



COVID-19 UPDATE: RESOURCES FOR LOCALITIES

Alert – Key Actions for Local Governments to Secure Additional Federal Coronavirus Relief Funding

*(8/03/2020) Lawmakers aim to pass additional Coronavirus Stimulus Package by August 7,
but Negotiations Remain Difficult*

On Monday, July 27, the Senate rolled out the \$1 trillion Help, Economic Assistance, Liability Protection and Schools (HEALS) Act, a much-anticipated initial proposal to kick off negotiations on another round of coronavirus relief funding. Unlike the House passed version, titled the “HEROES Act,” which would provide \$1 trillion in federal resources for state and local government coronavirus response and relief, the HEALS Act noticeably lacks additional funding for state and local aid beyond what was already allocated under the CARES Act’s \$150 billion Coronavirus Relief Fund. Both Congress and the White House have signaled that they intend to enact additional legislation prior to the August Recess period. Legislators now have until this Friday, August 7 to act. Therefore, it will be important for Senate and House leadership to hear from their constituents that funding for localities is essential. See <http://www.StrategiesDC.com/covid-19-resources-.html> for more information or refer to the NACo HEALS vs. HEROES Act

While the federal government has remained deadlocked on coronavirus action, local and state governments continue to work tirelessly to provide vital public services without adequate lifelines for support. Public servants, and the public services they provide, are at the frontlines of this pandemic, yet precipitous tax revenue losses coupled with additional expenditures have generated massive holes in public budgets that have undermined or eroded effective recovery efforts. Unlike businesses and the federal government, states and many local governments are restricted from spending more than they collect in revenue and have been required to defer services and capital projects. Recent NACo findings released earlier this month estimate that states and counties collectively anticipate a \$555 billion budget shortfall in FY2021. These losses will also have direct implications on economic recovery as local governments reduce spending with the potential to result in a \$344 billion decrease in economic output and 4.9 million lost jobs.

Senate Majority Leader Mitch McConnell has been highly reluctant to provide any additional stimulus resources to localities, citing concerns of federal spending. Therefore, it will be important for Senate leadership to hear from Senators that funding for localities is essential. This means local government leaders must continue to press this case now!

To ensure that there are necessary resources for cities, counties, and states to recover and rebuild from the virus crisis, the team at Sustainable Strategies DC urges local government leaders to advocate the following to Congress for additional coronavirus funding. Time is of the essence.

Talking points are provided here to help facilitate an effective advocacy pitch and honest dialogue with your Congressional delegation or their staff members about your locality's need for funding.

1. Provide New Direct and Flexible Resources to Localities to Support Long-term Recovery:

Additional coronavirus legislation should appropriate new direct resources to localities for recovery efforts, including coverage for revenue and operational losses, economic development efforts, infrastructure development, and other activities that create jobs. Without funding available over and above what is needed to shore up budget local budgets, cities will continue to their Capital Improvements. Ask your Senators to ensure that legislation provides direct funding for state and local governments. The HEROES Act proposes to distribute \$500 billion to state governments and another \$375 billion to cities, counties and other municipalities in flexible aid, including the ability to backfill revenue losses.

***Talking Point Prompt:** What essential services and infrastructure projects will you have to put on hold or cut without the provision of funding? Will lack of funding directly impact your localities coronavirus response and recovery efforts? If so, how will they programs and initiatives be disrupted?*

2. Allow for more flexible use of the Coronavirus Relief Fund: The federal resources that have been allocated by Congress are not enough for cities, counties, and states to tackle the public health crisis, maintain critical government operations, recover economically, and maintain fiscal viability. Further, the Coronavirus Relief Fund created by Congress in the CARES Act in March 2020 is important, but so restrictive in its eligible uses that it is not working to solve local and state fiscal crisis. Contact your congressional delegation and push for legislation that authorizes Coronavirus Relief Funds directly for the COVID virus.

***Talking Point Prompt:** What struggles and administrative burdens has your locality had accessing additional funding? Have they slowed or impeded your coronavirus response efforts? Share if you have received money from the Coronavirus Relief Fund from your state. If so, how much? How has it fallen short of your critical needs?*

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HEROES Act (H.R. 6800) vs. HEALS Act

PROPOSALS for STATE and LOCAL FISCAL AID



Key Issue	House HEROES Act (H.R. 6800)	Senate HEALS Act (Package of Individual Bills)
Direct funding for states	\$500 billion to assist state governments with the fiscal impacts from the public health emergency caused by the coronavirus	No new funding provided for state governments
Direct funding to counties of all sizes	\$187.5 billion total for county governments, including \$125 billion within 30 days of the bill's enactment and an additional \$62.5 billion one year following the bill's enactment. Aid would flow directly from U.S. Treasury to each county, based primarily on county population	No new funding for county governments
Lost revenue looking forward and retroactive under CARES Act	Adds "lost revenue" as an eligible funding activity for existing \$150 billion for state and local aid provided under the CARES Act Coronavirus Relief Fund and any new federal fiscal aid	<p>Expands allowable uses of CARES Act Coronavirus Relief Fund payments for a limited amount for "lost revenue" incurred during March 1, 2020 to 90 days after the last day of the governments' 2021 fiscal year...</p> <p>Under Section 401, a direct recipient (I.e. State, Tribal government, Territory, County and/or City above 500,000 population) could use up to 25 percent of their CRF allocation for "lost revenue", ONLY after the government certifies that it has distributed at least 25 percent of CRF funds it received to downstream governments (I.e. for counties this would mean other local governments within the county)</p> <p>Based on preliminary NACo estimates, those counties above 500,000 population who were direct recipients would be forced to redistribution more than \$4.7 billion of CRF dollars to other local governments in order to use their CRF allocation to recover a portion of their "lost revenue" during the COVID-19 pandemic</p>

<p>Guardrails around eligible use of funding</p>	<p>State and local officials would be allowed to use the funding to address the COVID-19 pandemic broadly based on local economic, health, safety and workforce needs</p>	<p>Prohibits use of CRF funds for pensions or postemployment benefits, for both current and former employees</p> <p>Prohibits use of CRF funds for replenishing “rainy day” accounts</p> <p>Recipients of CRF funds shall not impose additional conditions, requirements, or restrictions on downstream governments on how relief funds may be used beyond those specified in the CARES Act and modifications made under the HEALS package</p>
<p>Important dates for use of funds</p>	<p>Maintains CARES Act deadlines for use of existing CRF funds at December 30, 2020</p> <p>New round of funds may be used until expended</p>	<p>Extends date for existing CARES Act funds until 90 days after the end of the recipients’ fiscal year 2021</p> <p>Expands allowable uses of CRF payments to include lost revenue incurred during March 1, 2020 to 90 days after the last day of the recipients’ fiscal year 2021</p>
<p>Federal Emergency Management Agency (FEMA) match</p>	<p>Would remove the 25 percent local match for FEMA public assistance funds and provide clarity on additional eligible costs and activities</p>	<p>Does not address the FEMA match issue but does provide an additional \$930 million for FEMA grant programs</p>
<p>Maintenance of Effort (MOE) requirements</p>	<p>N/A</p>	<p>A recipient of CRF funds shall use funds that it receives to supplement, but not supplant, any non-federal funds that the recipient would otherwise provide, distribute, or use for assistance to other units of government</p>
<p>Determining Audit Risk Factors</p>	<p>N/A</p>	<p>Requires Treasury’s IG in its audit determination to consider prioritizing audits of (1) governments that did not distribute at least 25 percent of the total amount of the payments received under this section to localities within the jurisdiction, if any; or (2) governments that imposed a condition, requirement, or restriction on funds distributed to a locality that do not align with either the CARES Act or the provisions in this Act</p>

For More Information Contact Mark Ritacco at NACo (mritacco@naco.org) and please visit NACo’s COVID-19 resource page at naco.org/covid19