



GOVERNMENT FINANCE OFFICERS ASSOCIATION NEWS RELEASE

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**GFOA Releases Research Report, *CARES ACT – Coronavirus Relief Fund:
The Prime Recipient Perspective***

(Chicago, Illinois—October 20, 2020) In the Government Finance Officers Association's (GFOA) new research report, *CARES ACT – Coronavirus Relief Fund: The Prime Recipient Perspective*, GFOA commends the Coronavirus Relief Fund (CRF) in assisting state and local governments mitigate the impact of an unprecedented public health crisis. While there is a general agreement on the benefits provided by the federal funds, consistent challenges have been voiced unanimously among CRF prime recipients and there is an overwhelming need for additional support.

Background

The impact of the COVID-19 public health emergency has stretched beyond any global catastrophe experienced in the past century. With cases of the virus increasing at an astounding rate in the month of March, President Trump declared a national emergency. This set off a chain of events culminating in an extraordinary spike in unemployment rates amid a crashing economy, which put immense pressure on state and local governments to continue providing public services through the turbulence of rapidly decreasing revenues. Congress was pushed to take urgent action to address the landslide of challenges that erupted as the country fell into a deadlock and on March 27, the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. Under the CARES Act, the \$150 billion Coronavirus Relief Fund was established for State, Local, and Tribal governments navigating the impact of the COVID-19 outbreak.

Analysis

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 CRF to assess the effectiveness of the fund from the state and local government perspective. The survey received a response rate of nearly half of state and local prime recipients. **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

- Respondents consistently expressed that while some economic sectors revived, others continued to suffer. It was stated that the fund's inflexibility and restrictions on the use

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of funds were preventing state and local governments from making the most of the federal assistance in meeting essential needs.

- **60** percent of respondents stated they were not confident that the federal response would be proportional to the needs of state and local governments for the remainder of the pandemic. Discouragement was largely attributed toward the lack of action being taken to assist state and local governments with lost revenue, lack of flexibility over use of CRF funds, and failure to understand how local governments budget.
- **62** percent of respondents found the guidance and FAQs from the Treasury to be their biggest challenge in spending their CRF allocation. Respondents stated the piecemeal approach to updating the guidance seemed at odds with the urgency to spend CRF funds. The prevalence of uncertainty delayed expenditure of funds, particularly over categories still needing clarification at the time.
- Over **70** percent of respondents stated sales and gross receipts tax to be the source of revenue they were most concerned about.
- **75** percent of respondents found the restrictions on the use of CRF funds, including the inability to use funds on lost revenue and the deadline to spend funds by December 30, 2020, to be their biggest challenge.
- **82** percent of respondents anticipated spending all of their CRF allocation before the December 30 deadline, giving rise to concern about the indefinite duration of the national emergency as exhausting all federal assistance by the end of the year would create additional obstacles for state and local governments in providing essential services.
- 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 the December 30 deadline.

For details, download the report at gfoa.org/crf-recipient-perspective.

Recommendation

GFOA strongly urges Congress to provide state and local governments with additional funding, flexibility on the use of CRF funds to include revenue replacement, an extension on the deadline to spend funds, and more organization in the release of future guidance.

The *CARES ACT – Coronavirus Relief Fund: The Prime Recipient Perspective* (PDF format—20 pages, written by Mehreen Haroon) is available for free to download at gfoa.org/crf-recipient-perspective. Additional resources including access to the CRF Local Government Forum and GFOA's COVID-19 Resource Center are available on that page.

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Government Finance Officers Association (GFOA) advances excellence in government finance by providing best practices, professional development, resources, and practical research for more than 21,000+ members and the communities they serve.