January 13, 2022

The Honorable Janet L. Yellen
Secretary, United States Department of Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Yellen,

As Governors representing over a quarter of America's population and 30 percent of the nation's low-income renter households, the Emergency Rental Assistance (ERA) Program has been a crucial lifeline for millions of our residents as the economic impacts of the COVID-19 pandemic continue to be felt. Based on the most recent U.S. Treasury data covering grantee performance through November 2021, our states have expended $5.4 billion in assistance, stabilizing over 625,000 households. In the intervening months, our states have continued to distribute our remaining funding, assisting hundreds of thousands of additional households. To date, each of our states have obligated the entirety of all federal funding available for this purpose. We have also invested our own federal stimulus and state general fund dollars to supplement the program – specifically providing $2.85 billion in additional rental and utility assistance.

In the midst of the current winter surge of COVID-19, our states continue to deploy these resources as well as the initial reallocation of ERA1 funds. However, it is clear our states' remaining need is far greater than the funding initially allocated through the ERA program. Recognizing the present limited availability of ERA1 funds eligible for reallocation, we are appreciative of U.S. Treasury's initial efforts to direct unused ERA1 funds to communities with demonstrated need.

While we acknowledge U.S. Treasury's recent guidance that expands eligibility for other state COVID-19 relief funding to include rental assistance, we do not believe redirecting committed funds intended to shore up other state services following the pandemic induced economic crisis is a viable solution. As grantees continue to deploy their ERA resources, a significant amount of ERA funds remains unused across the country while grantees, including our states, face demand that exceeds available resources. The current funding gap our states and local governments face is in large part a result of the ERA program allocating funding based on a grantee's total population instead of grantees share of low-income renters, the target population of the program.

Equally important as it is to deploy remaining funding to communities with need is the ability for the resources to be deployed in a manner that meets the urgency of the moment. Unlike with ERA1, the federal ERA2 statute provides grantees, regardless of program demand or performance, certainty that their initial 40 percent tranche of ERA2 funds will not be subject to reallocation, providing grantees with the ability to utilize these resources to meet their proportionate needs while continuing to expend their remaining ERA1 funding. Our states, however, are facing an immediate need now, and unused emergency funding that is eligible for reallocation should be deployed in an accelerated manner to keep families stabilized and housed as we continue to address the current surge of COVID-19. In doing so, U.S. Treasury can meet the immediate needs our states and other grantees are experiencing across the country while also ensuring grantees with less demand continue to have resources available to deploy.

As U.S. Treasury develops its guidance for the upcoming ERA2 reallocation process, we request that:

(1) U.S. Treasury release new guidelines for the distribution of reallocated ERA2 funds as soon as possible and no later than the end of January 2022;

(2) U.S. Treasury use its statutory authority to quickly recapture and reallocate unspent ERA2 funds beginning March 31, 2022;

(3) U.S. Treasury prioritize communities with the greatest need by reallocating resources based on the existing high-need allocation methodology established in ERA2. This methodology factors in a grantee's share of very low-income renter households paying more than 50 percent of income on rent, overcrowding, rental market costs, and change in employment since the beginning of the pandemic; and

(4) U.S. Treasury modify grantee pay-out metrics in the reallocation application, provided in Exhibit B, as the existing format does not adequately capture grantee demand.

We thank you for your consideration. Our states look forward to continuing to work in partnership with U.S. Treasury to ensure renters and landlords alike receive these critical emergency resources.

Sincerely,

Gavin Newsom
Governor of California

JB Pritzker
Governor of Illinois

Phil Murphy
Governor of New Jersey

Kathy Hochul

Kathy Hochul
Governor of New York