



April 5, 2021

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

RE: Coronavirus State and Local Fiscal Recovery Fund

Dear Secretary Yellen:

On behalf of the National Special Districts Coalition (NSDC), representing 30,000 special districts nationwide, we are pleased to provide recommendations to you regarding implementation of the Coronavirus State and Local Fiscal Recovery Fund as authorized by Section 9901 of the *American Rescue Plan Act* (PL 117-2).

As you are likely aware, millions of Americans rely on one or more special districts for the provision of essential public services, including: fire protection and emergency response; water and wastewater treatment; electricity; solid waste management; healthcare; transportation; resource and agricultural conservation; childcare; parks; libraries; cemeteries; and, air quality. Special districts employ hundreds of thousands of essential front-line workers, both paid and volunteer. Like cities and counties, special districts are subdivisions of the state; however, special districts provide specific services that other governments are not providing to their respective communities.

According to a February 2021 NSDC Survey, America's special districts anticipate nearly **\$31 billion in COVID-19-related fiscal impacts**. Of more than 30,000 districts, 54 percent have reduced or are likely to reduce essential services provided to their communities while 41 percent have cut employment levels of frontline workers or are likely to do so in 2021. As illustrated by the aforementioned data, special districts – much like states, counties, and cities – are in desperate need of federal financial support.

As you prepare guidance on the administration and distribution of funding from the Coronavirus State and Local Fiscal Recovery Fund, we urge your consideration of the following:

Transfer Authority

Section 9901 of PL 117-2 authorizes the Department of the Treasury to provide a total of \$350 billion in federal funding to states, local governments, territories, and tribes to mitigate the fiscal effects stemming from the COVID-19 public health emergency. In recognition of the essential services that special districts provide to the residents of their communities, Congress included language in the *American Rescue Plan Act* that permits states and local governments to transfer a portion of their Recovery Funds to “a special-purpose unit of State or local government.”

In the interest of providing clarity regarding the meaning of special-purpose units of government, we strongly urge the Department to include in its forthcoming guidelines the following definition of special districts, as delineated in Section 2(c) of the *Special Districts Provide Essential Services Act* (H.R. 535 / S. 91):

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“SPECIAL DISTRICT.—The term ‘special district’ means a political subdivision of a State, formed pursuant to general law or special act of the State, for the purpose of performing one or more governmental or proprietary functions.”

Maximum Expenditure Flexibility

NSDC urges the Treasury Department to ensure that both prime and sub-recipients of Recovery Fund dollars will be permitted to use funds to cover the widest possible range of COVID-19-related costs, services, and capital projects. While PL 117-2 specifically cites water, sewer, and broadband as eligible capital expenses, we urge the Department to allow other vital community infrastructure projects to be included, such as public safety facilities, healthcare-related infrastructure improvements, transportation infrastructure and services, parks, and childcare.

Reporting Requirements

Pursuant to provisions of PL 117-2, governments in receipt of Recovery Fund dollars will be required to send the Treasury Department periodic reports with a detailed accounting of the uses of the funds. NSDC urges the Department to release its reporting requirements guidance *simultaneously* with the disbursement of Recovery Funds, as this will allow recipients/sub-recipients of funds to track their expenses appropriately.

We also urge the Department to avoid overly burdensome reporting requirements. While NSDC strongly supports the goal of ensuring legal compliance with provisions of the new law, efficient and streamlined reporting, including the allowance of electronic filing, would help ensure successful administration of the Recovery Fund.

Finally, NSDC requests that Treasury provide clear guidance on the “chain of reporting” for sub-recipients.

Covered Period for Eligible Use of Funds

PL 117-2 does not define “covered period” beyond states applying premium pay to eligible workers. Given the absence of additional statutory direction, NSDC requests clarification on the timeline for recapturing reduced revenue and whether it dates to the start of the federal public health emergency declaration (March 1, 2020). Similarly, we ask the Treasury Department to clarify whether March 1, 2020 will be the baseline date for special districts to determine their “most recent full fiscal year.”

Premium Pay

NSDC requests clarification on the definition of, and any limitations on, premium pay for essential workers. Specifically, we urge the Department to provide a clear definition of “essential work” and “eligible workers.”

Thank you for your attention to these critically important requests. If you have any questions or if you need any additional information, please feel free to contact Cole Karr, NSDC Federal Advocacy Coordinator, colek@csda.net.

Sincerely,



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cc: Senator Kyrsten Sinema
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