
UNDERSTANDING THE FEDERAL CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT

HOW COUNTIES CAN USE CORONAVIRUS RELIEF FUND PAYMENTS

JUNE 5, 2020



CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT

TOPICS:

- CARES Act background
- SB 310 – Status, distribution procedures and guidelines
 - Treasury Guidance and Frequently Asked Questions
 - What is an eligible expenditure?
 - Coordination with FEMA Funding

CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT

Third federal legislative response to Coronavirus (signed 3/27/2020)

- *\$150 billion - assist states and localities – Coronavirus Relief Fund*
- \$250 billion - direct payments to individuals and families
- \$377 billion - small business loans
- \$260 billion - unemployment insurance benefits
- \$500 billion - loans for distressed companies
- \$150 billion – health care providers

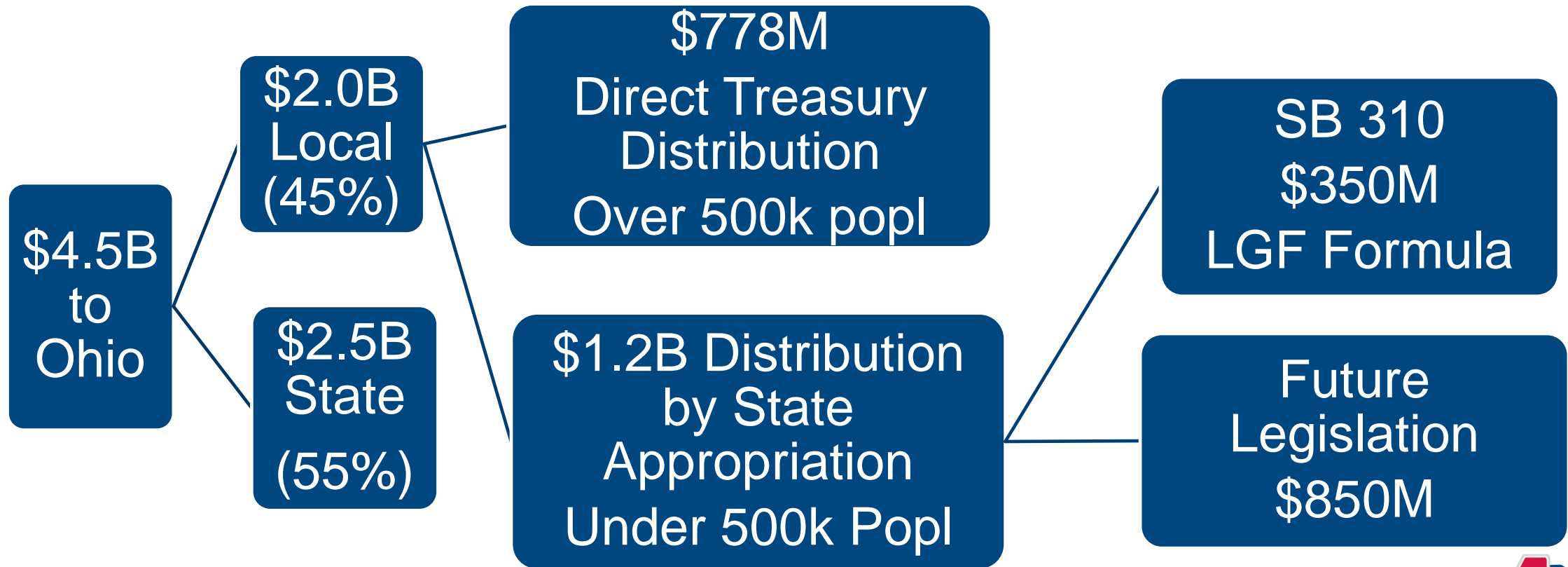


CORONAVIRUS RELIEF FUND

- \$150 billion for direct payments to state and local governments
- For necessary expenditures incurred due to COVID-19 emergency between 3/1/2020 and 12/30/2020, not for general fiscal relief
- Expenses are not accounted for in the most recently enacted budget for the state or local government
- 45% of each state's allocation reserved for locals, including direct Treasury payments for local govts with popl > 500,000
- \$4.5 billion total for Ohio (\$2.5B to state govt)



CORONAVIRUS RELIEF FUND – DISTRIBUTION CHANNELS



SENATE BILL 310: DISTRIBUTION MECHANISM

- Status: Passed House (87 – 8) on June 4, goes to Senate for concurrence on amendments
- Emergency clause – goes into immediate effect
- \$350 million distributed using **local government fund formula** and county formula as they existed in 2019
- Five direct payment counties serve as conduits but do not retain payments
- County auditor responsible for distribution
- Unspent funds as of October 15 redistributed within county to eligible subdivisions that spent all of their funds in first round
 - 25% to county govt. if eligible and remainder based on subdivision's relative population share among eligible subdivisions in the county

SENATE BILL 310 DISTRIBUTION PROCEDURE

What each county must do to receive funding:

- Enter appropriate information in OBM grants portal
- County auditor will establish the County Coronavirus Relief Distribution Fund in the county treasury to receive payments from OBM
- Pass a resolution promising to use the funds in accordance with federal law, and transmit a certified copy to the county auditor and OBM (Model resolution will be distributed)
- Establish a Local Coronavirus Relief Fund to receive funds for use by board of county commissioners



CORONAVIRUS RELIEF FUNDS – US TREASURY GUIDANCE

- U.S. Treasury Guidance consists of two documents:
 - Formal Guidance issued April 22, 2020
 - Frequently Asked Questions (FAQs) issued May 4, 2020 and updated May 29.
- Guidance expands on principles in CARES Act:
 - Revenue replacement is not a permissible use
 - Expenditures must be necessary, unbudgeted and time-limited

<https://home.treasury.gov/policy-issues/cares/state-and-local-governments>



CORONAVIRUS RELIEF FUNDS – US TREASURY GUIDANCE

- Necessary expenditures incurred due to the public health emergency
 - Expenditures incurred to respond directly to COVID-19 and to address “second order effects” such as providing economic support for business or employment interruptions
 - Necessary in the reasonable judgment of government officials responsible for spending Fund payments
- Costs incurred between March 1 and December 30, 2020
 - A cost is incurred when a government has expended the funds
 - Unspent funds as of December 30 are returned to the US Treasury
- Note: no prior authorization needed / not a reimbursement program

ELIGIBLE COSTS NOT INCLUDED IN ORIGINAL BUDGET

- Costs not “accounted for” in the budget most recently approved as of March 27, 2020
 - A cost meets this requirement if either:
 - The cost cannot lawfully be funded using a line item, allotment, and allocation within that budget
 - The cost is for a substantially different use from any expected use of funds in such line item, allotment, or allocation
 - A cost is not accounted for in a budget merely because it could be met using a budget stabilization fund or similar reserve account

CORONAVIRUS RELIEF FUND

Examples of Eligible Expenditures

- Medical Expenses
- Public Health Expenses
- Payroll expenses for employees who are “substantially dedicated” to responding to COVID-19
- Actions to Facilitate Compliance with public health measures
- Provision of Economic Support to the community
- Any other COVID-19-related expenses reasonably necessary to the function of government

CORONAVIRUS RELIEF FUND ALLOWABLE MEDICAL EXPENSES

- COVID-19-related expenses of public hospitals, clinics, and other health care facilities
- Expenses of establishing temporary medical facilities to expand treatment capacity
- Establishing public telemedicine response
- COVID-19 testing and contact tracing
- Emergency medical response
- Equipment purchase – may create a reserve of PPE or increase ICU capacity for regions likely to be affected (FAQ)



CORONAVIRUS RELIEF FUND ALLOWABLE PUBLIC HEALTH EXPENSES

- Communication and enforcement of public health orders and public safety measures
- Disinfection of public areas and congregate facilities
- Acquisition and distribution of medical and protective supplies, including sanitizing products for first responders and direct service providers
- Technical assistance to local authorities or other entities on mitigation techniques
- Expenses to quarantine individuals

ALLOWABLE EXPENSES: ACTIONS TO FACILITATE COMPLIANCE WITH PUBLIC HEALTH

- COVID-19 related expenses for maintaining prisons and jails, including sanitation and improvement of social distancing measures
- Expenses for food delivery to residents, including senior citizens and other vulnerable populations to enable compliance with COVID-19 public health precautions (pay for cost “delta,” not the base)
- Expenses to improve telework capabilities for public employees
- Expenses of providing sick and paid family and medical leave to public employees (FFCRA leave)
- Expenses for care for homeless populations to mitigate COVID-19 effects

CORONAVIRUS RELIEF FUND – ELIGIBLE PAYROLL EXPENSES

Payroll expenses for public safety, public health, health care, human services, and similar employees whose services are **substantially dedicated** to mitigating or responding to the COVID-19 public health emergency

Definition of “substantially dedicated”:

As a matter of **administrative convenience** in light of the emergency nature of this program, a local government **may presume that payroll costs for public health and public safety employees** are payments for services **substantially dedicated to mitigating or responding** to the COVID-19 public health emergency, unless the chief executive (or equivalent) of the relevant government determines that specific circumstances indicate otherwise.



OTHER ELIGIBLE PAYROLL EXPENSES

- Increased workers compensation coverage for first responders
- Hazard pay for duty related to COVID-19: employees who are substantially dedicated to responding to COVID-19; (but across-the-board hazard pay is ineligible)
- Payroll and benefit costs for public employees who could have been furloughed but were repurposed to perform previously unbudgeted functions substantially dedicated to mitigating or responding to the COVID-19; repurposed employees are performing job functions outside of their original job description or job title

CORONAVIRUS RELIEF FUND PROVISION OF ECONOMIC SUPPORT

- Grants to small businesses to reimburse for the costs of business interruptions caused by required closures (a “stay at home” order is not necessary)
- Expenditures related to a payroll support program (for the private sector)
- Unemployment insurance costs (to the public employer) related to COVID-19 if such costs are not reimbursed by the federal government or otherwise
 - Other provisions of CARES Act pick up 50% of reimbursing employer UI costs
- Emergency financial assistance to individuals impacted by a loss of income



EXAMPLE OF PAYROLL SUPPORT PROGRAM

Summit County - Division of COVID-19 Response

- Temporary Administrative Structure created to pass through CARES Act dollars
- Initial \$12.8 million appropriation (new Coronavirus Relief Operating Fund)
- Capital projects related to COVID-19
- Payroll and benefit costs associated with public health and public safety employees
- Payroll and benefit costs associated with public employees who could have been furloughed or otherwise laid off but who were instead repurposed to perform previously unbudgeted functions

SB 310 AMENDMENT

GUIDELINES FOR SMALL BUSINESS GRANT PROGRAMS

- Establishes statutory authority for small business grant program, county must pass resolution
- Allowable standards for evaluation and prioritizing grant applications
- Prescribes minimum application procedures and required information from applicants
- Grant amounts must be linked to allowable costs
- Grants are limited to \$10,000
- Limits eligible applicants to businesses with 50 employees, including affiliates
- Applies to all political subdivisions except six entities that received a direct Treasury distribution



EXAMPLES OF SUPPORT FOR SMALL BUSINESS

- Hamilton County – Small Business Relief Program
 - \$5 Million program - \$2500, \$5000, or \$10000 grants
 - Applications selected on lottery basis, not first-come, first-serve
 - Must have under 50 employees and under \$1 million annual revenue
 - 35% revenue decline from March-April 2019
 - Have not received other federal assistance, including Paycheck Protection Program
 - Eligible expenses – mortgage, rent, payroll, utilities, PPE and other supplies
 - Must be spent within 90 days – final close-out report required

https://www.hamiltoncountyohio.gov/government/open_hamilton_county/projects/small_business_relief_program



EMERGENCY FINANCIAL ASSISTANCE TO INDIVIDUALS FACING ECONOMIC HARDSHIP

- Helping unemployed individuals to enroll in government benefit programs
- Emergency financial assistance, e.g., grant programs to prevent eviction or foreclosure (overdue rent or mortgage payments), but – *funds may not be used for government revenue replacement*
- Grant program to prevent utility shutoffs – *funds may not be used to replace utility revenue*
- Other emergency assistance

EXAMPLES OF EMERGENCY SUPPORT TO INDIVIDUALS

- Franklin County –
 - \$2.1M for rental and housing assistance to individuals who are struggling to stay in their homes due to income or job loss; part to Impact Community Action (HOPE fund) and part to extend the JFS PRC program to families that don't qualify for TANF
 - \$1M grant to Community Shelter Board for homeless individuals
 - Other grant funding for nonprofits serving high risk populations

<https://commissioners.franklincountyohio.gov/news/2020/>



CORONAVIRUS RELIEF FUND - INELIGIBLE EXPENSES

- Expenses covered by insurance
- Payroll or benefit expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency
- Expenses that have been or will be reimbursed by any other federal program
- Reimbursement to third parties for donated items or services
- Workforce bonuses other than hazard pay or overtime
- Severance pay
- Legal Settlements
- Capital expenditures for broad economic development purposes

COORDINATION WITH FEMA PUBLIC ASSISTANCE PROGRAM

- FEMA works on a reimbursement basis
- ***CRF funds may be used to cover 25% local FEMA match***
- PPE for fire, EMS, law enforcement and critical medical care
- Emergency Operations Centers
- Cleaning and disinfecting of public spaces (including emergency vehicles)
- Sheltering
- Dissemination of information to the public to provide warnings and guidance about health and safety hazards using various strategies, such as flyers, public service announcements or newspaper campaigns
- Security



AUDIT AND OTHER CONSIDERATIONS

- Government may retain assets if the purchase is consistent with the guidelines
- Proceeds from the sale of assets are subject to same restrictions
- Unspent funds as of 12/30/2020 will be returned to the Treasury (cash basis)
- Retain all records
- Funds are not “grants” under federal law but are “other financial assistance” and are subject to Single Audit requirements

CONTACT INFORMATION

For more information:

<https://ccao.org/resources/coronavirus-updates/>

Jon Honeck

Senior Policy Analyst

jhoneck@ccao.org

614-600-8900 (cell)

