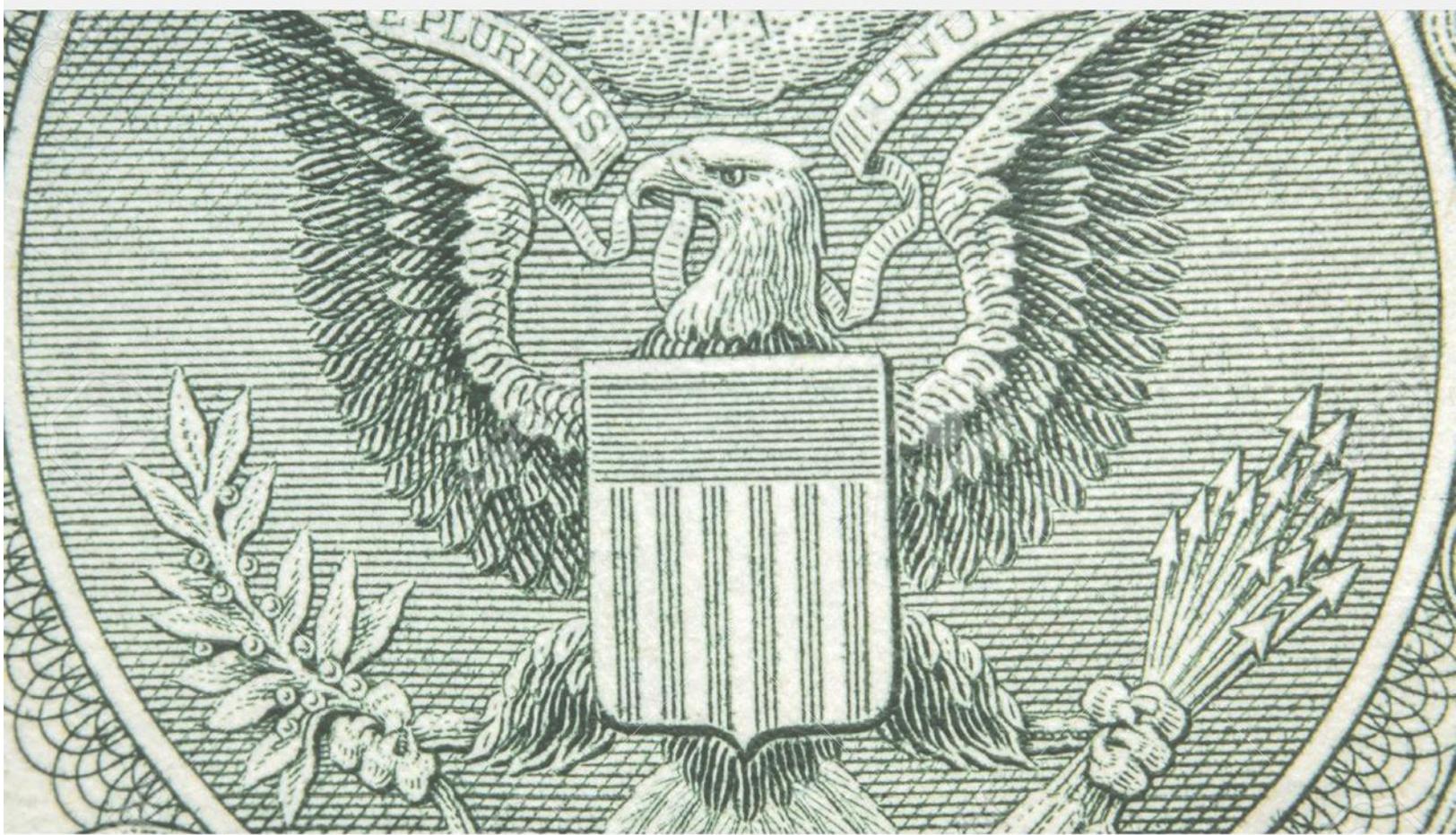


How States are Spending Coronavirus Relief Funds



The economic shutdown to curb the spread of COVID-19 wreaked havoc on state budgets. By the end of April, more than 20 million Americans had abruptly lost their jobs, and state revenue projections across the country had nosediving.

Enter the federal government.

To ease the financial strain of state spending on COVID-19 mitigation and response measures, the federal government passed the [Coronavirus Aid, Relief and Economic Security \(CARES\) Act](#), which included \$150 billion in direct assistance for state governments, territories and tribal governments. These funds are known as the Coronavirus Relief Funds (CRF). Each state received a minimum allocation of \$1.25 billion. Local governments with a population of at least 500,000 were eligible for direct payments.

Spending Guidelines

By now, the CARES Act is a household name in state capitols. But the real grit work for policymakers has been determining how to allocate the funds. Deciding who can spend these funds and how is not a walk (socially distant, of course) in the park.

The funds were deposited into state coffers by late April. The U.S. Treasury issued [guidance](#) on eligible expenses. Periodic updates are published on an [FAQ page](#). The funds are restricted in three primary ways.

- Only expenditures related to COVID-19 are allowable.
- The expenses were not already accounted for in the budget approved prior to March 27.
- Funds must be spent by Dec. 30, 2020, or they revert back to the federal government.

Much to the dismay of those with budget responsibilities, the funds may not be used for most states' greatest need, which is to backfill lost revenues. In addition, all unspent funds must be returned to the federal government if not allocated by the end of the year.

Even with the U.S. Treasury's [guidance](#), there is still uncertainty in interpreting it and concern that any misinterpretation could lead to repayment of the money.

The difficulty in understanding what is deemed an eligible expense led some states to delay CRF spending. There were many who held out hope for additional flexibility in spending, which has not yet come into fruition, although a new federal stimulus package is being debated in Congress.

Who Has Spending Authority?

Emergency declarations, coupled with the unique nature of these federal funds, muddied the waters over federal relief spending authority in some states. Because of some contentious moments and to provide more clarity, all [50 states and territories](#) created or proposed oversight measures to monitor the CARES Act funds.

Where Are States Targeting the Funds?

States have allocated funding to various relief efforts. In cases, the legislature convened in special session to decide how and where to spend the federal funds. NCSL created a [database](#) tracking state actions on CRF. The database categorizes allocation into 12 categories, including local governments,

small business relief and housing assistance. In addition to spending on public health and safety, state policymakers have looked at ways to address other unexpected spending needs. Some of the more creative measures are listed below:

- National Guard's Role in the pandemic.
- COVID-19 response app.
- Airport screening programs.
- To local governments for special purpose taxing districts.
- Broadband infrastructure to support distance education, remote work and telehealth.
- Short-term education, training opportunities, career coaching and navigation for those who need help figuring out employment next steps.
- Tax rebate program for grocery store employees, nurses, bus drivers and workers for a one-time hazard pay payment.
- Child care provider business grants to support reopening and safety measures.
- Supporting survivors of domestic violence.
- Livestock producer's stabilization grant.
- Purchase software and hire staff to resolve backlogs in processing unemployment claims.
- Occupational Safety and Health Administration response grants.
- Funding for 211 to maintain referral services during the pandemic.
- Cultural and museum preservation grants.
- Food relief access grants to increase access to healthy, affordable grocery food options.
- Adult day care services.

This list is by no means exhaustive. It is meant to provide some insight into how states are thinking about spending CRF funds. It is also important to keep in mind state allocations differ in each state based on population size. Since the virus is unpredictable, response efforts vary according to the virus' impact and each state is in a different phase in their response efforts. As a result, CRF spending looks different across the board.

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