

# U.S. DEPARTMENT OF THE TREASURY

**AN INTRODUCTION TO THE**

## **Guidance on Distributions to Nonentitlement Units of Local Government**

**DRAFT | PRE-DECISIONAL**

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May-June 2021



## About This Webinar

The U.S. Department of the Treasury is providing this webinar, the State and Local contact channels, and other resources for informational purposes.

The descriptions provided in this document are non-exhaustive, do not describe all terms and conditions associated with the use of Coronavirus State and Local Fiscal Recovery Funds, and do not describe all requirements that may apply to this funding.

Any Coronavirus State and Local Fiscal Recovery Funds received will be subject to the terms and conditions of the agreement entered into by Treasury and the respective jurisdiction, which incorporate the provisions of the Interim Final Rule and guidance that implements this program.

Treasury is accepting public comment on all aspects of the Interim Final Rule, which Treasury will consider in developing the Final Rule on the program.



# Introductions

**On May 24, Treasury released guidance to assist states with distributions to nonentitlement units of local government (NEUs), which are local governments typically serving populations of under 50,000.**

**This webinar provides a process and technical overview of the guidance for representatives of state governments and key associations.**



# Agenda

**SECTION 1: Overview of the Guidance**

**SECTION 2: Overview of the List of Local Governments**

**SECTION 3: Q&A**

# **SECTION 1: Overview of the Guidance**

# Key Guidance Documents

There are four key guidance documents for state governments focused on the allocation and distribution of funds from states to NEUs.



List of Local Governments

Guidance



Definitional and Data Methodology



Aggregate NEU allocations for states

# Key Guidance Documents

There are four key guidance documents for state governments focused on the allocation and distribution of funds from states to NEUs.



**Guidance**



**List of Local  
Governments**



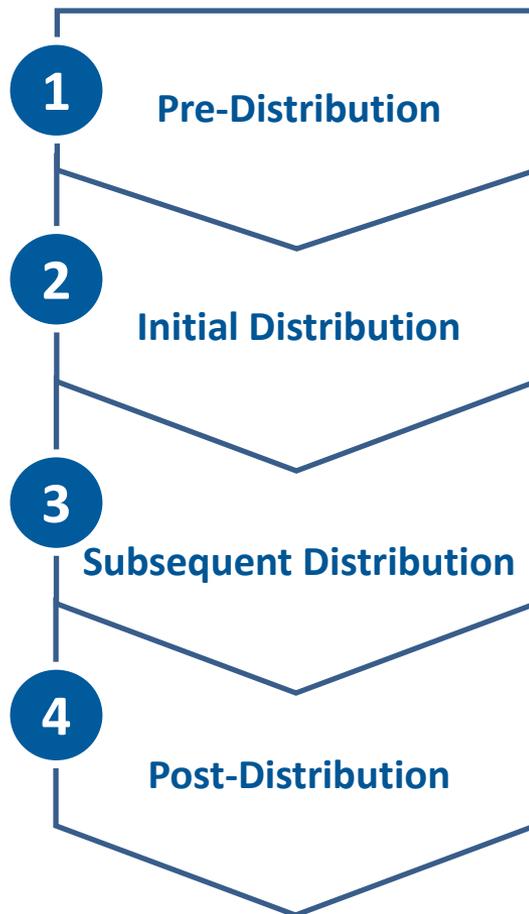
**Definitional and Data  
Methodology**



**Aggregate NEU  
allocations for states**

# Overview of the Guidance Process

State governments will follow a four-step process to allocate and distribute funds to NEUs.



- Request the state’s payment from Treasury
- Identify eligible NEUs
- Calculate initial allocations
- Establish a process and receive requests for funding

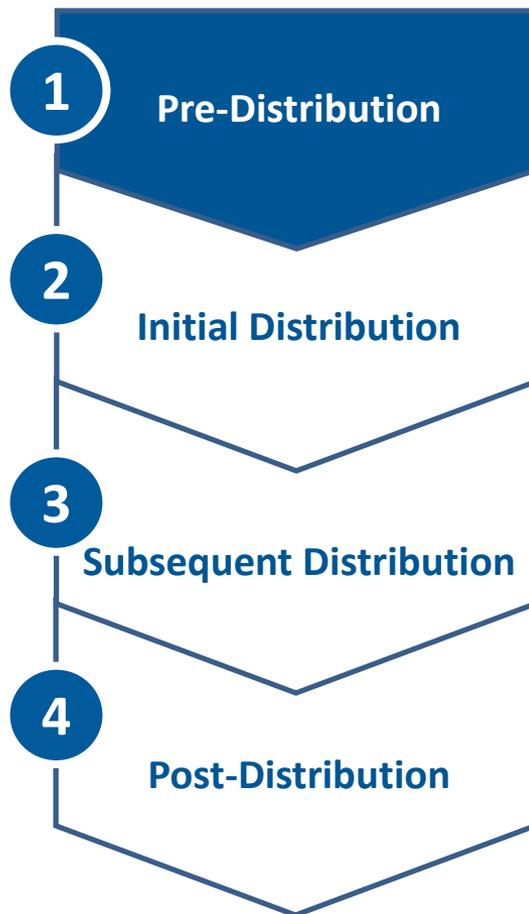
- 
- Disburse the initial distribution of payments
  - Record key information for reporting purposes
  - Provide guidance to NEUs on their requirements to Treasury
  - Apply for extensions, if necessary

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- Gather required information on “remaining funds”
  - Allocate remaining funds, including applying the 75% cap
  - Disburse the subsequent distribution
  - Record key information for reporting purposes

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- Submit interim and other reports to Treasury on distributions
  - Return excess amounts
  - Provide guidance to NEUs on their reporting requirements
  - Await Second Tranche amount

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# Pre-Distribution Phase (Request Payment + Identify Eligible NEUs)

1

## 1 Request the state’s payment from Treasury

- State governments that have made a request for their own funds in the Treasury Submission Portal will be considered by Treasury to have requested funding for their NEUs as well
- State governments should expect to receive their First Tranche of payments for distribution to their NEUs within a few days of submission

## 2 Identify eligible NEUs from list of local governments on Treasury website

### Incorporated Places

### Minor Civil Divisions (MCDs)

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#### 42 states

No-MCD and strong-MCD states

All governments on list are eligible

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#### 8 weak-MCD states

IL, IN, KS, MO, NE, ND, OH, SD

All governments on list are eligible

State must undertake facts-and-circumstances test and post explanation of exclusions on website

Test: “whether the MCD has the legal and operational capacity to accept ARPA funds and provides a broad range of services that would constitute eligible uses under ARPA”

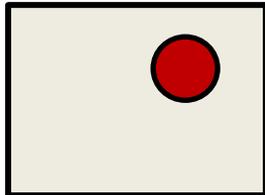
## Pre-Distribution Phase (Calculate Initial Allocations)

### 3 Calculate initial allocations with general formula (for all states)

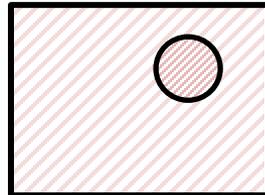
$$\frac{\text{Total population of the NEU}}{\text{Total population of all eligible NEUs}} \times \text{Aggregate state NEU payment}$$

For overlapping jurisdictions (CT, IL, IN, KS, MI, MN, MO, NE, NY, OH, VT):

1 Allocate overlapping population only to subsidiary

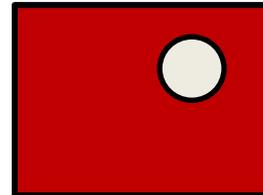


2 Split overlapping population between parent & subsidiary (e.g., 50-50)

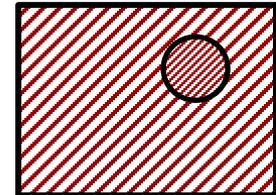


(Based on facts-and-circumstances test)

3 Allocate overlapping population only to parent



4 Double count overlapping Population



# Pre-Distribution Phase (Establish Process + Receive Requests)

1

## 4 Establish process for NEUs to request payment

- Collect the following information
  - » Local government name, Entity’s Taxpayer Identification Number, DUNS number, and address
  - » Authorized representative name, title, and email
  - » Contact person name, title, phone, and email
  - » Financial institution information
  - » NEU reference budget
  - » Award terms and conditions agreement
  - » Assurances of compliance with Title VI of the Civil Rights Act of 1964
- Should confirm that the NEU is not excluded or disqualified on SAM.gov
- Should advise the NEU to register in SAM.gov as soon as possible after receiving the award if the NEU is not already registered
- Should assign each NEU a “NEU Recipient Number”

# Pre-Distribution Phase (Establish Process + Receive Requests)

## 5 Receive requests for payment and transfers

**Scenario A:**  
NEU requests payment

**Scenario B:**  
NEU requests transfer to state

**Scenario C:**  
NEU is unresponsive

**Key Steps**

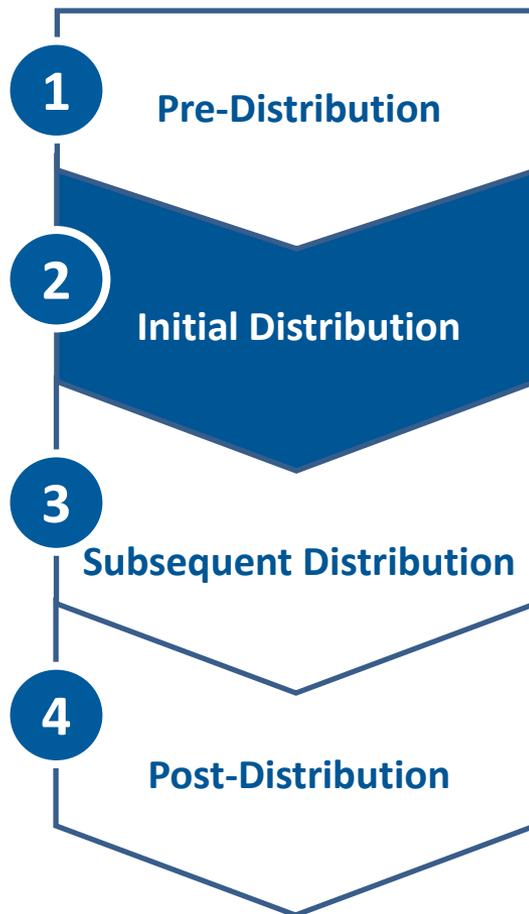
- State must compare NEU budget total with allocation in order to apply the “75 percent budget cap”
- Ex: If Town A is allocated \$100,000 and its reference budget totaled \$100,000, Town A would be capped at \$75,000 (\$25,000 withheld across both Tranches; \$12,500 withheld from First Tranche)

- NEUs can decline their funding and transfer funds to the state under Section 603(c)(4)
- NEU must submit signed Treasury form to state, which the state must transmit to Treasury as part of interim report

- Funds can be re-allocated in a subsequent distribution (detailed later)

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- **Disburse the initial distribution of payments**
  - **Record key information for reporting purposes**
  - **Provide guidance to NEUs on their requirements to Treasury**
  - **Apply for extensions, if necessary**

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- Gather required information on “remaining funds”
  - Allocate remaining funds, including applying the 75% cap
  - Disburse the subsequent distribution
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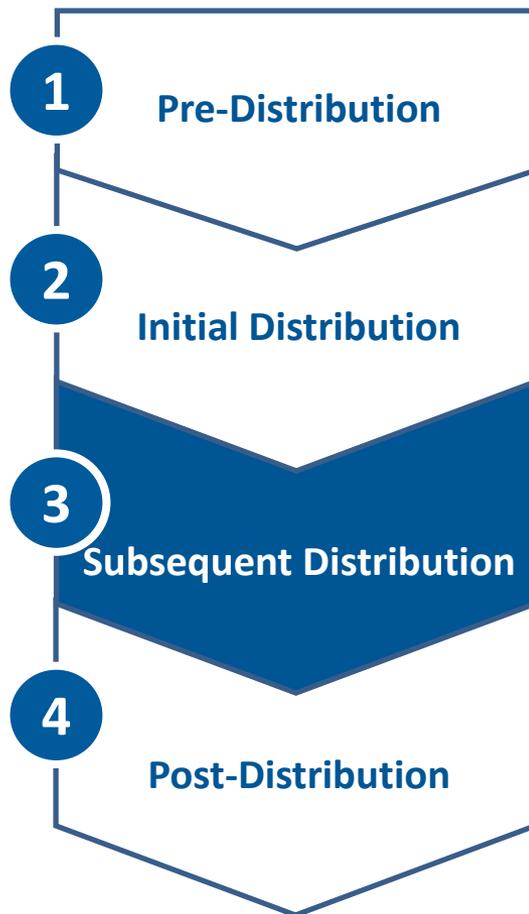
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- Submit interim and other reports to Treasury on distributions
  - Return excess amounts
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-

## Initial Distribution from First Tranche

- 1 Disburse the initial distribution of payments**
  - States may not impose additional conditions or requirements on distributions to NEUs, beyond those permitted by the statute, IFR, or Treasury’s guidance
- 2 Record key information for reporting purposes**
  - States should keep records of allocations and amounts paid for submission to Treasury in interim report
- 3 Provide guidance to NEUs on their requirements to Treasury**
  - States should direct NEUs to the statute, IFR, guidance, along with documents on the website, including Checklist for Nonentitlement Units of Local Government
- 4 Apply for extensions, if necessary**
  - Statutory “30-day” clock begins once a state receives a payment for its NEUs
  - Treasury will grant a 30-day extension if state can certify excessive administrative burden

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  - **Allocate remaining funds, including applying the 75% cap**
  - **Disburse the subsequent distribution**
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- Submit interim and other reports to Treasury on distributions
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## Subsequent Distribution from First Tranche

States may issue a subsequent distribution of the funds that had been allocated to non-responsive NEUs

### 1 Gather required information on “remaining funds”

- Remaining funds are amounts allocated to non-responsive NEUs
  - » Non-responsive means NEUs that have neither requested funding nor declined allocation and requested a transfer to the state
- Remaining funds can be allocated among “residual NEUs” (NEUs that requested funding or transferred funding to state and whose allocation was below the 75 percent cap)

### 2 Allocate remaining funds, including applying the 75 percent cap

- Formula:  $\frac{\text{Total pop. of the residual NEU}}{\text{Total pop. of all residual NEUs}} \times \text{Remaining state aggregate NEU allocation}$
- Total allocation, including remaining funds, must not exceed 75 percent cap

### 3 Disburse subsequent distribution

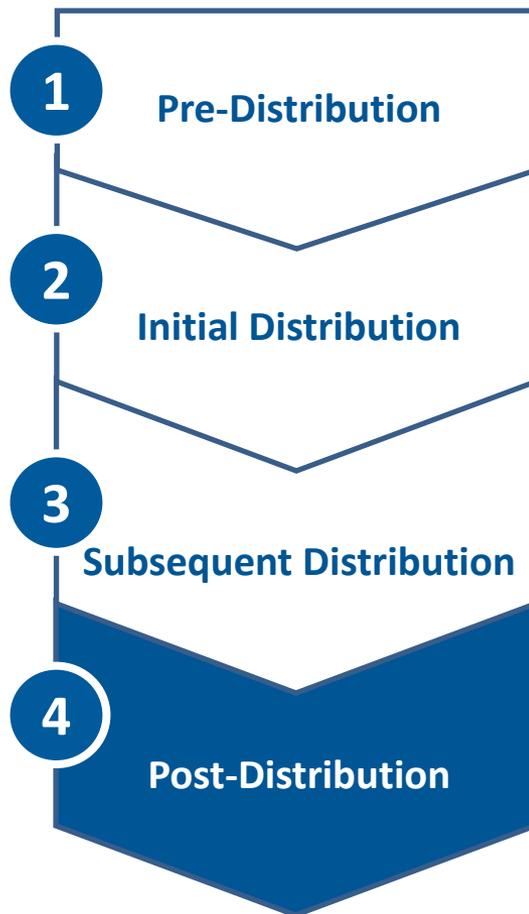
- States are similarly prohibited from putting additional conditions or requirements on these distributions

### 4 Record key information for reporting purposes

- States should keep records of the residual NEUs that received a subsequent distribution, and the amount of the allocation and distribution

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- Gather required information on “remaining funds”
  - Allocate remaining funds, including applying the 75% cap
  - Disburse the subsequent distribution
  - Record key information for reporting purposes

- 
- **Submit an update on distributions with periodic reports**
  - **Return excess amounts**
  - **Provide guidance to NEUs on their reporting requirements**
  - **Await Second Tranche amount**
-

- 1** **Submit an update on distributions with its interim report (August 2021) and first quarterly report (October 2021)**
  - States should be prepared to include in their interim report the following:
    - » Whether NEU received funding, declined funding and requested a transfer to the state, or has not taken action on its funding
    - » NEU name
    - » NEU DUNS number
    - » NEU address
    - » NEU email address
    - » NEU Recipient Number
    - » Initial allocation and, if applicable, subsequent allocation to the NEU (before 75 percent cap)
    - » NEU reference budget
    - » Amount of the initial and, if applicable, subsequent allocation above 75 percent of the NEU's reference budget which will be returned to Treasury
    - » Payment amount(s)
    - » Payment date(s)
  - States should also provide transfer forms signed by the NEU (if applicable) and weak-MCD states should list MCDs that the state deemed ineligible

## Post-Distribution

- 2 Return excess amounts (August-October 2021)**
  - Treasury will provide instructions to states on the return of funds
- 3 Provide guidance to NEUs on their reporting requirements to Treasury (October 2021)**
  - NEUs will be asked to provide the following in their first report to Treasury due October 2021, among other requirements:
    - » NEU Recipient Number
    - » Copy of signed award terms and conditions agreement
    - » Copy of signed assurances of compliance with Title VI of the Civil Rights Act of 1964
    - » Copy of actual budget documents validating the top-line budget total provided to the state as part of the request for funding
- 4 Await Second Tranche amount (Spring-Summer 2022)**
  - Treasury will distribute the Second Tranche no earlier than 12 months after the date on which the First Tranche of payments is paid to the state
  - More information will be forthcoming

## **SECTION 2: Overview of the List of Local Governments**

# Key Guidance Documents

There are four key guidance documents for state governments focused on the allocation and distribution of funds from states to NEUs.



**List of Local Governments**

**Guidance**



**Definitional and Data Methodology**



**Aggregate NEU allocations for states**

# Overview of List of Local Governments

1

Overview

- Orientation to the spreadsheet, including Contents and tabs

2

“Straightforward”  
States

- Preview of list for majority of states (36) that have no overlapping jurisdictions or weak MCDs

3

States with  
Overlapping  
Populations

- Preview of list for 11 states with overlapping populations
- CT, IL, IN, KS, MI, MN, MO, NE, NY, OH, VT

4

Weak-MCD States

- Preview of list for 8 weak-MCD states
- IL, IN, KS, MO, NE, ND, OH, SD

# Overview

The spreadsheet has one list for all states except for the 8 weak-MCD states, which have two lists each



## Spreadsheet Snapshot

State	Sheet
Alabama	<a href="#">AL</a>
Alaska	<a href="#">AK</a>
Arizona	<a href="#">AZ</a>
Arkansas	<a href="#">AR</a>
California	<a href="#">CA</a>
Colorado	<a href="#">CO</a>
Connecticut	<a href="#">CT</a>
Delaware	<a href="#">DE</a>
Florida	<a href="#">FL</a>
Georgia	<a href="#">GA</a>
Idaho	<a href="#">ID</a>
Illinois	<a href="#">IL</a>
Illinois (excluding MCDs)	<a href="#">IL excl MCD</a>
Indiana	<a href="#">IN</a>
Indiana (excluding MCDs)	<a href="#">IN excl MCD</a>

All states except the weak-MCD states receive one list

Weak-MCD states receive two lists (one with and one without MCDs)

## “Straightforward” States

Below is a preview of the list for the majority of states (36 states) that have no overlapping jurisdictions or weak MCDs



### Spreadsheet Snapshot

Name	State	Population estimate 2019
Abbeville city	Alabama	2560
Adamsville city	Alabama	4281
Addison town	Alabama	718
Akron town	Alabama	328
Alabaster city	Alabama	33487
Albertville city	Alabama	21711
Alexander City city	Alabama	14317
Aliceville city	Alabama	2254
Allgood town	Alabama	650
Altoona town	Alabama	913
Andalusia city	Alabama	8680
Anderson town	Alabama	267
Arab city	Alabama	8383

These states can directly apply the statutory formula for individual NEU allocations

# States with Overlapping Populations

Below is a preview of the list for 11 states with overlapping jurisdictions

CT, IL, IN, KS, MI, MN, MO, NE, NY, OH, VT



## Spreadsheet Snapshot

Name	County	State	Population estimate 2019	Subcomponent population estimate 2019
Bethel town	Fairfield County	Connecticut	19800	
Brookfield town	Fairfield County	Connecticut	16973	
Darien town	Fairfield County	Connecticut	21728	
Easton town	Fairfield County	Connecticut	7521	
Monroe town	Fairfield County	Connecticut	19434	
New Canaan town	Fairfield County	Connecticut	20233	
New Fairfield town	Fairfield County	Connecticut	13878	
Newtown town	Fairfield County	Connecticut	27891	
Newtown borough	Fairfield County	Connecticut		1960
Balance of Newtown town	Fairfield County	Connecticut		25931

These states should apply the guidance to allocate the overlapping population (Newtown borough) between the parent (Newtown town) and the subsidiary (Newtown borough)



# Weak-MCD States

Below is a preview of the list for 8 weak-MCD states

IL, IN, KS, MO, NE, ND, OH, SD



## Spreadsheet Snapshot

### A List including MCDs

Name	County	State	Population estimate 2019 MCD
Abercrombie city		North Dakota	249
Beisigl township	Adams County	North Dakota	20 *
Bucyrus township	Adams County	North Dakota	24 *
Cedar township	Adams County	North Dakota	22 *
Chandler township	Adams County	North Dakota	12 *
Clermont township	Adams County	North Dakota	30 *
Darling Springs township	Adams County	North Dakota	20 *
Duck Creek township	Adams County	North Dakota	22 *
Gilstrap township	Adams County	North Dakota	18 *

### B List excluding MCDs

Name	State	Population estimate 2019
Abercrombie city	North Dakota	249
Adams city	North Dakota	119
Alamo city	North Dakota	78
Alexander city	North Dakota	375
Alice city	North Dakota	40
Almont city	North Dakota	119
Alsen city	North Dakota	32



These states should apply the guidance’s “facts-and-circumstances” test to determine whether the MCD is eligible for an NEU payment

## SECTION 3: Q&A

# Thank you.



**For More Information:**

Please visit Treasury's State & Local website at [www.treasury.gov/SLFRP](http://www.treasury.gov/SLFRP)

**For Media Inquiries:**

Please contact the U.S. Treasury Press Office at (202) 622-2960

**For General Inquiries:**

Please email [SLFRP@treasury.gov](mailto:SLFRP@treasury.gov)