September 29, 2021

The Honorable Adewale O. Adeyemo
Deputy Secretary
U.S. Department of the Treasury

As the national representatives of the Administration's hundreds of state, county, local, and tribal governmental partners in delivering the Emergency Rental Assistance (ERA) program, we and our members look forward to working with the Treasury Department to implement the reallocation requirement contained in the Consolidated Appropriations Act of 2021 for the first round of ERA funding (ERA 1).

We commend Treasury's responsiveness to the recommendations our organizations provided to the Department last summer. Specifically, we appreciate that Treasury will "provide grantees with advance notice and a fair process" for determining and making reallocation amounts, "implement reallocation gradually over a period of months," and "strive to keep reallocated funds within the same state."

In addition, we appreciate the Department's recognition, stated twice in the letter, that Congress intended the ERA reallocation provision to reflect both grantee capacity *and* rental assistance need on the ground. Effectively, reallocation provides Treasury the chance to "right size" jurisdictions' grants to better account for need and demand, given the inherent limitations of the original population-based formula.

The "transparent benchmarks" Treasury says it intends to use cannot only apply to metrics of grantee expenditures and obligations to date – they must also include the best available estimates of a jurisdiction's ERA need for the entire period for which ERA 1 funds are authorized. Just as Congress included in the law the reallocation provision effective this September 30, it authorized ERA 1 funds until September 30 of next year.

After close consultation with our memberships, we provide the following recommendations for ERA reallocation implementation and requests for clarification ahead of Treasury's reallocation guidance release.

- Determining the expenditure ratio. Treasury's letter states that each grantee's initial "expenditure ratio: will be based on the grantee's total expenditures on assistance to eligible households from January through September 2021 based on the Quarter 1 report and the monthly reports grantees submitted thereafter divided by an amount equal to 90 percent of the grantee's ERA 1 allocation. Given that grantees are allowed to use up to 10 percent of ERA funds for "housing stability services" and up to 10 percent of both the financial assistance and housing stability fund dollars for administrative expenses associated with those uses, and that neither use is reported in grantees' monthly reports, the denominator in the expenditure ratio should be 81 percent of each grantee's total grant.

- Accounting for pending applications. As we previously recommended, Treasury should include the dollar amount of ERA applications from renters in various stages or review, including pending applications, in the numerator of the expenditure ratio.

- Accounting for administrative costs. As we previously recommended, Treasury should hold harmless grantees whose ratio of administrative costs to total grant funding exceeds the statutory limit of 10 percent for administrative costs after a reallocation of grant funds. At the same time, we urge Treasury to allow grantees that have some of their remaining funds reallocated the ability to sustainably continue their program, while ensuring grantees that receive reallocated funds have the necessary resources to administer them.

- Executing voluntary reallocations. We support Treasury's commitment to collaborate with grantees on voluntary reallocations. Several state grantees already have relationships with other county, local, and/or tribal grantees in their state by which the state makes a portion of its grant available to grantees at those other levels of government. However, this has required complicated subrecipient contracts, under which the county, local, or tribal government reports to the state on the use of the funds provided to it by the state so that the state can report to Treasury. Treasury should streamline this system so that in-state grantees can collaborate and move funding around without the requirement for subrecipient reporting to the primary grantee, and rather allow the subrecipient to report directly to Treasury on the use of those funds.

- Implementing the reallocation process gradually. As noted, above, we appreciate the Department's intent to implement reallocation on a gradual basis until the Spring of next year. Grantees would appreciate clarity on issues such as whether the expenditure ratio during that period will be based on their original grant amount or based on their revised grant amount after the initial reallocation and whether grantees that have obligated 65 percent of their available funds, regardless their original grant amount, would be eligible for reallocated funds during the process.

We appreciate Treasury's partnership in running the ERA program. We would be happy to meet with you at your convenience to further discuss these and any other issues relating to ERA 1 reallocation.

Sincerely,

American Public Human Services Association
Council of State Community Development Agencies
National American Indian Housing Council
National Association of Counties
National Community Development Association
National Council of State Housing Agencies
National League of Cities