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VIA Electronic Mail

Members of the United States Senate
Members of the United States House of Representatives

RE: State and Local Government Aid – Important Data

The [Government Finance Officers Association \(GFOA\)](#) released its October 2020 research report, [CARES ACT – Coronavirus Relief Fund: The Prime Recipient Perspective](#) to provide enhanced context to the audit findings of the United State Treasury’s Office of the Inspector General.

In the report, GFOA commended Congress’ swift action provided in the CARES Act in assisting state and local governments mitigate the impact of the ongoing COVID-19 public health crisis. While findings demonstrated a general agreement on the benefits provided by the federal funds, consistent challenges were voiced unanimously among CRF prime recipients and there was an overwhelming need for additional support – a need that is still prevalent today. Below we note key findings of this study that are especially relevant as Congress discusses the present potential for future state and local support.

Overview

In August 2020, the Government Finance Officers Association (GFOA) dispersed a survey to all 50 states and the 171 eligible units of government that were prime recipients of the [Coronavirus Relief Fund](#) to assess the effectiveness of the fund from the state and local government perspective. Three case studies were simultaneously conducted consisting of a state, a city, and a county for a more detailed assessment of the CRF from the perspective of prime recipients.

Results

- An overwhelming **91 percent of respondents stated they would benefit from additional federal aid**. Unrestricted aid was requested to offset revenue losses as well as the need for more assistance past December 30. Hard hit sectors such as in-person service

and travel continue to need assistance well into 2021. Additional aid would help cover increased costs of providing services in a COVID-19 environment.

- Three-quarters of the respondents found the restrictions on the use of CRF funds, such as the inability to use funds on lost revenue to be their biggest challenge. Respondents consistently expressed that while some economic sectors revived, others continued to suffer, including “main street” businesses. Respondents stated that **the fund’s inflexibility and restrictions on the use of funds were preventing state and local governments from making the most of the federal assistance in meeting essential needs of their residents** – in direct conflict with the spirit of the CARES Act.
- **62** percent of respondents stated the guidance and FAQs from the Treasury as the biggest challenge in spending their CRF allocation. Governments cannot setup a program if they do not know if and how the program will qualify. Eventually, by the end of the year, local governments were able to obligate 95-100 percent of their allocation, and anticipate prompt spending. **With no more funds to allocate, no more assistance can be provided.** Expenditures were slow to ramp up due to uncertain program requirements. Towards the end of 2020, government were in a better position to allocate, obligate, and spend the funds by the deadline. The expenditure extension gave governments more flexibility to target the funds to the most needy areas.
- The vast majority of recipients stated in August 2020 that **75-100 percent of their funds had already been committed to purchasing eligible goods or services, or “obligated,” by the end of 2020.** US Treasury Office of the Inspector General has yet to publish the December 2020 audit of Coronavirus Relief Fund spending activity. In August, **82 percent of the surveyed prime recipients noted that the funds would be fully spent by December 30, 2020.**
- Over 70 percent of respondents stated sales tax receipts continue to be the source of revenue they were most concerned about when the survey was delivered in late-2020. *Today, any sales taxes estimated to be higher than projected still represent a decline in collections overall.* As an example, even if a jurisdiction were to collect 2020 sales taxes equal to the collection of 2019, the corresponding increased operating expenditures of the government responding to the pandemic weighs heavy on a government’s fiscal resilience. **Simply put, those revenue streams cannot keep pace with the increased cost to state and local governments from the pandemic.**
- Survey respondents noted in 2020 that the second most vulnerable revenue source for governments is property tax collections. Property taxes assessed in 2020 will be realized revenue for governments in 2021. **Property taxes, including commercial property taxes are broadly estimated to decrease in 2021 nationally.** The lack of growth and loss in property and sales taxes nationally will continue to have a chilling effect on the economic recovery from the COVID-19 induced recession. Early investment in additional financial resources directed at shoring up state and local revenue streams will protect critical safety net services across the United States. The time for action is now!

For details, download the report via: <https://www.gfoa.org/materials/crf-recipient-perspective>

We are always happy to discuss the findings of this report and any other matters of mutual interest.

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