



CITY OF HOUSTON

Sylvester Turner

Mayor

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December 20, 2023

The Honorable Janet Yellen
Secretary of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Yellen,

I am writing to you as Mayor on behalf of the over 2.3 million residents in my city - so many of whom suffered disproportionately due to the COVID-19 Pandemic. We are concerned that the latest "Obligation Interim Final Rule" will result in communities being shortchanged for the projects that are desperately needed. As comment to Docket ID: TREAS-DO -2023-0013, we are urging Treasury to take a more flexible approach and consider funds for programmatic costs and city staff to be obligated at the time a City approves a budget containing funding for such activities.

When the American Rescue Plan Act (APRA) passed, our City gained new hope as ARPA provided funding to critical programs. We appreciate President Biden's administration for all the work in ensuring that these programs continue to benefit our residents.

What concerns me is that the latest revision to the definition of obligation, as stated in the "Obligation Interim Final Rule," now redefines how programmatic staffing costs are considered as obligations.

Looking at case study #3 of the "Obligation Interim Final Rule," the funding of full-time grant-funded employees of the City would depend on when each city's internal policies and procedures consider an obligation of personnel costs to occur. Furthermore, in case study #2, a legislative body approval of an appropriation of the State and Local Fiscal Recovery Funds (SLFRF), does not meet the Treasury's revised definition of obligation.

In the City of Houston's case, as in so many other cities, as a good budgeting standard, we plan and appropriate funding to staffing, programs, and other costs before the fiscal year begins. Houston adopts its budget in the summer as Houston's fiscal years run from July 1 through June 30. Houston's budget is a lawfully adopted document by the legislative body, Houston City Council. Expanding on personnel costs, within our budget we adopt and set aside funding for staffing across all departments and funds - ARPA SLFRF included. This means that we encumber these costs ahead of work performed to ensure our employees can be paid. I cannot think of a more transparent and binding document than the budget that the City Council passes year after year.

However, the "Obligation Interim Final Rule" contradicts the standards in place for the City of Houston - how can a City transparently adopt a lawful budget document for its people that details all the City's programs and

payments to be made, yet that same document be considered something that is null in the eyes of the U.S. Treasury Department?

Furthermore, we appreciate that contracts that are executed before December 31, 2024, are eligible to incur expenses after December 31, 2024. We would like to see that same flexibility applied to our City grant-funded employees so we can continue our critical programs.

The programs that the City of Houston has set up with ARPA SLFRF align with the Biden Administration's focus on "responding to... the Coronavirus Disease 2019 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries" (American Rescue Plan Act, March 11, 2021). The projects that the City has selected to use AQRPA SLFRF for programmatic personnel were vetted against ARPA SLFRF guidelines to ensure eligibility. Then, The City of Houston structured its programs using programmatic personnel to deliver services. People are the backbone of public service, and we should not punish those people that serve our communities. Should this current definition stand, we fear that programs that are meant to address the negative public health and economic impacts of our disproportionately impacted communities will suddenly be cut off at the end of next year.

I close with this: should the City be left without the flexibility needed to continue these programs, the following are some of the kinds of programs that will be short-changed:

- Police officers responding to domestic abuse calls 24-hours a day
- Caseworkers providing services and referrals to the growing number of people with disabilities due to the COVID-19 pandemic
- Mental health workers responding to crisis alongside police across the City
- Park Rangers that patrol parks with high crime rates in order to keep communities safe and encourage healthy outdoor activity
- Case workers who assist persons who have been recently released from prison to find necessary resources to help combat recidivism rates
- Library employees who assist adults in their digital literacy journeys
- Fire Department personnel that help connect persons in medical need with the appropriate doctor and medical care
- Staff creating emergency response plans for the Disabled and Functional Needs community within the Office of Emergency Management

We have taken great care in selecting programs that would assist the City of Houston in recovering in the most impactful way, and we could not have done it without the flexibility that ARPA provided.

I would appreciate a meeting where our financial experts can come together and discuss the possibility of defining a city budget as meeting the definition of obligation. Please connect with Alexa Aragonez, at Alexa.Aragonez@houstontx.gov to help set up a meeting between our teams.

Sincerely,



Sylvester Turner
Mayor