of local government? Can you provide examples of eligible special purpose units of local government?
- c. Can this money be used to help residents offset higher utility bills due to the increased energy rates due to the recent ice storm?
- d. More than several Virginia towns have less than 3,500 inhabitants. Towns of this size or less are not required to audit their financials although they are required to have a budget. If they chose to do so, can these towns transfer their allocations of ARP funding to their counties if an agreement is reached?
- e. Can funds be transferred to libraries?
- f. How can cities partner with non-profits? Can funding be used to support programs, projects, or initiatives...as long as it shows a direct community benefit, correct?
- g. Will communities be able to pool their \$\$ and collaborate on projects?
- h. Would it be possible for a community to grant ARP funds to a local community foundation and allow the earnings from the principle to be used to fund projects in the future. It is assumed that these projects would have been for eligible ARP purposes. Would this meet with the intent of the 12/31/2024 deadline?

- i. If a community transfers ARP funds to a non-profit and would it be allowable for the non-profit to use those funds to help pay for a new community swimming pool or other park and recreation facilities or fire trucks or new library facilities?
- j. If a community were to transfer ARP funds to a fire district or other special district, would that district have to comply with the statutory limits on using the dollars or are they free to use for any public purpose?
- k. May municipalities pool their ARP money to provide broadband throughout the school district?
- l. Are there any restrictions on the type of non-profits that ARP money can be sent to? For example, Chambers of Commerce 501c (6)'s were ineligible for many of the previous aid programs.