

**CORONAVIRUS LOCAL FISCAL RECOVERY FUND:
NONENTITLEMENT UNIT OF LOCAL GOVERNMENT DEFINITIONAL AND DATA METHODOLOGY**

U.S. DEPARTMENT OF THE TREASURY

The American Rescue Plan Act of 2021 (ARPA) allocates \$19.53 billion to States for distribution to tens of thousands of nonentitlement units of local government (NEUs), which are local governments typically serving a population under 50,000. The Department of the Treasury (Treasury) has provided guidance to assist States with their distribution of these funds to NEUs. This document supplements that guidance in describing Treasury’s methodology in defining NEUs in accordance with ARPA and publishing the list of local governments on the Treasury website.

Definitional Methodology

ARPA defines the term “nonentitlement unit of local government” to mean a “city” as that term is defined in section 102(a)(5) of the Housing and Community Development Act of 1974 (HCDA) that is not a metropolitan city. Under the HCDA:

The term “city” means: (A) any unit of general local government which is classified as a municipality by the United States Bureau of the Census or (B) any other unit of general local government which is a town or township and which, in the determination of the Secretary [of Housing and Urban Development], (i) possesses powers and performs functions comparable to these associated with municipalities, (ii) is closely settled, and (iii) contains within its boundaries no incorporated places as defined by the United States Bureau of the Census which have not entered into cooperation agreements with such town or township to undertake or to assist in the undertaking of essential community development and housing assistance activities.

The United States Census Bureau (Census Bureau) does not have a singular definition of municipality. Instead, the Census Bureau generally classifies sub-county local governments as incorporated places or minor civil divisions (MCDs). Incorporated places include cities, towns (outside the six New England states, New York, and Wisconsin), boroughs (except the five boroughs of New York City and the boroughs in Alaska), and villages. MCDs are the primary subdivisions of a county in some states, and include towns (in New England, New York, and Wisconsin), townships, and districts. There are twenty states with active, governmentally functioning MCDs.

Since the government services provided by MCDs differ greatly by state, the Census Bureau refers to twelve states with MCDs that generally provide a wide range of general government services as “strong-MCD” states. In these states, MCDs are generally treated as municipalities according to state statutes and codes. In eight other states, MCDs typically play less of a governmental role and provide more limited government services, even though they are still active governments (“weak-MCD” states). The twelve strong-MCD states are Connecticut, Maine, Massachusetts, Michigan, Minnesota, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and Wisconsin. The eight weak-MCD states are Illinois, Indiana, Kansas, Missouri, Nebraska, North Dakota, Ohio, and South Dakota.

After consultation with the Census Bureau, Treasury is interpreting “municipality” under (A) in the HCDA definition for the purposes of ARPA to generally include both incorporated places and MCDs with active functioning governments, subject to the State determining, in the case of weak-MCD states, that a weak

MCD has the legal and operational capacity to accept ARPA funds and provides a broad range of services that would constitute eligible uses under ARPA. This process is detailed further in the guidance.

As detailed below, the list of local governments provided by Treasury includes all active, functioning incorporated places and MCDs, both in the twelve strong-MCD and the other eight weak-MCD states.¹ The guidance outlines a facts-and-circumstances test for the eight weak-MCD states to evaluate whether their MCDs are eligible for a distribution as a nonentitlement unit of local government.

Data Methodology

To compile the list of local governments, Treasury included local governments listed in the Census Bureau's 2020 Place and 2020 County Subdivision Gazetteer files,² in consultation with the Census Bureau, and obtained their populations from the Census Bureau's City and Town Population Subcounty Resident Population Estimates file from the 2019 Vintage.³ The following modifications were made to the files to arrive at a list of local governments for use in conjunction with Treasury's guidance:

- The data only includes incorporated places, MCDs, and consolidated cities. No census designated places (i.e., unincorporated places), non-functioning MCDs (i.e., election districts, county council districts, etc.), and census county divisions (entities defined for statistical purposes only) are included.
- The data only includes (1) active governments providing primary general-purpose functions, and (2) active governments that are partially consolidated with another government but with separate officials providing primary general-purpose functions.
- In states in which MCDs overlap with incorporated places and/or consolidated cities, the Census Bureau's "MCD Place Part" was used as the population of the respective subcomponents of the MCD.
- Local governments that are eligible for payments as "metropolitan cities" under ARPA were excluded. The list of eligible metropolitan cities can be found [here](#).
 - Only the specific local government that was qualified as a metropolitan city is excluded from the list.
 - In cases where a metropolitan city is geographically encompassed within an NEU, the metropolitan city population is excluded from that NEU's population.
 - In cases where a metropolitan city contains subsidiary NEUs, the metropolitan city is excluded from the NEU list, but the subsidiary NEUs remain.
 - In cases where a metropolitan city is consolidated with an NEU, the metropolitan city is excluded from the NEU list, but the NEU remains.
- Duplicate entries were generally eliminated. These duplicate entries can occur when local governments overlap, and the local governments are listed both as a standalone entry and as a subcomponent of a larger local government. This was done for ease of use.
- Additional formatting changes were made for ease of use.

¹ For ease of use, Treasury also provides a list of local governments without MCDs for the eight weak-MCD states.

² Dataset available at <http://www.census.gov/geographies/reference-files/time-series/geo/gazetteer-files.html>.

³ Dataset available at https://www2.census.gov/programs-surveys/popest/datasets/2010-2019/cities/totals/sub-est2019_all.csv.