



MEMORANDUM

Prepared for: Senate President's Office
Date: June 4, 2020
By: Oliver Droppers, Michael Lantz
Re: Coronavirus Relief Funds

LPRO: LEGISLATIVE POLICY AND RESEARCH OFFICE

This memorandum responds to your request for information on states transferring a portion of the \$150 billion in Coronavirus Relief Fund (CRF) funds provided by the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act to local governments. LPRO conducted a limited survey to ascertain if states are transferring CRF funds to local governments and municipalities.

This memorandum summarizes information gathered from publicly available resources. The information is not exhaustive and highlights 18 states' approaches as of May 2020. On a weekly basis, states continue to adopt policies regarding the distribution of CRF funds to local governments and municipalities, illustrating the dynamic and fluid nature of the allocation and distribution of CRFs funds among states.

BACKGROUND

The CARES Act established a \$150 billion Coronavirus Relief Fund (CRF) for the Secretary of the Treasury to make payments for COVID-19 response efforts to states, tribal governments, and local governments with populations of 500,000 or more. Local units of government in the United States with populations below 500,000 were not eligible to receive CRF funds directly from the U.S. Treasury Department. The CRF established a minimum payment to every state of \$1.25 billion, plus a proportional amount determined by population size, as well as a formula for direct payments to eligible local governments. The funds must be used by state and local governments to cover costs that are necessary due to the public health emergency.¹

U.S. Treasury Guidance. On May 28, 2020, the U.S. Treasury released a supplemental FAQs ([link](#)) on the Treasury's Coronavirus Relief Fund (CRF) guidance for State, Territorial, Local, and Tribal Governments. The guidance:

- allows a state that receives payment of CRF funds to transfer funds to a local government if the transfer qualifies as a necessary expenditure (pg. 2);
- does not require a CRF fund recipient to transfer funds to a smaller unit of government within its borders (e.g., a county recipient to a smaller city within the county's borders) (pg. 2);
- specifies that states receiving a payment of CRF funds "should" transfer funds to local governments that did not receive payments directly from the Treasury (pg. 7); and
- permits states to impose restrictions on the transfer of CRF funds to local governments (pg. 7).

The guidance from the U.S. Treasury Department states:

"States should transfer funds to local governments with populations of 500,000 or less, using as a benchmark the per capita allocation formula that governs payments to larger local governments. This approach will ensure equitable treatment among local governments of all sizes. For example, a State received the minimum \$1.25 billion allocation and had one county with a population over 500,000 that received \$250 million directly. The State should distribute 45 percent of the \$1 billion it received, or \$450 million, to local governments within the State with a population of 500,000 or less."

¹ Complete list of payments to states and eligible units of government, see U.S. Treasury, May 11, 2020: <https://home.treasury.gov/system/files/136/Payments-to-States-and-Units-of-Local-Government.pdf>

Oregon. Based on the federal distribution formula, the state of Oregon received \$1.39 billion for COVID-19 related costs between March 1 and December 30, 2020; the City of Portland received \$114.2 million; Washington County \$104.7 million; and Multnomah County \$28.1 million.

On May 15, Oregon’s Legislative Joint Emergency Board (E-Board) recommended allocating \$215 million of the state’s CRF funds, with the understanding that \$100 million would remain unscheduled pending identification of specific COVID-19 response activity costs eligible for reimbursement to local governments and tribes in Oregon, outside of the boundaries of Multnomah and Washington counties² :

- \$200 million for eligible reimbursable expenses of local governments
- \$15 million for eligible reimbursable expenses of Oregon’s federally-recognized tribal governments

As stated in the Legislative Fiscal Office’s (LFO) memorandum, due to the federal requirements for the use of CRF resources, local governments in Oregon interested in accessing the state’s CRF funding will be provided with a grant agreement outlining the conditions, an accounting form to use for submittal of reimbursable expenses, and instructions (see [memo](#)).

STATES TRANSFER OF CORONAVIRUS RELIEF FUNDS TO LOCAL GOVERNMENTS

In testimony ([link](#)) submitted to Congress on May 18, 2020, the National League of Cities (NLC) reported monitoring CRF expenditures among local governments and said that state governments have taken a variety of approaches to allocating or transferring CRF funds. NLC has categorized states approaches to transferring CRF funds to local governments into three categories ([link](#)):

1. states allowing transfers to county governments but excluding municipal governments (two states);
2. states allowing municipal governments to apply for a transfer of funds (16 states); and
3. states withholding funding from most municipal governments, including all small and rural municipalities, with no indication of when, or if, funds will ever be made available (32 states).

Two states are allowing transfers to county governments but excluding municipal governments:

- North Carolina
- Missouri

Eighteen states are allowing municipal governments to apply for a transfer of funds:

- Alaska
- Colorado
- Delaware
- Hawaii
- Idaho
- Indiana
- Kentucky
- Louisiana
- Maryland
- Massachusetts
- Montana
- New Hampshire
- Ohio
- Oklahoma
- Oregon
- Texas
- Virginia
- Washington

² Legislative Fiscal Office Memorandum, May 15, 2020. <
<https://olis.oregonlegislature.gov/liz/201911/Downloads/CommitteeMeetingDocument/221872>>

Thirty states are currently withholding funding from municipal governments, including small and rural municipalities, with no clear indication of when, or if, funds will be made available. A number of these states are actively engaged in conversations around potentially transferring state-received CRF funds to municipal governments:

- Alabama
- Arizona
- Arkansas
- California
- Connecticut
- Florida
- Georgia
- Illinois
- Iowa
- Kansas
- Maine
- Michigan
- Minnesota
- Mississippi
- Nebraska
- Nevada
- New Jersey
- New Mexico
- New York
- North Dakota
- Pennsylvania
- South Dakota
- Tennessee
- South Carolina
- Rhode Island
- Utah
- Vermont
- West Virginia
- Wisconsin
- Wyoming

Table 1 lists 18 states and the amount directly allocated by the Treasury to states and eligible local governments. A circle indicates a state has publicly reported plans or already transferred state-received CRF funds directly to local governments. It is important to note that the figures in the column labeled “Distribution of CRF Funds” reflect information publicly available at the end of May and does not indicate states that are actively considering multiple rounds of transferring state-received CRF funds to local governments.

Table 1. CRF Funds by State and Transfer of CRF Funds to Local Governments for Select States

STATE	TOTAL ALLOCATION (\$BILLIONS)	CRF FUNDS TO STATE (\$BILLIONS)	CRF FUNDS TO LOCAL GOVTS.	TRANSFER STATE FUNDS TO LOCAL GOVTS.	DISTRIBUTION OF CRF FUNDS
Alaska*	\$1.25	\$1.25	Not eligible	●	TBD
California	\$15.3	\$9.5	\$5.8 (21 localities)	Unknown	TBD
Colorado	\$2.2	\$1.6	\$600mm	●	\$275mm
Georgia	\$4.1	\$3.5	\$600mm (5 localities)	Under discussion	TBD
Hawaii	\$1.25	\$.862mm	\$386mm	●	\$175mm
Louisiana*	\$1.8	\$1.8	Not eligible	Under discussion	TBD
Maine*	\$1.25	\$1.25	Not eligible	<i>Under discussion</i>	TBD
Maryland	\$2.3	\$1.6	\$691 mm (5 localities)	●	\$365mm
Massachusetts	\$2.6	\$2.4	\$212 mm (2 localities)	●	\$502mm
Minnesota	\$2.1	\$1.8	\$317	Under discussion	TBD
Mississippi*	\$1.25	\$1.25	Not eligible	Under discussion	TBD
Montana*	\$1.25	\$1.25	Not eligible	●	\$123mm
North Carolina	\$4.1	\$3.6	\$481 mm (4 localities)	●	\$150mm
Oregon	\$1.6	\$1.3	\$.247 mm (3 localities)	●	\$200mm
Texas	\$11.2	\$8	\$3.2 (18 localities)	●	TBD
Virginia	\$3.3	\$3.1	\$200 mm (1 locality)	●	\$644 billion
Washington	\$2.9	\$2.2	\$785 mm (5 localities)	●	\$300mm
Wisconsin	\$2.2	\$1.9	\$260mm (3 localities)	●	\$190mm

Source: Legislative Policy and Research Office

Data: National League of Cities and websites associated with state legislatures and governors.

*Indicates state with no local governments eligible for separate CRF funds.

SUMMARY OF INDIVIDUAL STATES

Summarized below are the policies for the select 18 states listed in Table 1. The information is sourced from the National League of Cities and websites associated with state legislatures and governors.

Alaska received \$9.5 billion in direct CRF funds from the Treasury. Governor Dunleavy proposed to transfer 45% to cities and boroughs in Alaska, based on population formula plus 75% of economic activity. Without an exhaustive list of eligible expenditures, local governments are apprehensive about the risk that Treasury may retroactively rule out an expenditure and attempt to recapture spent funds in the future.

California received \$9.5 billion in direct CRF funds from the U.S. Treasury. It is not clear if or how a portion of those funds will be transferred to municipalities with populations under 500,000. However, 21 California counties and cities meet the 500,000-person population requirement and are eligible to receive approximately \$5.8 billion directly from the U.S. Treasury.

Colorado received \$1.6 billion in direct CRF funds from the U.S. Treasury. In an executive order signed on May 18, Governor Polis allocated \$275 million of CARES Act funds to local governments that do not meet the 500,000-person population requirement to receive direct federal funds. These funds will be distributed based on recommendations from the Colorado Department of Local Affairs (DOLA), though it is unclear whether any distributions have occurred.

Georgia received \$3.5 billion in direct CRF funds from the U.S. Treasury. State leaders met with local governments and stakeholders and anticipate the state will agree to share 45% of the funding (about \$1.2 billion) with all jurisdictions not receiving a direct allocation on a \$55 per capita basis. Initially, each eligible jurisdiction will receive an immediate distribution of 20 percent of their total per capita allocation. The remainder of the allocation will be reimbursement-based. Jurisdictions will submit documentation to the state (agency TBD) and request reimbursement.

Hawaii received \$862 million in direct CRF funds from the U.S. Treasury. On May 11, Gov. Ige and the Hawaii Legislature passed [Senate Bill 75](#), allocating \$175 million to local governments among Maui, Kaua'i, and Hawai'i counties to fund first responders, contact tracing, testing, emergency medical services, and other direct response activities.

Louisiana received \$1.8 billion in direct CRF funds from the U.S. Treasury. Governor Edwards has committed 45% to municipalities and parishes, without any population thresholds. However, the method of allocation is still under discussion. The Louisiana Municipal Association is working closely with the Governor on this effort.

Maine received \$1.25 billion in direct CRF funds from the U.S. Treasury. Governor Mills is undecided about CARES allocation at the local level. Maine's congressional delegation is advocating for additional assistance, as 85 percent of Maine's state revenues are from income and sales tax revenues.

Maryland received \$1.6 billion in direct CRF funds from the U.S. Treasury. Governor Hogan is setting aside \$365 million for the 19 counties with populations under 500,000. Fifty percent of that money is immediately available to county and city health departments on a per capita basis for reimbursement of health-related expenditures. Counties and cities can also apply to receive a per capita portion of the remaining 50 percent of funds for any COVID-related purpose, such as small business assistance.

Massachusetts received \$2.4 billion in direct CRF funds from the U.S. Treasury. Governor Baker is setting aside \$502 million for cities and counties with populations under 500,000. This is about 20-25 percent of the amount the state received directly from the federal government. Funds will be allocated on a per capita basis, though the municipalities will have to apply to receive the funds. Funds can be spent in a variety of ways, including on first responder costs, temporary staffing, school distance learning, and debt financing related to COVID-19

Minnesota received \$1.87 billion in direct CRF funds from the U.S. Treasury. As of the end of May, Governor Walz had not released a specific proposal of whether or how to transfer a portion of the \$1.87 billion to local governments. The Minnesota Senate and House proposed legislation to allocate \$667 million of the state's CARES Act money to Minnesota counties, cities, and towns. A key difference between the two measures is how the money is distributed among local governments.

Mississippi received \$1.25 billion in direct CRF funds from the U.S. Treasury. No local governments were eligible for direct payments. Governor Tate has suggested his administration controls the CARES Act allocation, with the Legislature passing a measure to provide control over the allocation of CARES dollars.

Montana received \$1.25 billion in direct CRF funds from the U.S. Treasury. No local governments were eligible for payments. Governor Bullock solicited public comment on how best to deploy federal relief dollars made available through the CARES Act via the Coronavirus Relief Fund Advisory Council (see Council's [report](#)). In May, Governor Bullock appropriated \$123 million in the state's first-round of distribution the state's \$1.25 billion with funding to support nine programs prioritized by the Advisory Council ([link](#)).

North Carolina received \$3.58 billion in direct CRF funds from the U.S. Treasury. The General Assembly passed a bill appropriating \$150 million to county governments. The measure permits counties to share funding with municipalities, but they are not required to do so. Some counties have reported they will not share funds received with cities.

Oregon received \$1.38 billion in direct CRF funds from the U.S. Treasury. Legislative Joint Emergency Board (E-Board) allocated \$200 million for eligible reimbursable expenses of local governments.

Texas received \$8.03 billion in direct CRF funds from the U.S. Treasury. Treasury has directly distributed an additional \$3.2 billion to six eligible cities and 12 eligible counties in Texas. The state is setting up a pass-through program for local governments. The state sent a letter to city and county leaders to inform them how to apply for funds.

Virginia received \$3.11 billion in direct CRF funds from the U.S. Treasury. The state opted to allocate approximately half of the \$3.1 billion to localities with fewer than 500,000 individuals. As of June 1, 2020, 132 localities received approximately \$644 million. Funds were allocated based on the locality's proportion of the statewide population, amounting to \$87 per resident.³

Washington received \$2.16 billion in direct CRF funds from the U.S. Treasury. Four counties and one city were eligible for direct funding from the U.S. Treasury. Governor Inslee announced that the state would award \$300 million to local governments that did not receive direct distribution. Each city and county with a population less than 500,000 will receive a per capita distribution of \$30, with a minimum distribution of \$250,000 for counties and \$25,000 for cities and town. The Office of Financial Management determined the specific distribution allocations. Click [here](#) for a complete list of local governments and their award amounts from the state's Coronavirus Relief Funds (CRF).

³ Secretary of Finance Memorandum, May 12, 2020 <https://www.finance.virginia.gov/media/governorvirginiagov/secretary-of-finance/pdf/SOF--Memo-to-Localities-5_12_20.pdf>

Wisconsin received \$1.9 billion in direct CRF funds from the U.S. Treasury. Governor Evers has allocated \$190 million to county governments with an additional \$10 million to tribal governments. Every county will receive some funds, regardless of whether the county already received direct federal aid based on population. The State distributions are based on county population, with a minimum distribution of \$5,000.

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