Questions and Answers from NACo National Calls on the Federal Response to COVID-19

March 25, 2020 - April 15, 2020

NACo members submitted the following questions during a March 26 national call focusing on the *Coronavirus Aid, Relief and Economic Security Act (CARES Act; PL 116-136)*, a March 30 call for NACo members to connect with the Centers for Disease Control and Prevention (CDC), an April 3 call for large urban counties and an April 10 national call focusing on how the *CARES Act* benefits counties.

Please find the link to the recordings of all NACo national calls here.

Click on the links below to view questions and answers by category:

Direct Financial Assistance Payments (Tax Rebates):

The CARES Act provides one-time, direct financial assistance payments of $1,200 to individuals with Adjusted Gross Income (AGI) up to $75,000 or $2,400 for married couples with combined AGI up to $150,000, with an additional $500 for each qualifying child. The rebate amount is reduced by $5 for each $100 that a taxpayer's income exceeds the phase-out threshold. These payments are administered by the Internal Revenue Service (IRS).

Which year's tax filing data will the IRS use to determine household income and the amount of the rebate check?

Most eligible U.S. taxpayers will automatically receive their Economic Impact Payments, including:

- **Individuals who filed a federal income tax for 2018 or 2019.** For these individuals, the IRS will rely on 2019 tax returns to the extent possible. For those who have not yet filed their return for 2019, the IRS will use information from their 2018 tax filing to calculate the payment.
- **Individuals who receive Social Security retirement, disability (SSDI), or survivor benefits, or individuals who receive Railroad Retirement Benefits:** These individuals will not need to fill out additional information to receive an Economic Impact Payment

Others who do not typically file a tax return will need to submit some simple information to the IRS to receive an economic impact payment.

Will the additional $500 per child be based on child dependents listed on a household's tax return?

The payments for children will only apply to a **child under 17 years old** listed on the household's tax return—similar to the rules guiding the Child Tax Credit. Children who are 17 years old and older and other dependents, such as those who are permanently disabled, are not eligible for the $500 payment.

Will these assistance payments be made by paper checks or direct deposit?

For tax filers, the economic impact payment will be deposited directly into the same banking account reflected on the return filed. The U.S. Treasury has developed a web-based portal for individuals to provide or confirm their banking information to the IRS in order to ensure they receive payments as a direct deposit as opposed to a paper check in the mail. For security reasons, the IRS plans to mail a letter about the economic impact payment to the taxpayer's last known address within 15 days after the payment is paid. The letter will provide information on how the payment is made and how to report any failure to receive the payment.

How long will it take for families to receive their share of the money offered by the federal government in the *CARES Act*?

The amount of time it takes for families to receive rebate checks will likely depend on a variety of factors. The IRS has already begun distributing economic impact payments. However, timing may vary based on how much information the IRS has about a household, whether or not they have to send a paper check or can do a direct deposit, and agency capacity. Individuals may use this IRS portal to check the status of their payments.

The CARES Act states that checks for individuals start decreasing $75,000. Do we know what happens for people who live off investments and don't show income, but are very wealthy?

Payments will start decreasing by $5 for every $100 earned over $75,000 in annual income for single individuals and for every $100 earned over $150,000 in annual income for married couples (this is a 5% phase-out rate). This means the payments would phase out entirely by $99,000 for singles and $198,000 for couples (with no children). Because the IRS is using tax returns to determine this information, investment income should be counted.

Payroll Tax Credits and Paid Family/Medical Leave

As part of the Families First Coronavirus Response Act (FFCRA; PL 116-127), Congress expanded paid family and medical leave benefits through two new laws applicable to businesses with fewer than 500 employees and to government employers of all sizes, including counties. To support this expansion, the FFCRA legislation also provides certain private employers with fewer than 500 employees with fully refundable tax credits to provide employees with paid sick and family medical leave incurred as a result of COVID-19. ***The CARES Act provides for advance refunding of those payroll tax credits. The credit for required paid sick leave and the credit for required paid leave can be refunded by the U.S. Treasury in advance using instructions that will be provided by the Internal Revenue Service.***

Has there been any guidance that indicates whether Governors' broad "Stay at Home orders" qualifies as a quarantine under the law for paid medical or family leave?

There has not been any federal guidance on Governors' orders. However an employee is entitled to paid medical leave if they are sick from COVID-19, if they are caring for family members impacted by COVID-19, or if a child under the age of 18 whose school or childcare is closed due to reasons related to COVID-19. We know county governments with 500 or less employees are covered and we are seeking a clarification from the Dept. of Labor whether these rules are applicable to county governments with more than 500 employers. Employers with less than 50 employees can seek exemption and we are trying to clarify if that includes county government employers too.

Are public units (e.g. schools, county governments, etc.) eligible for payroll tax credits?

No. Only private sector employers are eligible for the payroll tax credits. NACo has been working with Members of Congress to advocate for language in a fourth supplemental that would change current law and allow local governments to be eligible. We hope expect to see a bipartisan bill introduced soon that would make state and local governments eligible for payroll tax credit with support in both the House and Senate.

Does the *CARES Act* correct the omission of state and local governments not being allowed to take the credit against Social Security and Medicare taxes?

No. The *CARES Act* does not correct that omission for state and local governments to take the Social Security and Medicare taxes.

Child Care Assistance

The CARES Act provides $3.5 billion of funding through the Child Care Development Block Grant (CCDBG) to provide child care assistance to health care sector employees, emergency responders, sanitation workers and other workers deemed essential during the response to the coronavirus.

How can childcare providers access the reimbursement funding, particularly those who are providing services for healthcare employees and first responders?

The *CARES Act* includes $3.5 billion in supplemental funding for the Child Care and Development Block Grant (CCDBG). CCDBG is traditionally distributed by formula to states, where Lead Agencies disburse the funding according to their State Plan. The *CARES Act* is explicit that Lead Agencies do **not** need to amend their State Plans to access supplemental funding. HHS has not yet disbursed this funding but has released state-by-state allocations. We advise county governments and child care providers working to access CCDBG funding to correspond with their State Lead Agency contacts and monitor the Federal Office of Child Care website for additional guidance.

Municipal Bonds

The CARES Act gives the U.S. Treasury new authority to authorize loans and make municipal bond purchases to aid state and local governments. The bill creates a $500 billion Economic Stabilization Fund that authorizes the U.S. Treasury to purchase obligations of states, local governments and political subdivisions of them, to cover losses incurred as a result of COVID-19. Thus, the Federal Reserve is permitted to participate as an investor in securities that mature in greater than six months. This fund also provides loans and loan guarantees to small businesses.

Can you clarify the municipal bonds provisions included in the *CARES Act*?

Under Title IV, Sec. 4003, the *CARES Act* provides $500 billion to the U.S. Treasury's Exchange Stabilization Fund to provide loans, loan guarantees and other investments to industries, states and municipalities (page 512). Of this total, direct lending includes $25 billion for passenger air carriers, $4 billion for cargo air carriers and $17 billion for businesses important to maintaining national security. Additionally, of the $500 billion total, the bill allocates $454 billion towards businesses, states and municipalities, including counties, to cover losses incurred as a result of COVID-19. This level of funding is intended to support the Federal Reserve's lending facilities to eligible businesses, state and municipalities noting that the Federal Reserve's lending is a "critical tool that can be used in times of crisis to help mitigate extraordinary pressure in financial markets that would otherwise have severe adverse consequences for households, businesses and the U.S. economy."

Is the Federal Reserve going to loan or fund municipal bond markets?

Overall, the *CARES Act* establishes a new $454 billion Economic Stabilization Fund that permits the U.S. Department of Treasury to purchase outstanding debt of states, local governments, instrumentalities and political subdivisions of them. Thus, the bill permits the Federal Reserve to participate in the secondary municipal bond market as an investor in municipal debt. Just as the equities market, and the corporate market took a tumble over the past week, so too does the municipal market. Asking the Federal Reserve to purchase bonds already issued would help energize the flow of bonds in the secondary market, leading to a rehabilitation of pricing on the primary market – said simply, allowing this to happen will decrease borrowing costs in the long-run for counties. This fund also provides loans and loan guarantees to small businesses.

Is Sen. Bob Menendez's (D-N.J.) legislation, the *Municipal Bonds Emergency Relief Act*, included in the *CARES Act* legislation?

Partial language of Senator Menendez's legislation is included. However, language that explicitly separates state/local governments and businesses (concerning the $454 billion in the Economic

Stabilization Fund), is not included. NACo and other national, state and local organizations are working with the U.S. Treasury Department in hopes that this language may be altered in future supplemental packages.

Given the current market conditions of tax-exempt debt securities, have there been any discussions to reestablish advance refunding?

Yes. This is a long-term call.

Unemployment Insurance

The CARES Act provides several financial assistance avenues for American workers, families and businesses. These avenues include: Pandemic Unemployment Assistance, emergency unemployment relief for governmental entities and nonprofit organizations, emergency increase in unemployment compensation benefits, emergency state staffing flexibility and pandemic emergency unemployment compensation.

Do the unemployment insurance benefits include contracted services or only W-2 wage earners?

Under the *CARES Act*, unemployment benefits are now extended to independent contractors. Contractors unable to work as a result of COVID-19 may be eligible to collect these unemployment benefits up until December 31, 2020. **In addition to independent contractors, this benefit extends to include self-employed workers, business owners, as well as employees who do not satisfy work history or other eligibility requirements under their state unemployment systems, or those who have exhausted regular unemployment benefits.** The benefits are calculated using the same formula as a state's unemployment insurance benefit but, consistent with federal disaster benefit calculations, have a higher minimum benefit or floor, equal to one-half of the state's average weekly employment insurance benefit. **Workers who receive this benefit will also receive an additional $600 payment through July 31, 2020. This represents a major departure from current state laws concerning unemployment benefits, which exclude independent contractors from coverage.** For more details, visit the Wage & Hour Litigation Blog.

Are the unemployment insurance benefits included in the *CARES* Act available to 1099 workers?

Yes. Under "Sec. 2102. Pandemic Unemployment Assistance," the Act creates a new program that will provide unemployment benefits to individuals who do not qualify for regular unemployment compensation and are unable to work because of the COVID-19 public health emergency. Pandemic Unemployment Assistance will cover self-employed workers (including gig workers and independent contractors), part-time workers, and those with limited work histories. The program is effective through December 31, 2020.

Housing & Urban Development; Mortgages

The CARES Act contains provisions to place moratorium on foreclosures of federally-backed mortgages and establishes a consumer's right to request forbearance on federally-backed mortgage loans (p. 568). The provision also states that "no fees, penalties or interest beyond the amounts scheduled or calculated" will accrue on the borrower's account. The CARES Act also provides $5 billion in supplemental funding for the Community Development Block Grant (CDBG) program.

How will the provisions for a moratorium on mortgage foreclosures and forbearance impact property tax collections if borrowers are not making mortgage payments? Is there a federal entity (e.g. Treasury, etc.) that will make payments on behalf of the borrower during forbearance?

There is no specific information on how property tax collections would be handled for individuals not making mortgage payments. The *CARES Act* does not provide for a federal entity to make property tax payments on behalf of borrowers. However, the Coronavirus Relief Fund may provide counties relief on this.

When will the U.S. Department of Housing and Urban Development (HUD) be distributing CDBG funds provided for in the *CARES Act*?

On April 1, the U.S. Department of Housing and Urban Development (HUD) announced a $2 billion allocation of CDBG funds, out of an expected $5 billion in total supplemental funding included under the *CARES Act*. The initial $2 billion is now available for states and entitlement communities under the program's existing formula that determined FY 2020 CDBG allocations.

In addition to the first $2 billion allocation, the *CARES Act* required an additional $1 billion to be allocated states and certain areas "to prevent, prepare for, and respond to coronavirus within the state or insular area, including activities within entitlement and non-entitlement communities, based on public health needs, risk of transmission of coronavirus, number of coronavirus cases compared to the national average, and economic and housing market disruptions, and other factors as determined by the Secretary, using the best available data." HUD has 45 days from the date of the *CARES Act* enactment -- until May 11, 2020 -- to disburse the $1 billion allocation.

Finally, the remaining $2 billion of the $5 billion total must be distributed directly to states or units of local governments according to a formula based on factors determined by the HUD secretary. These factors may include an area's risk of coronavirus spread, the number of coronavirus cases compared to the national average, and economic or housing disruptions incurred by the pandemic.

Economic Stabilization Fund

The CARES Act created a $500 billion Economic Stabilization Fund that authorizes the U.S. Treasury to purchase obligations of states, local governments and political subdivisions of them, to cover losses incurred as a result of COVID-19. Thus, the Federal Reserve is permitted to participate as an investor in securities that mature in greater than six months. This fund also provides loans and loan guarantees to small businesses.

Under Sec. 4003 of Subtitle A of Title IV in Division A "Economic Stabilization and Assistance to Severely Distressed Sectors of the United States Economy" there is an appropriation of $500B for Treasury to make loans, loan guarantees, and more. Later in the subtitle "Sec. 4027 Direct Appropriation", there is an additional $500 billion to carry out the provisions of the subtitle. Are these one-in-the-same or is it a total of $1 trillion in appropriations?

The Economic Stabilization Fund is worth $500 billion, and the two figures referenced are one-in-the-same.

Assistance for Small Businesses

The CARES Act has several provisions to help small businesses across the United States. Provisions include: Directs the Small Business Administration (SBA) to Provide Loan Forgiveness, Provides $265 million for Small Business Entrepreneurial Development Programs, Allots $10 billion for Small Business Administration – Emergency EIDL Grants, Includes $17 billion in additional funding for Small Business Administration – Business Loan programs, Provides funding for Minority Business Development Agency and Includes funding for the Direct Loans Program.

Can you clarify what the *CARES Act* does to help small businesses? I've read there would be forgivable loans for employers that retain employees.

The *CARES Act* provides $350 billion for a new Small Business Administration Paycheck Protection Program (PPP). The program will provide cash-flow assistance through 100% federally guaranteed loans to employers who maintain their payroll during this emergency. If employees maintain their payroll, the loans will be forgiven, which would help workers remain employed, as well as help affected small businesses and our economy to snap-back quicker after the crisis.

PPP features include forgiveness of up to 8 weeks of payroll based on employee retention and salary levels, no SBA fees and at least six months of deferral with maximum deferrals of up to a year. Small businesses and other eligible entities will be able to apply if they were harmed by COVID-19 between

February 15, 2020 and June 30, 2020. This program would be retroactive to February 15, 2020, in order to help bring workers who may have already been laid off back onto payrolls. **Loans are available through June 30, 2020.**

The legislation also provides $17 billion for immediate relief to small businesses with non-disaster SBA loans, in particular 7(a), 504, and microloans. Under it, SBA will cover all loan payments on these SBA loans, including principal, interest, and fees, for six months. This relief will also be available to new borrowers who take out loans within six months of enactment date.

The *CARES Act* also creates a new SBA Economic Injury Emergency Grant Program. These grants provide an emergency advance of up to $10,000 to small businesses and private non-profits harmed by COVID-19 within three days of applying for an SBA Economic Injury Disaster Loan (EIDL). To access the advance, you must first apply for an EIDL and then request the advance. The advance does not need to be repaid under any circumstances, and may be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations.

Does the Payment Protection Program (PPP) provide assistance to S. Corporations?

The Small Business Administration (SBA) specifies who is eligible to apply for the Paycheck Protection Program:

- Any small business concern that meets SBA's size standards (either the industry based sized standard or the alternative size standard)
- Any business, 501(c)(3) non-profit organization, 501(c)(19) veterans organization, or Tribal business concern (sec. 31(b)(2)(C) of the Small Business Act) with the greater of:
    - 500 employees, or
    - That meets the SBA industry size standard if more than 500
- Any business with a NAICS Code that begins with 72 (Accommodations and Food Services) that has more than one physical location and employs less than 500 per location
- Sole proprietors, independent contractors, and self-employed persons

Is PPP available for sole proprietors?

Yes, PPP is available for sole proprietors that report income and pay taxes on a Schedule C in their personal tax return and who were operational as of February 15, 2020.

Does the Paycheck Protection Program apply to Community Based Organizations (501(c)(3) organizations who provide mental health services to either children or adults?

Yes. The *CARES Act* expands the paycheck protection program to be applicable to any 501(c)(3) organization that has fewer than 500 employees.

Is the $250 billion referenced for small business in a potential fourth supplemental package just additional funding to the Payment Protection Program, or is it additional loans or a completely new program to support our businesses?

On April 9, U.S. Senate negotiations stalled over a fourth "interim" FY 2020 supplemental appropriations package centered on providing additional relief for the Paycheck Protection Program (PPP). While Leader McConnell sought to provide $250 billion to the Small Business Administration entirely for the PPP, Senate Democrats countered with a proposal that would provide $125 billion for the PPP and $125 billion to go through community banks, emergency grants and other programs aimed at underserved communities.

Can local governments apply for the Payment Protection Program or the Economic Injury Disaster Loan program to keep people employed during this time?

No. According to Small Business Administration (SBA) guidelines, only the following entities are eligible to apply for the Paycheck Protection Program (PPP):

- Any small business concern that meets SBA's size standards (either the industry based sized standard or the alternative size standard)
- Any business, 501(c)(3) non-profit organization, 501(c)(19) veterans organization, or Tribal business concern (sec. 31(b)(2)(C) of the Small Business Act) with the greater of:
    - 500 employees, or
    - That meets the SBA industry size standard if more than 500
- Any business with a NAICS Code that begins with 72 (Accommodations and Food Services) that has more than one physical location and employs less than 500 per location
- Sole proprietors, independent contractors, and self-employed persons

Additionally, the SBA clarifies that the Economic Injury Disaster Loan is for any small business with less than 500 employees (including sole proprietorships, independent contractors and self-employed persons), private non-profit organization or 501(c)(19) veterans organizations affected by COVID-19.

Businesses in certain industries may have more than 500 employees if they meet the SBA's size standards for those industries.

Can you speak to the Business Continuity aspect of the *CARES Act*? Will it cover costs for entities to alter their systems to work remotely?

Loans made under the PPP may be used by employers to pay payroll costs, costs related to the continuation of group health care benefits including insurance premiums, employee salaries, commissions or similar compensations, payment of interest on mortgage obligations incurred prior to March 1, 2020 (but not including prepayments or principal payments), rent expenses, utilities, and interest on any other debt obligations incurred before March 1, 2020.

Transportation

The CARES Act provides the U.S. Department of Transportation with $36.1 billion to maintain essential air service to small and rural communities, provide direct grant funding for airports, provide financial relief to local public transit agencies, fund safety operations and programs for heavy trucks, improve rail safety and operations, and continue federal support of Amtrak.

Does the airport funding included in the *CARES Act* apply to private as well as public airports?

No. The airport funding included in the *CARES Act* applies only to "public-use" airports. As defined in statute, this means that an airport must be for public use in order to qualify for funding. While strictly private airports are ineligible, privately owned airports open for public use would qualify.

Elections and Election Security

The CARES Act includes $400 million in election assistance for the states to help prepare for the 2020 election cycle, including to increase the ability to vote by mail, expand early voting and online registration and increase the safety of voting in-person by providing additional voting facilities and more poll workers.

Does the *CARES Act* encourage or mandate vote-by-mail and online voter registration? Is there anything in the legislation related to satellite offices on reservations?

The *CARES Act* does not mandate vote-by-mail and online voter registration, nor does it have anything pertaining to satellite offices.

The *CARES Act* provides $400 million in election grants to help states prepare for the 2020 elections. Coronavirus has already caused several states to delay primaries, and Democratic and Republican election officials have expressed the need for resources. This funding can help states take immediate steps to make voting safer. The funding can be used to increase the ability to vote by mail, expand early voting and online registration, and improve the safety of voting in-person by providing additional voting facilities and more poll workers.

What proposals and/or budget allocations are being considered for ensuring that the November 2020 elections are held and function well at the county level across the U.S.?

The *CARES Act* provides $400 million in election grants to help states prepare for the 2020 elections. Coronavirus has already caused several states to delay primaries, and Democratic and Republican election officials have expressed the need for resources. This funding can help states take immediate steps to make voting safer. The funding can be used to increase the ability to vote by mail, expand early voting and online registration, and improve the safety of voting in-person by providing additional voting facilities and more poll workers.

Ahead of the next COVID-19 relief package, we have heard that lawmakers would like to allocate additional funding towards elections, but that they have not settled on a specific funding level.

How will funding specifically be distributed to county officials who are responsible for conducting voting and elections?

Under the *CARES Act*, there is $400 million allocated to states to assist with vote by mail, expand early voting, online registration, safety of in-person voting and other needs. Under this provision, states are required to provide a 20 percent match. The law is silent on the issue of sub-allocation of state funds to counties.

What provisions are being discussed for vote-by-mail or other voting alternatives?

Under the *CARES Act*, there is $400 million allocated to states to assist with vote by mail, expand early voting, online registration, safety of in-person voting and other needs. At the time of writing, Congress is weighing next steps on the next phases of the legislative response to the COVID-19 pandemic, which could include expanded resources for state and local governments.

What, if any, election security components are included under the *CARES Act*? Are there any restrictions (ex. match, supplanting, restricted uses, etc.) on how allocated funds can be used?

Under the *CARES Act*, there is $400 million allocated to states to assist with vote by mail, expand early voting, online registration, safety of in-person voting and other needs. Under this provision, states are required to provide a 20 percent match. The law is silent on the issue of sub-allocation of state funds to counties.

Additionally, each state shall provide the U.S. Election Assistance Commission (EAC), within 20 days of each election in the 2020 Federal election cycle, a report that includes a full accounting of the state's use of the payment and an explanation of how such uses allowed the state to prevent, prepare or and respond to COVID-19. The EAC is required to make payments to states by April 27, 2020. Any portion of the state's COVID-19 election funds that are not used by December 31, 2020 will be returned to the U.S. Treasury.

Coronavirus Relief Fund (State Stabilization Fund)

The CARES Act establishes a new Coronavirus Relief Fund for state and local governments to address spending shortages related to the coronavirus pandemic. It provides $150 billion in aid to states, tribal governments, territories and local governments with populations of over 500,000 people to address necessary expenditures incurred due to the COVID-19 public health emergency.

Local governments must send a certification to the U.S. Treasury stating their most recent population figures in order to get direct payments. Do you know to whom at the U.S. Treasury this certification should be sent?

The U.S. Treasury opened their portal for applications on April 13. You can access the portal here.

Could the offset for counties who do not pay into the federal payroll tax be covered under the category of non-budgeted expenses we incurred in response to the crisis in the Coronavirus Relief Fund?

As per the *CARES Act*, only the following expenses are currently eligible to be covered by the Coronavirus Relief Fund:

- Necessary **expenditures** incurred due to the **public health emergency** of COVID-19;
- **Budget costs not accounted** for in most recent adopted budget, and;
- Costs incurred between March 1, 2020 through December 30, 2020.

How is the U.S. Treasury determining the population figure for the relief fund?

Under the U.S. Treasury guidance, counties are allowed to count the city population that is within the county boundary to ensure they are eligible for DIRECT Coronavirus Relief Fund (CRF) payments. However, to calculate a county's CRF payment amount, the city's population will be subtracted by the county's population (ultimately, leading to less funding for the county).

Additional information on the U.S. Treasury's methodology can be found here.

Will counties with a population of less than 500,000 receive money and is there a direct payment process available for local governments with a population of less than 500,000?

Under the *CARES Act*, counties with populations less than 500k are NOT eligible to receive direct payments from the U.S. Treasury.

The *CARES Act* is silent on how counties are supposed to work with their state to receive funding, and NACo is still waiting on additional guidance from Treasury to understand whether units of local government below 500k will be able to be subgrantees of the state.

Will sanctuary cities/counties be eligible to receive funds?

The *CARES Act* is silent on the issue of sanctuary cities/counties.

Under the *CARES Act*, an eligible unit of local government (city/county with a population at or above 500,000) may receive direct Coronavirus Relief Fund payments from the U.S. Treasury.

How can counties with populations over 500,000 directly access relief funds and what is the timing for this process?

The U.S. Treasury opened their portal for counties with populations above 500,000 to apply for CRF payments. The deadline to submit your application is Friday, April 17 at 11:59PM ET using this link. If a county does not apply by the deadline, it will NOT receive CRF payments.

Has the U.S. Treasury Department released any guidance on the Coronavirus Relief Fund calculations?

The U.S. Treasury recently announced how it will split up funding among the states. If you would like your specific county's project allocation in funding, please reach out to ehurley@naco.org.

Is emphasis being placed on an expedient distribution of Coronavirus Relief funds that have to be dispersed by states to localities?

Yes. Under the *CARES Act* and guidance issued by the U.S. Treasury, Coronavirus Relief Fund payments are expected to be disbursed by April 24, 2020 to all eligible units of local government.

Small cities have been told by Congress that they can come to counties to access some of these stabilization funds. Is this accurate?

The *CARES Act* is silent on whether or not the state is required to share funding with cities/counties under 500k population. NACo is still waiting on additional guidance from the U.S. Treasury on whether counties/cities will be subgrantees of the state.

If a city is taken out of the calculation, will the county be directed to spend their funds on the rest of the county?

In terms of eligibility for CRF payments, if a city sits within a county's boundaries, the city's population WILL NOT be counted against the county's overall population.

However, in terms of actual funding allocation, a city's population WILL be counted against the county's population. Thus, the county's overall funding allocation will be smalle**r.**

Are states required to distribute some of their share of Coronavirus Relief funds to counties and cities with populations under 500,000? Will they be responsible for distributing funds to smaller localities within a county?

The *CARES Act* is silent on whether or not the state is required to share funding with cities/counties under 500k population. NACo is still waiting on additional guidance from the U.S. Treasury on whether counties/cities will be subgrantees of the state.

For counties filing reimbursements for COVID-19-related expenses between the March 1, 2020 and December 30, 2020 period, what is the process to submit expenditures and receive funding allocations? How should counties address any unused funding allocations?

An eligible unit of local government should apply by the April 17 deadline. The U.S. Treasury will provide applicants with a specific allocation based upon a formula determined by the U.S. Treasury. If a unit of local government's funds are not used by December 30, 2020, the U.S. Treasury will reclaim any unspent funds.

If you are interested in hearing your county's projected allocation amount, please email ehurley@naco.org.

Should county applications for relief funding be submitted to the Department of the Treasury one time (in aggregate), or on a rolling basis to capture expenditures as they occur?

County applications should be submitted ONE TIME to the U.S. Treasury. The deadline to submit applications is Friday, April 17 by 11:59PM ET using this link.

How and when can County Executives sign a letter of intent for Coronavirus Relief funding? How can I start the process? Is a template or any additional guidance available?

The U.S. Treasury portal is now open. The unit of local government's Chief Executive Officer can submit a certificate. The template and application process can be found at this link.

How will funding be allocated down from states to cities and counties?

The *CARES Act* is silent on whether or not the state is required to share funding with cities/counties under 500k population. NACo is still waiting on additional guidance from the U.S. Treasury on whether counties/cities will be subgrantees of the state.

Can expenditures occur now and be reimbursed through allocated funds?

Under the *CARES Act*, Coronavirus Relief Fund payments can be used to cover expenses that were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

Can Coronavirus Relief Funding be used to offset counties' lost sales tax revenue?

No. CRF payments DO NOT cover lost revenue as of April 20, 2020. NACo encourages counties to [continue telling the county story](#) to urge Congress to enact legislation that will allow the CRF to apply to lost revenue.

Can expenditures made after March 1, 2020, but before the formal allocation from the U.S. Treasury, be reimbursed so long as the expense is for a legitimate purpose under the *CARES Act*?

Yes, eligible expenses incurred since March 1, 2020 are covered under the *CARES Act* Coronavirus Relief Fund.

Is it correct that funding allotted to a county will disperse within the next 30 days and it is to be used to cover qualifying COVID-19 expenses between March 1, 2020 and December 30, 2020 as they occur? If so, is this arrangement less of a reimbursement at the end and more like a special appropriation to cover expenses as they occur in that time period?

Yes, this payment will act more like a special appropriation to cover expenses. Eligible counties will receive their payments in FULL by April 24, 2020. They are expected to spend this entire allocation by December 30, 2020. If the total amount is not spent, any unspent funds will be reclaimed by the U.S. Treasury.

Will the U.S. Treasury allocate funds to counties once we request and send in a certification?

Once the eligible unit of local government submits its application to the U.S. Treasury and is approved, funding will be allocated to the unit of local government by April 24, 2020.

Which county government expenses are eligible for CRF? *NACo has received several questions about specific activities—such as expansion of morgues, hazard pay for essential workers, public safety and criminal justice, employees who have lost their jobs, and more. The below information reflects the latest information we have on CRF expenses.*

Under the *CARES Act*, CRF payments may 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.

It is our understanding that that units of local government can use CRF payments for:

- Emergency Operations

- Police, Fire & Corrections
- Transit & Public Works
- Education
- Local Hospitals & Clinics
- Housing & Social Services
- Public Utilities
- Management & Admin
- Planning & Community Development

The U.S. Treasury will release additional guidance closer to the April 24 date of when they disburse the funds.

What is the best way for small localities (less than 500,000 in population) to receive grants to help recover lost revenue due to COVID-19?

At this point, funds from the Coronavirus Relief Fund do not cover lost revenue for communities of any size. Some grants that were issued in the *CARES Act*, however, do cover revenue losses. For example, the U.S. Department of Transportation issued $25 billion in transit formula grants under which lost revenue is an eligible cost. Federal agencies have issued guidance that should be referenced to determine what costs and projects are covered/reimbursable.

Is there any guidance on how states should distribute stabilization funds to counties with populations less than 500,000? Will small local governments (under 500,000) be able to apply for funds through the state or will the state decide whether it wishes to access these funds and make them available to local governments?

Under the *CARES Act*, counties with populations less than 500k are NOT eligible to receive direct payments from the U.S. Treasury. The *CARES Act* is silent on how counties are supposed to work with their state to receive funding, and NACo is still waiting on additional guidance from Treasury to understand whether units of local government below 500k will be able to be subgrantees of the state.

Assistance for Lost Revenue

The impact of COVID-19 on sales and property taxes county is creating unprecedented pressure on county General Revenue Funds. NACo continues to raise relief for lost revenue as a critical county priority in an upcoming relief package. Visit this NACo resource to learn more about the impact of lost revenue on county budgets and finances.

Property taxes are really hammering small businesses, urban hotels, and restaurants who are losing business due to the health crisis. Are there any plans to provide assistance in a fourth supplemental package, defraying property taxes to help bridge until revenues rebalance?

At the time of writing, congressional legislators are weighing next steps on a fourth COVID-19 response legislation. While the *CARES Act* package does not address revenue loss for states and localities, U.S. Senate Democrats have proposed to address this in the fourth package, as well as additional measures to support local relief, hospital funding and nutrition assistance.

On April 6, NACo wrote a letter to congressional leadership urging the inclusion of direct and flexible funding sources for counties that would help mitigate steep declines in revenue sources. At the time of writing, Congress is weighing a fourth COVID-19 response package that may include measures to address lost revenue. NACo encourages counties to continue telling the county story to urge Congress to enact legislation that will allow the CRF to apply to lost revenue.

Given that consumer spending and the collection of sales tax is likely to fall, at least in the short-term, our county's payment obligation on the revenue bonds could be in jeopardy. Is there any provision in the *CARES Act* which can help counties cover this loss of revenue and avoid a default on bond payments?

The Coronavirus Relief Fund unfortunately does not cover costs associated with lost revenue. At the time of writing, as Congress weighs next steps on a fourth COVID-19 legislative package, U.S. Senate Democrats have proposed measures that would address lost revenue for state and local governments incurred as a result of coronavirus. Negotiations have, however, stalled, as the chamber's Republicans and Democrats remain deadlocked over the details of the fourth package.

In terms of bond payments, the *CARES Act* includes $150 billion for state, county, and municipal governments with populations greater than 500,000 to help with expenses that spring from the crisis. The bill also earmarks $100 billion for local hospitals and allows the U.S. Treasury to authorize $500 billion in loans and municipal-bond purchases.

If we are successful in getting state and local relief to apply to revenue loss in the *CARES Act* and COVID round 4, are there discussions of whether its use will be limited to new expenses or whether it might also be used to sustain a workforce that otherwise would need to be furloughed?

Congress and the administration continue to partake in ongoing negotiations as to what will be included in the next COVID relief package.

Municipal Liquidity Facility

The Federal Reserve has announced the Municipal Liquidity Facility (the "MLF") to provide liquidity to state and local governmental authorities affected by the COVID-19 pandemic. The MLF, which is established pursuant to the Federal Reserve's emergency lending authority under Section 13(3) of the Federal Reserve Act, will lend up to $500 billion to "Eligible Issuers" through September 30, 2020, subject to extension.

What is NACo's position on the Federal Reserve Bank's roll-out of the Municipal Liquidity Facility and its limit to states, cities with populations over 1,000,000 and counties with populations over 2,000,000?

While NACo would support that the Liquidity Facility threshold be lowered to 1 million to 2 million, we applaud the Federal Reserve/U.S. Treasury for investing $35 billion into the municipal bond market in an effort to support localities. Additionally, the Federal Reserve has indicated that they will revise their current process as needed.

Since this action, we have seen the market subsequently calm down and interest rates go down. Right now, NACo is keeping a close eye on the whole market and how deals are getting priced and places, and staying in close contact with our national partners on this issue.

In terms of our long-term focus, stabilization of our existing capital market is a goal of ours. We want to make sure that after this crisis has subsided that we have proven tools in the county toolbox to stimulate the economy and maintain health of county finances. This includes reinstating advance refunding and increasing the bank qualified borrowing limit from $10 million to $30 million.

What guidance/information is available on the Municipal Liquidity Facility?

The Federal Reserve recently released a term sheet with additional information on the Municipal Liquidity Form, available at this link. However, the U.S. Treasury and the Federal Reserve have not yet released guidance on which bank or company will administer the program and accept purchase requests.

What, if any, threshold requirements exist for counties to participate in the Municipal Liquidity Facility? Will additional funds also be available to counties with populations under 500,000?

The facility will purchase up to $500 billion of short term notes directly from U.S. states (including the District of Columbia), U.S. counties with a population of at least two million residents, and U.S. cities with a population of at least one million residents. Eligible state-level issuers may use the proceeds to support additional counties and cities.

In addition to the actions described above, the Federal Reserve will continue to closely monitor conditions in the primary and secondary markets for municipal securities and will evaluate whether additional measures are needed to support the flow of credit and liquidity to state and local governments.

Is there any plan for counties with smaller populations (less than 2,000,000) so that they can take advantage of the new debt regulations?

The facility will purchase up to $500 billion of short-term notes directly from U.S. states (including the District of Columbia), U.S. counties with a population of at least two million residents, and U.S. cities with a population of at least one million residents. Eligible state-level issuers may use the proceeds to support additional counties and cities.

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FEMA Assistance

The CARES Act provides an infusion of $45 billion to FEMA's Disaster Relief Fund to assist state and local governments in their efforts to mitigate the spread of COVID-19 and protect public health. It also includes $400 million for prevention, preparation and response to the coronavirus and will be divided in the following ways: $100 million for Assistance to Firefighter grants for the purchase of protective gear, supplies and related reimbursements; $100 million for Emergency Management Performance Grants; and $200 million for the Emergency Food and Shelter Program.

Is there any movement on NACo's advocacy on no local match to FEMA (i.e. 100 percent federal funding for FEMA relief)? Is there any possibility that this will come in a fourth Supplemental package?

NACo is working to create an action alert for members with information on a letter from lawmakers in the U.S. House of Representatives to President Trump. The president has the sole authority to waive the required 25 percent local match in times of national emergencies, which has been done following disasters like Hurricane Sandy, Hurricane Irma and Louisiana's 2016 floods. The goal of this letter is to secure as much bipartisan support as possible to encourage the president to provide 100 percent federal support for FEMA projects undertaken as a result of the COVID-19 pandemic.

It appears that the Coronavirus Relief Fund and the FEMA Public Assistance program are similar from an eligibility standpoint. In other words, if most of my costs are covered by FEMA, what would we use the *CARES* funds for?

NACo has reached out to FEMA for clarity on this issue. We are working to have an answer included as part of our upcoming webinar on FEMA's PA program.

Outside of FEMA, is there any assistance coming for rural communities under the 500,000 population threshold?

There is no guidance included in the *CARES Act* on how communities under 500,000 can access the Coronavirus Relief Fund. NACo is still waiting for explicit details/guidance from the U.S. Treasury. However, other federal agencies that have issued notices of funding opportunities can have significantly different guidelines. These agencies have released guidance that should be referenced to determine who and what projects are eligible for coverage/reimbursement.

Public Lands

Will Park Districts receive monies from the counties for all the programs we normally have?

The *CARES Act* does not include extra funding for the National Park Service or other federal lands agencies, aside from increased funding for protective gear, cleaning equipment and other sanitation needs. The FY 2020 omnibus spending package signed in December 2019 included $495 million for the Land and Water Conservation Fund, of which $258 million is available for state and local governments, which is used for maintaining and creating parks, greenspaces and other conservation areas. The *CARES Act* does not include additional funding for this program.

Federal Safety Net Programs

The FFFCRA and CARES Act include supplemental funds for a wide variety of human services programs. Visit this link for more information.

What changes to the Supplemental Nutrition Assistance Program (SNAP) have Democrats included in their proposed Interim COVID-19 Relief Package?

The Democrats' proposal (the *Interim Emergency COVID-19 Relief Act*) sought an increase in SNAP maximum benefits to 115 percent of the thrifty food plan. While it will vary by household, this provision would result in every SNAP participant receiving an average increase to their monthly benefit of about $25. Additionally, the proposal sought to increase the minimum SNAP benefit--which is most commonly provided to seniors and disabled individuals--from $16 to $30 monthly. The proposal would also provide

$150 million in SNAP administrative funds in FY 2020 and FY 2021 for states to respond to increased demand, waive SNAP work requirements for two years (under the Families First Coronavirus Response Act SNAP work requirements are waived only for the duration of the declared public health emergency), and block the Administration from implementing proposed regulatory changes to SNAP eligibility, work requirements, and benefit calculations.

Does the *CARES Act* provide any assistance for local consumers for water/wastewater utility bills or any increase in the Low Income Home Energy Assistance Program (LIHEAP) for energy assistance?

The *CARES Act* provides $900 million in supplemental funding for LIHEAP, available until September 30, 2021. LIHEAP helps low-income households pay for heating and cooling costs but does not cover wastewater/water utility bills.

NACo Resources

Will NACo provide any technical assistance with submitting requests for Coronavirus Relief funding?

Yes. Please contact NACo's Government Affairs team with any questions.

Can NACo provide a list of those counties and cities that are in the position of possibly losing stabilization funds because of the size of their large cities?

A full list of impacted counties can be found in NACo's analysis of the State Stabilization Fund (SSF) under the *CARES Act*.

Is there a summary of the *CARES Act* on the NACo website?

Yes. NACo's Summary and Analysis of the Third COVID-19 Supplemental: The Coronavirus Aid, Relief, and Economic Security Act can be found here.