

# Federal Update: CARES Act, Single Audit and Stimulus Efforts



**Government Finance Officers Association**

November 19, 2020  
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Alaska Municipal League

# Federal Advocacy

- Congressional Advocacy
  - Tax exempt municipal bonds
  - Deductibility of state & local taxes
  - Marketplace Fairness Act
  - Pensions & benefits
- Executive Advocacy
  - SEC
  - MSRB
- Amicus Briefs to the Supreme Court





# Key Federal Initiatives and GFOA Priorities

# GFOA 2020 Priorities

- Funding for Local and State Governments
- Maintaining and Improving Federal Tax-Exempt Bond Provisions
- Health Care and Employment Matters
- Opposing Restrictive Regulations
- Public Pension Protections

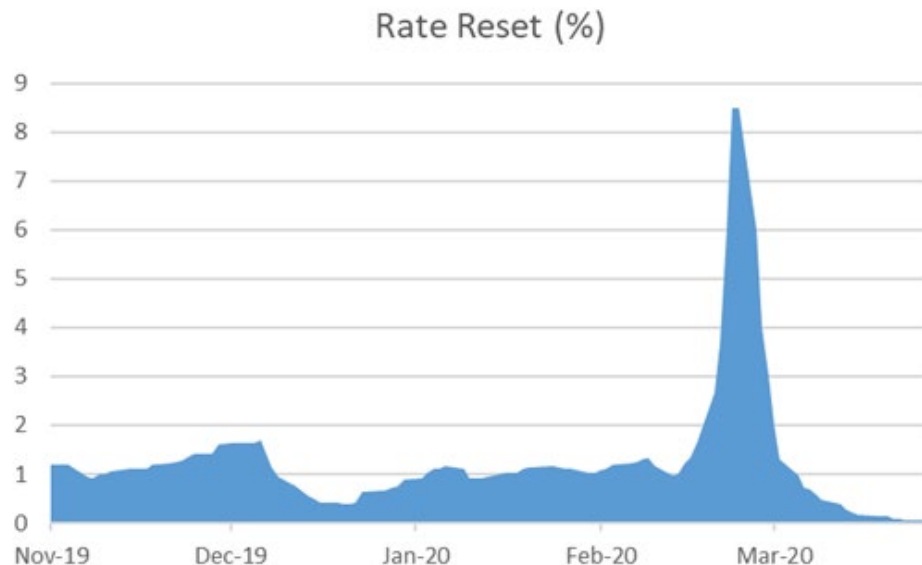




# **Market Conditions and State and Local Governments**

# Background and Context

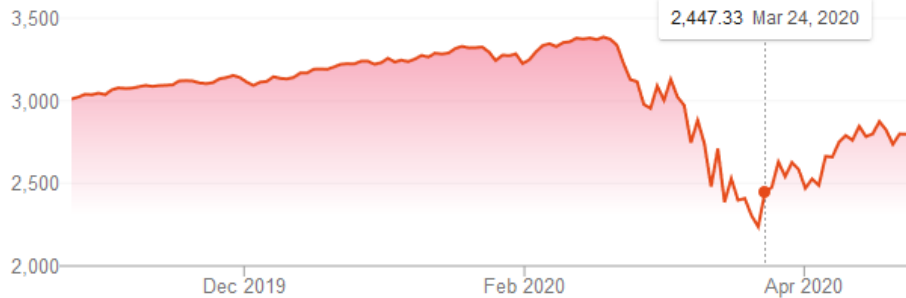
- Corporate Bond Market experienced precipitous declines
- Muni Bond Market same
- Buyers not buying, but holding their cash
- Investment returns uncertain



2,797.80 -1.51 (0.054%) ↓

Apr 23, 4:13 PM EDT · Disclaimer

1 day 5 days 1 month 6 months YTD 1 year 5 years Max



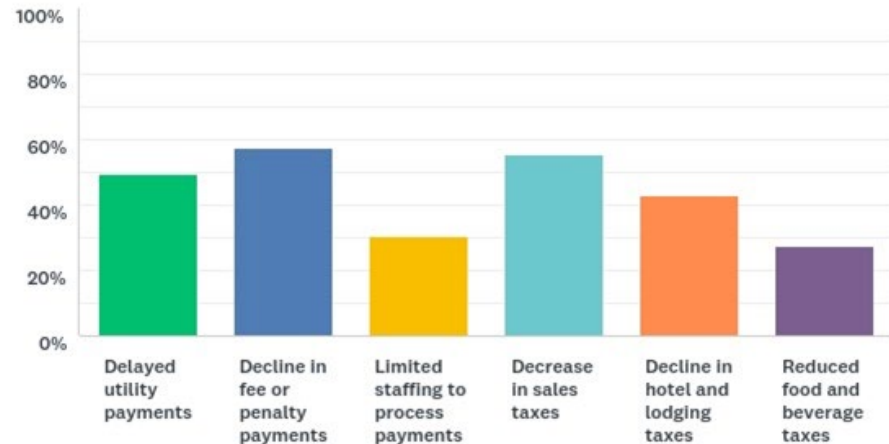
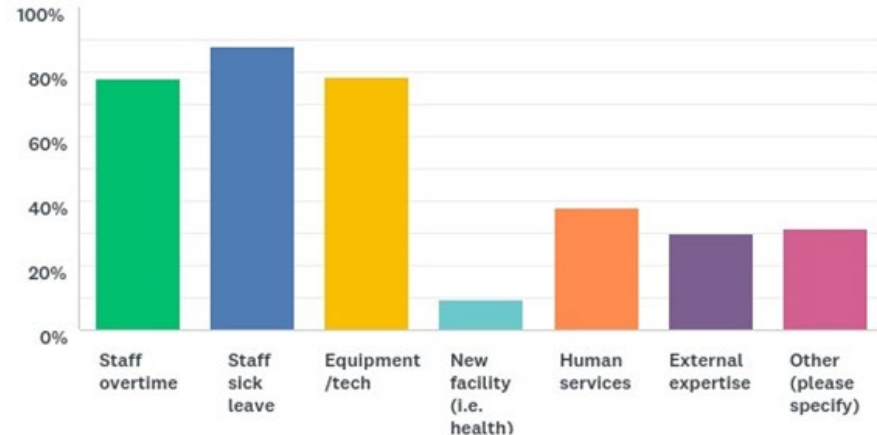
Open 2,810.42 Low 2,794.26  
High 2,844.90

Source: Hilltop Securities, VRDN CUSIP 64966FA79

- Market concentrating on direct aid, revenue/expense projections and federal aid impacts (FFCRA and CARES)

# Background and Context

- ST: Expenses increasing
- MT: Delayed or foregone revenue
- LT: Muni deals getting “shelved” waiting for volatility to subside





# *CARES Act of 2020*



# CARES Stimulus Efforts

## ○ Fiscal Policy:

1. Direct injection of federal funding into the economy
2. FEMA, FTA, FAA, ESF, Unemployment Insurance
3. But also **Coronavirus Relief Fund**

## ○ Monetary Policy:

1. Policy designed to stabilize the markets
2. Secondary Market Corporate Purchasing Facility, PPP
3. **Municipal Liquidity Facility**

# CARES Act: Grants

## FEMA



- [Public Assistance Grants](#)
- [Homeland Security Grant Program Funding Notification](#)
- [FEMA COVID-19 Response Resource Packet](#)
- [FEMA Grant Online Portal](#)
- [FEMA Procurement Disaster Assistance Team Resources](#)
- [PPE Management in Non-Healthcare Organizations](#)

## Centers for Disease Control



- \$1.5 billion for the [Center for Disease Control's \(CDC\) State and Local Preparedness Grants](#) for state and local preparedness and response activities.
- Covers: rent, lease, purchase, acquisition, construction, alteration, or revocation of non-federally owned facilities to improve response & preparedness.
- \$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.

## Federal Transit Administration



- \$25 billion allocated in proportion to FY2020 program apportionments. All COVID-19 related operating and capital costs are eligible. Expressed goal of keeping transit systems running
- Funds allocated using formula based on Census data
- [FTA Emergency Relief Docket](#)

# CARES Act: Grants



## Federal Aviation Administration

- \$9.9 billion in total available to commercial airports through the Airport Improvement Program (AIP). \$9.4 billion for airports to prevent, prepare for, and respond to COVID-19
- [CARES Act Airport Grant FAQ](#)
- \$500 million to raise federal funding share to 100% for projects funded with FY20 AIP funding \$100 million for 100% funding for general aviation airports



## Department of 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 the COVID-19
- \$3 billion for the Governors Emergency Education Relief Fund
- \$13 billion for the Elementary and Secondary School Emergency Relief Fund
- \$14 billion Higher Education Emergency Relief Fund



## Department of Justice

- \$850 million for the Coronavirus Emergency Supplemental Funding (CESF) grant program to assist state and local law enforcement and jails prevent, prepare for, and respond to COVID-19.
- Byrne Justice Assistance grant recipients in FY19 are automatically eligible
- [FY20 CESF Allocations by State](#)
- [Application Information](#)

# CARES and the Muni Market

- Major objective is to provide stability in the markets.



- Section 4003(b)(4): \$454B
  - Federal government may financially intervene with states, local governments, instrumentalities and political subdivisions thereof
  - Purchase publicly issued securities as a direct loan (direct placement)
  - Purchase muni securities in the secondary market



# Deep Dive: CARES Act Coronavirus Relief Fund (CRF)

# Legislative Parameters

The CARES Act requires that the payments from the Coronavirus Relief Fund only be used to cover expenses that—

1. are necessary expenditures *incurred* due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19);
2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

# Coronavirus Relief Fund

- \$150B Appropriation from the CARES Act
- Eight revisions to the [FAQs](#), new protocol for implementation of the [GrantSolutions Database](#) and
- Continued updates from the US Treasury continue to vex GFOA members who are both Prime Recipients as well as sub-recipients of the CRF



# Broad Spending Categories

- Transfers to other governments
- Payroll for public health and safety employees
- Budgeted personnel diverted to a substantially different use
- Improvements to telework capabilities of public employees
- Medical expenses
- Public health expenses
- Distance learning
- Economic support
- Expenses associated with the issuance of tax anticipation notes
- All items not listed above



# Uses Reported

- Medical: hospital, clinics, treatment, testing
- Public Health: communication, enforcement, PPE, sanitizing/disinfecting public areas, quarantine
- Payroll: Public Health/Safety, health and human services, and "substantially dedicated" employees
- Facilitate Compliance: food delivery, distance learning, telework capabilities, paid sick/paid family leave, county jail operations, care for homeless
- Economic Support: grants to small businesses  
local payroll support programs

# Costs “Incurred”

- Performance/delivery must be during covered period
- Bulk purchases can be used beyond December if portion of purchase is during the covered period
- Supply chain disruptions may result in delays beyond a recipient's control
- Allows for a reasonable liquidation period (generally 90 days from receipt of good or service)



# What is the Potential for Future Stimulus?

# Differences btwn House and Senate

- HEROES Act • \$3.5 Trillion
- --\$500 Billion State Fiscal Relief
- \$375 Billion Local Fiscal Relief
- Additional Economic Impact Payments
- Extends \$600/week through January 2021
- Significant Infrastructure Funding
- HEALS Act• \$500B
- No new funds, more time to spend, allows revenue backfill
- Additional Economic Impact Payments Reduces/Extends UI \$200 through Sept (later caps at 70% wages)
- K-12 Education - \$5 Billion K-12 Education - \$70 Billion 1/3 immediate; 2/3 for reopening

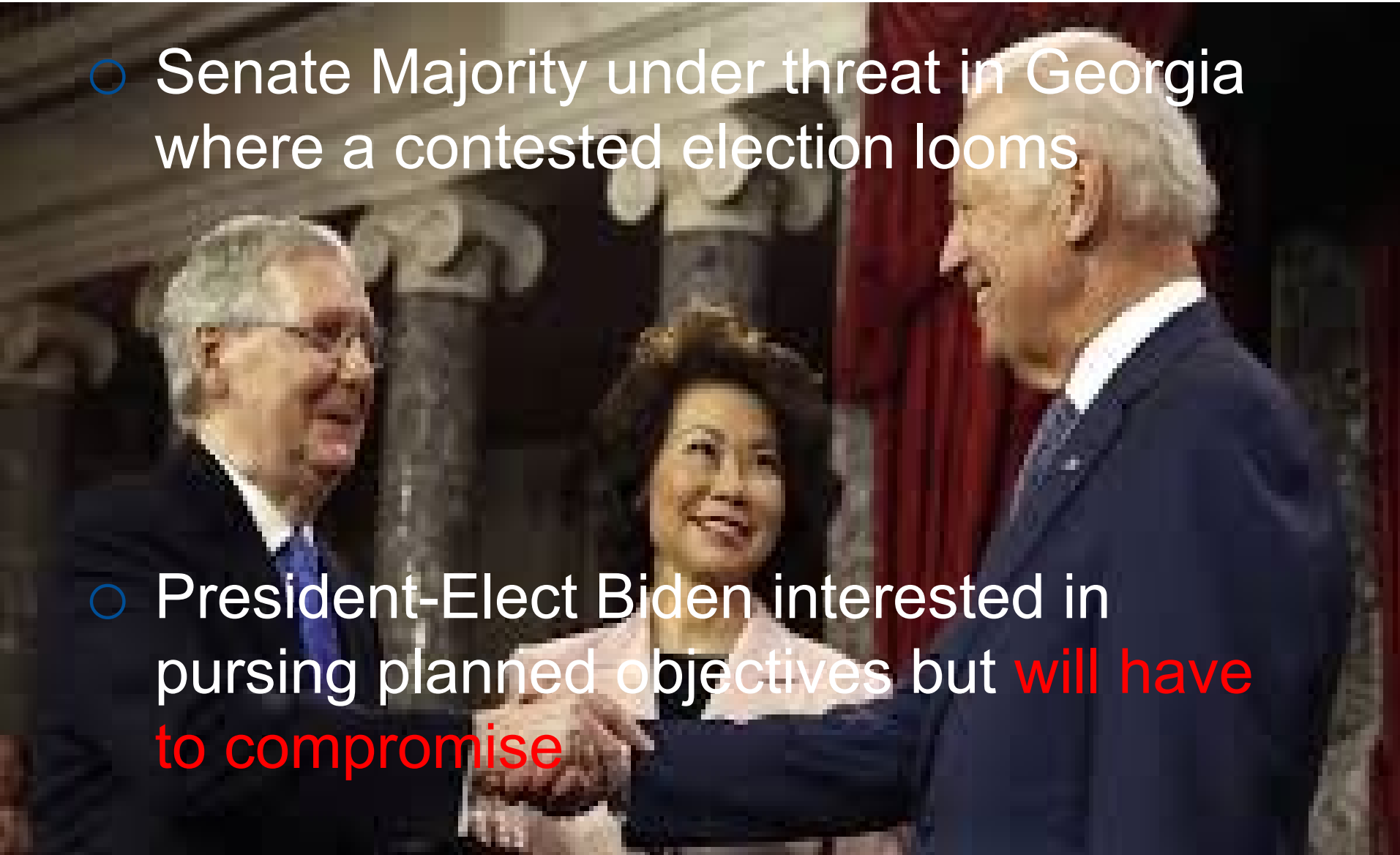
# Difference btwn House and WH

- HEROES Act 2.0 • \$2.2 Trillion
- **\$238B State Fiscal Relief**  
**\$179B Local Fiscal Relief**
- Additional Economic Impact Payments
- Extends UI \$600/week January 2021
- K-12 Education - \$175 B
- Higher Education - \$278; \$11.9 to private/minority colleges
- Increase Medicaid FMAP by 14% through Sept 2021
- \$125 B Health Care and Testing/Contact Tracing
- Mnuchin Offer· \$1.8 trillion
- **\$300 billion in state and local governments**
- Additional Economic Impact Payments \$1,000 per child
- Provides \$400/week unemployment into January 2021
- K-12 Education \$105 B
- \$178 B Health Care and Testing/Contact Tracing

# What is the Reality?

- Senate Majority under threat in Georgia where a contested election looms

- President-Elect Biden interested in pursuing planned objectives but **will have to compromise**





# Thank you!

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