



CARES Act Economic Relief Plan Summary

The third emergency relief package has now cleared Congress and will be signed into law soon.

Thank you to the many, many GFOA members who reached out to key Senate and House of Representatives offices on several key financial priorities for state and local governments. There were many moving parts to the legislation as the impact of COVID-19 will hit nearly every sector in the country, especially state and local governments. While much work still remains and it is currently uncertain whether we will see a fourth stimulus. But many questions still need to be answered as we prepare for implementing the CARES Act. Here are a few highlights of what the law provides (among many other funding provisions):

Economic Stabilization Fund

- A \$454 billion "Economic Stabilization Fund" that permits the US Treasury to "purchase obligations {of States, local governments, instrumentalities and political subdivisions of them} or other interests in secondary markets or otherwise" thus permitting the Federal Reserve to participate as an institutional investor in securities that mature in greater than 6 months. This fund also provides loans and loan guarantees to small businesses.

COVID-19 Relief Fund

- \$150 billion in direct aid specifically for COVID-19 related expenses to states, tribal governments, territories and local governments over the population of 500,000 people. The bulk of the funding would go directly to states using a population-based formula to determine what each state receives, although it would be no less than \$1.25 billion. The local governments with a population over 500,000 would be able to apply for their own direct funding, those falling below the population threshold would need to go through their states for funding. The remaining funding, approximately \$11 billion would be for the District of Columbia, territories and tribal governments. The qualifications for using the funds are: the costs incurred are necessary expenditures due to the public health emergency resulting from the pandemic, the expenditures were not accounted for in the budget most recently approved as of the date of enactment, and the expenses were incurred from March 1, 2020 through December 30, 2020. GFOA will continue working with its partners for further clarity on how local governments may access the funding.

Local Government Grant Programs

- [Department of Housing and Urban Development \(HUD\)](#)
 - o [Community Development Block Grant \(CDBG\)](#) would see \$5 billion to address COVID-19 as it relates to services for senior citizens, the homeless, and public health services. Out of the total amount, \$2 billion would be distributed using the existing formula, \$1 billion would go to states based on a formula developed by HUD for COVID-19 (the states will then allocate to both entitlement and non-entitlement communities), and the remaining \$2 billion will go to the states and localities based on a formula to be developed by HUD within 30 days.
 - [CDBG State-by-State Preliminary Allocations](#)
- [Department of Justice \(DOJ\)](#)
 - o \$850 million for the Byrne Justice Assistance grant program to assist state and local law enforcement and jails prevent, prepare for, and respond to COVID-19.

- [Department of Health and Human Services \(HHS\)](#)
 - o \$1.5 billion for the [Center for Disease Control's \(CDC\) State and Local Preparedness Grants](#) for state and local preparedness and response activities. Funds provided under this can be used for grants for the rent, lease, purchase, acquisition, construction, alteration, or renovation of non-federally owned facilities to improve preparedness and response capability at the state and local level.
 - o \$1 billion for the [Community Services Block Grant Program](#) for grants to states and local community-based organizations to provide a wide range of human, social services and emergency assistance.
 - o \$100 billion for the [Public Health and Social Services Emergency Fund](#) for necessary expenses to reimburse eligible health care providers for health care related expenses or lost revenues attributable to COVID-19.
- [Department of Agriculture \(USDA\)](#)
 - o \$8.8 billion in additional funding for child nutrition programs which, among others, includes the National School Lunch Program and the School Breakfast Program.

Transportation & Infrastructure

- [Federal Transit Administration](#)
 - o \$25 billion allocated in proportion to FY2020 program apportionments. All COVID-19 related operating and capital related costs are eligible.
 - o Expressed goal of keeping transit systems running.
- [Federal Aviation Administration](#)
 - o \$9.9 billion in total available to commercial airports through the Airport Improvement Program (AIP).
 - o \$9.4 billion for airports to prevent, prepare for, and respond to COVID-19
 - o \$.5 billion to raise federal funding share to 100% for projects funded with FY20 AIP funding
 - o \$100 million for 100% funding for general aviation airports

Education

[Education Stabilization Fund](#)

Consists of **\$30.750 billion** to be distributed among States, local schools, higher education institutes and other entities providing educational services that were impacted by COVID-19:

- **\$3 billion** is to be distributed among governors of each State to provide emergency support for the continued operation of educational institute services.
 - o State Governors will receive funds in the form of Emergency Education Relief grants.
 - o The grant amount allocated to each State's Governor is to be calculated in accordance to the population of the state, "60% on the basis of their relative population of individuals 5 through 24, 40% on the basis of their relative number of children counted under the Elementary and Secondary Education Act of 1964 (ESEA)", (p.754-755).
 - o The funds may be used for:
 - Emergency support for State and local schools significantly affected by COVID-19 to aid in continuing educational services.
 - Emergency support for continuing the operation of higher education institutes determined by the Governor to have had experienced significant impact from COVID-19.
 - Support for any higher education, local, or other education institutes that are determined by the Governor to require assistance in arranging for emergency educational services.
- **\$13.5 billion** is to be utilized for elementary and secondary education.

- o States are to distribute at least 90% of the formula-grants toward funding local schools for the purpose of responding to the damages incurred by COVID-19. This includes:
 - efforts by local schools that pertain to the coordination and preparation with State, local, Tribal, and territorial public health departments in responding to the COVID-19 (p. 758).
 - assisting principal's/school leaders with necessary resources for the operation of schools.
 - assistance for low-income students, ethnic minorities, homeless students, and students of foster care.
 - training/professional development of local school staff regarding decreasing the spread of contagious diseases.
 - supplies for sanitizing facilities
 - planning for long-term closures (e.g. meals for students, technology for online learning, continuation of educational services etc.)
 - providing mental health services
 - activities for learning over the summer
 - other activities necessary for the continuation of educational services for local schools.
- **\$14.25 billion** for higher education.
 - o The higher education emergency relief fund will be utilized for the activities of higher education institutes pertaining to the preparation, prevention and response to the impact experienced from COVID-19.
 - o Funds can be used to reimburse institutes for additional expenses they acquired from the impact of the COVID-19 including:
 - lost revenue
 - technology costs during the transition to online-learning
 - training for faculty and staff
 - payroll
 - o Funds may also be utilized for grants to students in terms of cost of attendance
 - food
 - housing
 - course materials
 - technology
 - health care and child care
- Safe schools and citizenship education will receive **\$100 million** in funds (available through 09/30/2021) for the preparation, prevention and response to the COVID-19 (domestic or international).
 - o This assistance will aid in sanitary activities, counseling services, online learning, and additional costs for elementary, secondary, and post-secondary schools.
- For the period pertaining to disruptions/closures due to COVID-19, the State, local schools, higher education institutes, and other educational entities receiving funding under the Educational Stabilization Fund must continue to pay its employees and contractors (p. 765).

FLC Legislative Priorities

The restoration of advance refunding and the expansion of the use of bank qualified debt are two legislative issues the FLC believes can be part of an effective fiscal response measure to the ongoing crisis. Unfortunately, the CARES Act did not include these provisions the FLC has advocated for as part of response measures. The FLC will continue to monitor events and advocate for our membership. These issues include:

- Restoration of the ability to advance refund municipal bonds
- Expanding use of bank qualified debt
- The implementation of emergency funds and programs in response to the COVID-19 crisis
- State and local government eligibility of the payroll tax credit for the recently mandated two weeks of additional paid sick leave

Resources

[Committee for a Responsible Federal Budget Aid Package Table](#)

[US Conference of Mayors COVID-19 Aid Summary](#)

[Federal Funds Information for States \(FFIS\) distribution estimation for State Stabilization](#)

[House Committee on Appropriations: COVID Aid Package Section Summaries](#)