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July 16, 2021

Office of the Undersecretary for Domestic Finance
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Docket Number: TREAS-DO-2021-0008 Docket
Name: [Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule Comments](#)

Dear Office of the Undersecretary:

The Georgia Municipal Association (GMA) appreciates the opportunity to comment on the interim final rule to implement the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund established under the American Rescue Plan Act. Based in Atlanta, GMA is a voluntary, non-profit organization that provides legislative advocacy, educational, employee benefit and technical consulting services to its members and represents all 537 cities in Georgia.

On behalf of Georgia's cities, GMA thanks the Administration and Members of Congress for the urgently needed relief provided by the American Rescue Plan Act (ARPA). GMA is also grateful to the U.S. Department of Treasury for publishing an Interim Final Rule (IFR) that addresses many of the issues and concerns raised by local elected officials following enactment of ARPA. The ARPA and the IFR both recognize cities are essential for emergency response and economic recovery in response to the unprecedented harm of the coronavirus emergency.

From the outset of the coronavirus pandemic, GMA worked closely with local elected officials throughout Georgia to educate federal lawmakers about local government responsibilities and practices; and the hardship resulting from unavoidable revenue declines and unbudgeted emergency expenditures stemming from federal, state, and local efforts to contain the spread of COVID-19. The Coronavirus Local Fiscal Recovery Fund (CLFRF) is an urgent and necessary lifeline for local governments that GMA is deeply grateful for. Under the American Rescue Plan Act, municipal governments in Georgia will receive approximately \$1.4 billion over two years to address COVID-19 related harm.

In considering GMA's comments, we urge Treasury to recognize that the collective losses experienced by local governments are too large to be fully offset by grants from the CLFRF. As a result, it is reasonable to foresee that thousands of local governments will continue to operate at some level of reduced capacity throughout most of the lifespan of the program.

GMA's comments generally fall under feedback and questions associated with the Interim Final Rule, and feedback on the initial Treasury reporting requirements.

Feedback/ Questions on the Interim Final Rule:

- **Revenue Loss Calculation**

The Final Rule should permit municipal governments to include revenue and losses from municipally-owned utilities including electric, gas, water/ sewer, stormwater, internet,

- cable, phone, transit, and other utilities when calculating lost revenue. The interim final rule and July 15 FAQ explicitly exclude revenue from these municipal utility categories from the calculation of general revenue and general revenue from own sources. However, the interim final rule suggests an incorrect assumption that all municipal utilities are subsidized by local government general fund revenues. As a management practice, local governments frequently reimburse the general fund for direct expenses incurred for utilities. The 2020 moratorium on service disconnections created a shortfall in utility revenues for ALL utilities. Every business that closed was unable to pay their bills. This shortfall added to the overall revenue shortfall that cities should be allowed to account for under ARPA.
- Services like electricity, water, and gas are essential, especially during a public health crisis. Municipal operators continued to meet the demand to keep lights on and water running even if customers could not pay their bills, often providing utility support which allowed residents to safely shelter in place and maintain sanitary conditions in homes and residences. Many businesses and industries were either shut down or not operating at full capacity throughout the pandemic and utility providers have seen a decrease in electric and water and sewer usage resulting in a decrease in billing and revenues.
 - To illustrate the impact of the pandemic on electric service providers, in Georgia there are 49 cities that are members of the Municipal Electricity Authority of Georgia (MEAG). MEAG cities sign 50 year contracts and are contractually obligated to service their debt on electric facilities regardless of the service load and loss of industry or retail sales. If the provider does not have the sales to use their service load, it is sold on the open market at a loss. If a provider falls six months behind on payments, MEAG will bring legal action against the provider. Many cities in Georgia were behind on their payments in 2020 and had to pay penalties and interest on those payments. Ultimately, customers must shoulder the burden of the city's liability to MEAG – the same customers who face food and housing insecurity, economic disruption, and ongoing public health risks.
 - Treasury's exclusion of municipal utility funds from the revenue loss calculation seems to fly in the face of the Congressional intent of the legislation which as stated in the IFR is to, "to provide support to State, local, and Tribal governments (together, recipients) in responding to the impact of COVID-19 and in their efforts to contain COVID-19 on their communities, residents, and businesses."
 - Some cities took proactive steps to raise revenues in 2020 to help cover pandemic-related costs by raising their millage rate. Many cities also used a portion of their general fund reserves to help cover pandemic related costs. As a result, when they use the steps outlined in ARPA to calculate revenue loss, they are unable to document lost revenue because their millage rate was increased, or use of reserve funds caused their revenues to increase. New revenue streams and the portion of general fund balance used for COVID related expenses should be included in the loss of revenue calculation.
 - Newly created cities in Georgia are unable to use the revenue loss calculator in the IFR and FAQ because they cannot document a consistent three year data history to determine the growth rate. What guidance can Treasury provide for these cities to calculate revenue loss?
 - The Final Rule should provide greater clarity on reporting for expenditures under the revenue loss category. In our view, once revenue losses are calculated, the "expenditure" in question is an expenditure to replace lost revenue as permitted by the Act. Local governments should not be required to track expenditures beyond deposit into the

municipal budget general fund because any expenditure from the general fund is an expenditure for local government operations and services. For local governments operating at reduced capacity, the ability to track ARPA grant dollars separately from own-sources of revenue within a single general fund is a significant practical challenge. For cities in this circumstance, they may need to resort to onerous practices like maintaining a second “ARP Grant” budget to track dollars under the revenue loss category. GMA is not recommending dollars under the revenue loss category be released from the prohibition on certain general expenditures identified under the Act.

- ***Affordable Housing***

- The Final Rule should provide additional direction to local governments for property acquisition. Property acquisition for the development of affordable housing should be permitted in areas other than Qualified Census Tracts, including buying properties in floodplains to facilitate the relocation of residents and properties near public transit or public resources that contribute to economic mobility. Please provide additional direction and clarity to grantees that determine property acquisition would alleviate economic impacts of the COVID-19 Public Health Emergency that localities can use CLFRF grants for that purpose.
- The interim final rule references “affordable housing development.” It appears that the funds can be used for affordable housing in areas that are not in a QCT if it serves “other populations, households or geographic areas disproportionately impacted by the pandemic.” May funds be used to build affordable housing in an area that this is not in a QCT or to repair single family homeowner-occupied dwellings to prevent it from becoming substandard?
- The rule references but does not define “affordable housing development.” May funds only be used for the development or construction of new housing, or may the funds also be used to purchase existing housing to be preserved as affordable?
- Can local governments use funds to assist with cleanup of dilapidated properties in areas that have been negatively impacted or that are in QCTs?

- ***Premium Pay***

- The Final Rule provides a detailed list of who is eligible for premium pay, and indicates police, fire, and emergency medical service personnel are among those eligible for premium pay. The Treasury Department should consider using the Bureau of Labor Statistics Standard Occupational Classification (SOC) program to designate broader sectors as eligible for premium pay.
- For states and local governments that are lifting certain restrictions related to the COVID-19 pandemic, the Treasury guidance should provide clear direction regarding the duration of the premium payment. The final guidance should also provide direction on how local governments should calculate premium pay for irregular categories of employment such as volunteer firefighters and public safety staff who may be compensated differently than hourly wage staff.
- The Final Rule should also provide clear direction on how local governments track and report premium pay allocations to non-government employment sectors eligible for premium pay grants, and if employers should withhold federal, state, and local taxes from the premium pay.

- **General Questions on Eligible Uses**

- Providing clear guidance on what services can be funded thru ARP will prevent the cities from making decisions about funding opportunities that may not necessarily fall into one of the criteria listed.
- Keeping up with the time spent on administration of the ARPA grant will be arduous for most cities. Can cities be allowed to assume that 20% of the salary for the administrative staff responsible for most reporting activities be eligible for salary reimbursement using ARPA funds? Or what percentage should be used?
- The pandemic has brought to the forefront pay rates of essential employees with cities. Can a city use ARPA funds to cover the costs of a compensation plan study?
- Would improvements to a city's 311 center to enhance their ability to send out messages be an eligible expenditure since they relied on it and continue to use it to distribute messaging related to the pandemic and the effects of city operations?

Feedback/ Questions on Treasury SLFRF Compliance and Reporting Guidance:

- Treasury must insure a streamlined, user-friendly reporting portal for cities of all sizes, especially considering that 75% of Georgia cities are under 5,000 in population.
- Please use a process that includes clear explanation of the status of documents under review, as well as confirmation that materials have been received, and clear explanation of any additional information cities must provide.
- Templates and sample documents/ screenshots of reports should be made available in advance of reporting deadlines to allow cities (both Metro and NEU) to prepare for reporting.
- The response to Treasury's FAQ item **2.18 Would investments in improving outdoor spaces (e.g., parks) be an eligible use of funds as a response to the public health emergency and/or its negative economic impacts?** [6/23], indicates that, "*Third, many governments saw significantly increased use of parks during the pandemic that resulted in damage or increased maintenance needs. The Interim Final Rule recognizes that "decrease [s to] a state or local government's ability to effectively administer services" can constitute a negative economic impact of the pandemic.*" However, the Compliance and Reporting Guidance does not provide clear information about how a jurisdiction would document using funds for this purpose. Clarification of the compliance and reporting guidance is needed.

Responses to Treasury Questions in the IFR:

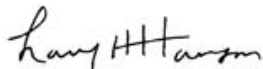
- Question 1: Are there other types of services or costs that Treasury should consider as eligible uses to respond to the public health impacts of COVID-19? Describe how these respond to the COVID-19 public health emergency. City services did not stop during the pandemic and therefore should be treated as a service that responded to the public health and needs.
- Question 2: The Interim Final Rule permits coverage of payroll and benefits costs of public health and safety staff primarily dedicated to COVID-19 response, as well as rehiring of public sector staff up to pre-pandemic levels. For how long should these measures remain in place? The measures should remain in place until the U.S. population has reached herd immunity for COVID-19. What other measures or presumptions might Treasury consider assessing the extent to which public sector staff are engaged in COVID-19 response, and therefore reimbursable, in an easily

administrable manner? All government employees who worked and provided essential services during the pandemic should be considered as responding to the pandemic. For example, a mechanic who serviced city fleet vehicles throughout the pandemic but did not deal in person with the public should be considered reimbursable. Latitude should be provided for local governments to include municipal workers with documentation (time sheets, etc.).

- Question 5: Are there other types of services or costs that Treasury should consider as eligible uses to respond to the negative economic impacts of COVID-19? Describe how these respond to the COVID-19 public health emergency. Unemployment charges related to COVID should all be reimbursable.
- Question 7: What are the advantages and disadvantages of using Qualified Census Tracts and services provided by Tribal governments to delineate where a broader range of eligible uses are presumed to be responsive to the public health and economic impacts of COVID-19? What other measures might Treasury consider? Are there other populations or geographic areas that were disproportionately impacted by the pandemic that should be explicitly included? Any unserved, underserved, or rural areas, no matter what the income level, were impacted by COVID. Children in those areas were unable to have the educational opportunities offered thru technology; and families were unable to access telemedicine services. Broadband should be allowable regardless of QCT.
- Question 8: Are there other services or costs that Treasury should consider as eligible uses to respond to the disproportionate impacts of COVID-19 on low-income populations and communities? Describe how these respond to the COVID-19 public health emergency or its negative economic impacts, including its exacerbation of pre-existing challenges in these areas. Government needs to be able to use funds in any manner to improve the conditions of the areas which are low-income areas. Removal of dilapidated properties and cleaning up of these neighborhoods will make a huge impact. Also repairs to homeowner occupied single family dwellings to prevent decline would also make a huge impact. Access to parks and recreation is also a factor in the social determinants of health and local governments should be able to use ARPA funds for improvements to these facilities that improve quality of life for residents.
- Question 13: Are there sources of revenue that either should or should not be included in the Interim Final Rule's measure of "general revenue" for recipients? If so, discuss why these sources either should or should not be included. Enterprise funds such as electricity, gas, water/ sewer, stormwater, cable/phone/internet, and transit were affected by COVID and should be included in the revenue sources for loss revenue calculation.

Thank you for the opportunity to submit comments on this urgent and groundbreaking program. If you have any questions regarding our response, I encourage you to reach out to Becky Taylor, Director of Federal Relations and Research, at 404-402-6110 or btaylor@gacities.com.

Sincerely,



Larry H. Hanson
Executive Director