

# **American Rescue Plan Act State and Local Fiscal Recovery**



# Federal Direct Financial Assistance to Local Governments

- **CARES Act** authorized \$150 billion to states and local governments for pandemic related expenses
  - Funds provided on a per capita basis
  - Township eligible for approximately \$6.8 million in funding but has received just under \$1 million
- **American Rescue Plan Act (ARPA)** authorized \$350 billion to states and local governments to assist in economic recovery from COVID-19

# ARPA State and Local Fiscal Recovery Funds

- **\$195.3 BILLION TO STATES AND THE DISTRICT OF COLUMBIA**
  - \$25.5 billion equally divided with each state receiving a minimum of \$500 million
  - \$169 billion allocated based on the states' share of unemployed workers over a three month period, Oct-Dec 2020
  
- **\$130.2 BILLION TO LOCAL GOVERNMENTS**
  - \$65.1 billion for counties
  - \$45.6 billion for metropolitan cities
  - **\$19.5 billion for non-entitlement units of local government**
  
- **USE OF FUNDS**
  - Respond to the COVID-19 emergency and address economic effects, including through aid to households, small businesses, nonprofits and industries such as tourism and hospitality.
  - Providing premium pay for essential workers up to \$13 per hour with an annual cap of \$25,000.
  - To cover cost for lost revenue in providing services.
  - To make investments in water, sewer or broadband infrastructure.
  - Funds can be used to cover costs incurred by Dec. 31, 2024



April 23, 2021

Via [Email]

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

Dear Secretary Yellen:

On behalf of The Woodlands Township, I respectfully request that Treasury allocate funding to The Woodlands Township as a “nonentitlement unit of local government” as authorized by the American Rescue Plan Act of 2021 (“The Act”). The Act authorized \$65 billion of direct aid to local governments to assist in recovery.

The Act defines a nonentitlement unit of local government in 42 U.S.C. 5302(a)(5) to include a “township.” Further, 42 U.S.C. 5302(a)(5) grants the Secretary the authority to define a “city” as a town or township when meeting the following three criteria:

- (i) possesses powers and performs functions comparable to these associated with municipalities,
- (ii) is closely settled, and
- (iii) contains within its boundaries no incorporated places as defined by the United States Bureau of the Census which have not entered into cooperation agreements with such town or township to undertake or to assist in the undertaking of essential community development and housing assistance activities.

The Woodland Township meets all three criteria.

The Woodlands Township is a political subdivision, created by the Texas Legislature and approved by The Woodlands voters in 2007 to consolidate the responsibilities of the Town Center Improvement District, residential community and business owners associations. The Woodlands Township is the ‘hometown’ unit of local government for the 119,000 residents and nearly 2,200 businesses, including Fortune 500 companies, within its 28,000-acre boundaries. In normal years, the Township has a tax base valuation of more than \$20.5 billion.

The Township’s Board of Directors work responsibly to fulfill the governance needs of the community while promoting the Township’s economic development. These elected officials levy property (ad valorem) taxes and impose and collect hotel and sales taxes. In a non-pandemic year, the Board oversees a nearly \$130 million budget. Throughout the coronavirus pandemic, the Township has prioritized the health and safety of our residents while continuing to provide services in a fiscally responsible manner. During this time, however, the Township experienced a substantial reduction in revenue. A \$4 million decline in sales tax revenues and a reduction of nearly \$5.5 million in hotel occupancy taxes present financial challenges.

The Honorable Janet Yellen

April 22, 2020

Page 2

The Township is responsible for emergency/disaster response and operates eight fire stations that provide full, uniformed ISO-rated fire services. In addition, the Township contracts for enhanced law enforcement services. The Woodlands Fire Department (TWFD) has served as the Township's front-line response throughout the pandemic. Its 147 firefighters, of which 82 are also certified paramedics, have faithfully responded to the medical and emergency response needs of our community, while undertaking new safety protocols to protect both themselves and those whom they serve. These heightened protocols, increased medical calls and acquisition of protective gear have added costs to department operations. In addition, TWFD has dealt with increased overtime costs, staffing challenges due to quarantine and, unfortunately, firefighters who have contracted COVID-19.

The Township also provides other city-type services. The Township operates FTA-funded commuter bus services and 'downtown' area trolley services, provides trash pick-up and recycling services, land-use planning and neighborhood covenant enforcement. The Township operates 14 swimming pools, two boathouses with kayak, paddleboard and swan boats, two recreation centers, 220 miles of hike and bike pathways, 43 sports fields, and 220 miles of streetscape in addition to an extensive list of other recreational facilities. The Woodlands Township also fully funds The Woodlands Convention and Visitors Bureau.

We appreciate the work Treasury is doing to provide guidance and financial allocations under the directed timeline. Township staff are available to provide any additional information that may be helpful to Treasury in evaluating our request. Please do not hesitate to reach out.

Sincerely,

A handwritten signature in blue ink that reads "Gordy Bunch". The signature is written in a cursive, flowing style.

Gordy Bunch

Chairman

The Woodlands Township

# Coronavirus State and Local Fiscal Recovery Funds

## Allocations to Metropolitan Cities

May 10, 2021

The American Rescue Plan Act (the Act) established the Coronavirus State Fiscal Recovery Fund (CSFRF) and Coronavirus Local Fiscal Recovery Fund (CLFRF), which provide a combined \$350 billion in assistance to eligible state, local, territorial, and Tribal governments to help turn the tide on the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery. This document describes Treasury’s methodology for allocating the funds to metropolitan cities.

### ***Metropolitan Cities***

The CLFRF provides \$45.57 billion to metropolitan cities. The term “metropolitan city” is defined “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.”

To identify cities that have relinquished or deferred their status as a metropolitan city in the CDBG program, Treasury consulted with HUD staff. Based on these consultations, Treasury determined that there are 142 such cities, which are treated as metropolitan cities for the purpose of CLFRF in accordance with the Act.

The Act also specifies that each metropolitan city shall receive “an amount determined for the metropolitan city consistent with the formula under section 106(b) of the Housing and Community Development Act of 1974 (42 U.S.C. 5306(b)), except that, in applying such formula, the Secretary shall substitute ‘all metropolitan cities’ for ‘all metropolitan areas’ each place it appears.”

### ***CDBG formula***

The CDBG (Community Development Block Grant) Program provides annual grants on a formula basis to states, cities, and counties to address community development needs. Under the Housing and Community Development Act of 1974, CDBG allocations for metropolitan cities and urban counties are determined by a formula, which uses several objective measures of community needs, including the extent of poverty, population, housing overcrowding, and age of housing. Each of these measures examines a community’s needs in relation to all “metropolitan areas,” which is defined to include both metropolitan cities and urban counties.<sup>1</sup> But for

---

<sup>1</sup> 42 U.S.C. § 5306(b).

**CORONAVIRUS LOCAL FISCAL RECOVERY FUND:  
NONENTITLEMENT UNIT OF LOCAL GOVERNMENT DEFINITIONAL AND DATA METHODOLOGY**

**U.S. DEPARTMENT OF THE TREASURY**

The American Rescue Plan Act of 2021 (ARPA) allocates \$19.53 billion to States for distribution to tens of thousands of nonentitlement units of local government (NEUs), which are local governments typically serving a population under 50,000. The Department of the Treasury (Treasury) has provided guidance to assist States with their distribution of these funds to NEUs. This document supplements that guidance in describing Treasury’s methodology in defining NEUs in accordance with ARPA and publishing the list of local governments on the Treasury website.

**Definitional Methodology**

ARPA defines the term “nonentitlement unit of local government” to mean a “city” as that term is defined in section 102(a)(5) of the Housing and Community Development Act of 1974 (HCDA) that is not a metropolitan city. Under the HCDA:

The term “city” means: (A) any unit of general local government which is classified as a municipality by the United States Bureau of the Census or (B) any other unit of general local government which is a town or township and which, in the determination of the Secretary [of Housing and Urban Development], (i) possesses powers and performs functions comparable to these associated with municipalities, (ii) is closely settled, and (iii) contains within its boundaries no incorporated places as defined by the United States Bureau of the Census which have not entered into cooperation agreements with such town or township to undertake or to assist in the undertaking of essential community development and housing assistance activities.

The United States Census Bureau (Census Bureau) does not have a singular definition of municipality. Instead, the Census Bureau generally classifies sub-county local governments as incorporated places or minor civil divisions (MCDs). Incorporated places include cities, towns (outside the six New England states, New York, and Wisconsin), boroughs (except the five boroughs of New York City and the boroughs in Alaska), and villages. MCDs are the primary subdivisions of a county in some states, and include towns (in New England, New York, and Wisconsin), townships, and districts. There are twenty states with active, governmentally functioning MCDs.

Since the government services provided by MCDs differ greatly by state, the Census Bureau refers to twelve states with MCDs that generally provide a wide range of general government services as “strong-MCD” states. In these states, MCDs are generally treated as municipalities according to state statutes and codes. In eight other states, MCDs typically play less of a governmental role and provide more limited government services, even though they are still active governments (“weak-MCD” states). The twelve strong-MCD states are Connecticut, Maine, Massachusetts, Michigan, Minnesota, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and Wisconsin. The eight weak-MCD states are Illinois, Indiana, Kansas, Missouri, Nebraska, North Dakota, Ohio, and South Dakota.

After consultation with the Census Bureau, Treasury is interpreting “municipality” under (A) in the HCDA definition for the purposes of ARPA to generally include both incorporated places and MCDs with active functioning governments, subject to the State determining, in the case of weak-MCD states, that a weak

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. This process is detailed further in the guidance.

As detailed below, the list of local governments provided by Treasury includes all active, functioning incorporated places and MCDs, both in the twelve strong-MCD and the other eight weak-MCD states.<sup>1</sup> The guidance outlines a facts-and-circumstances test for the eight weak-MCD states to evaluate whether their MCDs are eligible for a distribution as a nonentitlement unit of local government.

## Data Methodology

To compile the list of local governments, Treasury included local governments listed in the Census Bureau’s 2020 Place and 2020 County Subdivision Gazetteer files,<sup>2</sup> in consultation with the Census Bureau, and obtained their populations from the Census Bureau’s City and Town Population Subcounty Resident Population Estimates file from the 2019 Vintage.<sup>3</sup> The following modifications were made to the files to arrive at a list of local governments for use in conjunction with Treasury’s guidance:

- The data only includes incorporated places, MCDs, and consolidated cities. No census designated places (i.e., unincorporated places), non-functioning MCDs (i.e., election districts, county council districts, etc.), and census county divisions (entities defined for statistical purposes only) are included.
- The data only includes (1) active governments providing primary general-purpose functions, and (2) active governments that are partially consolidated with another government but with separate officials providing primary general-purpose functions.
- In states in which MCDs overlap with incorporated places and/or consolidated cities, the Census Bureau’s “MCD Place Part” was used as the population of the respective subcomponents of the MCD.
- Local governments that are eligible for payments as “metropolitan cities” under ARPA were excluded. The list of eligible metropolitan cities can be found [here](#).
  - Only the specific local government that was qualified as a metropolitan city is excluded from the list.
  - In cases where a metropolitan city is geographically encompassed within an NEU, the metropolitan city population is excluded from that NEU’s population.
  - In cases where a metropolitan city contains subsidiary NEUs, the metropolitan city is excluded from the NEU list, but the subsidiary NEUs remain.
  - In cases where a metropolitan city is consolidated with an NEU, the metropolitan city is excluded from the NEU list, but the NEU remains.
- Duplicate entries were generally eliminated. These duplicate entries can occur when local governments overlap, and the local governments are listed both as a standalone entry and as a subcomponent of a larger local government. This was done for ease of use.
- Additional formatting changes were made for ease of use.

---

<sup>1</sup> For ease of use, Treasury also provides a list of local governments without MCDs for the eight weak-MCD states.

<sup>2</sup> Dataset available at <http://www.census.gov/geographies/reference-files/time-series/geo/gazetteer-files.html>.

<sup>3</sup> Dataset available at [https://www2.census.gov/programs-surveys/popest/datasets/2010-2019/cities/totals/sub-est2019\\_all.csv](https://www2.census.gov/programs-surveys/popest/datasets/2010-2019/cities/totals/sub-est2019_all.csv).