

NACo BRIEF: CORONAVIRUS RELIEF FUND



Coronavirus Relief Fund information for counties

June 9, 2020

Background on the Coronavirus Relief Fund

On March 27, Congress passed and the president signed the [Coronavirus Aid, Relief and Economic Security \(CARES\) Act](#), which established a new \$150 billion Coronavirus Relief Fund (CRF) for state, county and municipal governments with populations of over 500,000 people to address necessary expenditures incurred due to the COVID-19 public health emergency.

The U.S. Treasury will oversee and administer CRF payments to state and local governments. CRF payments will be distributed no later than April 27 and will be available until December 30, 2020. If a state or eligible unit of local government does not spend all CRF payments that are allocated by December 2020, the U.S. Treasury will recoup these funds.

This document provides an overview of the CRF funding breakdown, eligibility requirements and recently released [U.S. Treasury guidance](#) with a specific focus on how each of these items impact county governments.

Coronavirus Relief Fund Funding Breakdown and Eligibility

Funding breakdown

As mentioned above, the Coronavirus Relief Act provides \$150 billion for state, county and municipal governments with population of over 500,000 people. Of the total \$150 billion, CRF payments are distributed as follows:

- \$3 billion for the District of Columbia and American territories
- \$8 billion for Tribal governments
- \$139 billion for states AND direct payments to **eligible units of local government above 500,000 population**

Under the CRF, the U.S. Treasury utilizes a formula, which determines how funding will be split between states and eligible units of local government. The formula is as follows:

- State formula is based on each state's proportional rate of total U.S. population of states only, *excluding District of Columbia and territories*
 - 45 percent of a state's allocation may be accessed by eligible units of local government above 500,000 population. All direct payments to eligible units of local government will be reduced from the state's total allocation
 - For eligible local governments, a locality's share will be equal to its share of the state population *multiplied* by the 45 percent set aside for local governments

Eligibility

- Under the CARES Act, a unit of local government eligible for receipt of direct payment includes a county, municipality, town, township, village, parish, borough or other unit of general government with a population that exceeds 500,000.
- If a unit of local government does not meet the 500,000 population threshold, it cannot receive direct payments from the U.S. Treasury. However, a state that receives a CRF payment is allowed to transfer funds to a unit of local government. Additional information is below under the “Frequently asked questions” section.
- **Overlapping jurisdictions:** Some local governments (i.e. a city) may be entirely within the boundaries of a larger local government (i.e. a county). If this situation occurs, to ensure the county is eligible to receive direct CRF payments, the county can include the city’s population. However, the Treasury guidance states that when allocating CRF payments, a city’s population will be subtracted from the county’s population. Thus, the county’s allocation will be reduced despite the county’s role in providing COVID-19 response services for the entire geographic location. **NACo opposed this method of calculating populations in overlapping jurisdictions.**

Use of CRF payments

Under the CARES Act, payments from the CRF may only be used to cover costs that:

1. Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19)

Under the Treasury guidance, the requirement that expenditures be incurred “due to” the public health emergency means that expenditures must be used for actions taken to respond to the COVID-19 pandemic. These may include expenditures incurred to allow the state or local government to respond directly to COVID-19, such as by addressing medical or public health needs.

Funds cannot be used to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify under the statute. Therefore, CRF payments cannot be used to cover revenue loss resulting from the COVID-19 pandemic.

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 county

The Treasury guidance states that payments be used ONLY to cover costs that were not accounted for in the budget most recently approved as of March 27, 2020.

Under the guidance, the “most recently approved” budget refers to the enacted budget for the relevant fiscal period for the county, without taking into account subsequent supplemental appropriations enacted or other budgetary adjustments made by that government in response to COVID-19.

3. Were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020

The guidance states that a cost is “incurred” when the responsible unit of local government has expended funds to cover the cost.

How funds can be used under Treasury guidance

Under the guidance, Treasury states that eligible expenditures include, but are not limited to, payment for:

1. Medical expenses related to COVID-19 such as:

- Public hospitals, clinics and similar facilities
- Establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs
- Costs of providing COVID-19 testing, including serological testing
- Emergency medical response expenses, including emergency medical transportation related to COVID-19
- Establishing and operating public telemedicine capabilities for COVID-19- related treatment

2. Public health expenses such as:

- Communication and enforcement by state and local governments of public health orders related to COVID-19
- Acquisition and distribution of medical and protective supplies, including sanitizing products and personal protective equipment, for medical personnel, police officers, social workers, child protection services, and child welfare officers, direct service providers for older adults and individuals with disabilities in community settings, and other public health or safety workers
- Disinfection of public areas and other facilities (i.e. nursing homes)
- Technical assistance to local authorities or other entities on mitigation of COVID-19-related threats to public health and safety
- Public safety measures undertaken in response to COVID-19
- Quarantining individuals

3. 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 COVID19 public health emergency

4. Expenses of actions to facilitate compliance with COVID-19-related public health measures, such as:

- Food delivery to residents (i.e. senior citizens and other vulnerable populations)
- Facilitate distance learning (i.e. technological improvements, in connection with school closings)
- Improve telework capabilities for public employees
- Providing paid sick and paid family and medical leave to public employees

- COVID-19-related expenses of maintaining state prisons and county jails, including as relates to sanitation and improvement of social distancing measures
- Care for homeless populations provided to mitigate COVID-19 effects

5. Expenses associated with the provision of economic support in connection with the COVID-19 public health emergency, such as:

- Expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures
- Expenditures related to a state and local government payroll support program
- Unemployment insurance costs related to the COVID-19 public health emergency if such costs will not be reimbursed by the federal government pursuant to the CARES Act or otherwise

6. Any other COVID-19-related expenses reasonably necessary to the function of the county government that satisfy the CRF's eligibility criteria

How funds CANNOT be used under Treasury guidance

Under the guidance, ineligible expenditures include, but are not limited to, payment for:

1. Expenses for the State share of Medicaid
2. Damages covered by insurance
3. Payroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency
4. Expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by States to State unemployment funds
5. Reimbursement to donors for donated items or services
6. Workforce bonuses other than hazard pay or overtime
7. Severance pay
8. Legal settlements

Frequently asked questions

1. If a county does not spend all CRF payments, does it have to return the unspent funds to Treasury?

Yes. Under the CARES Act, the Inspector General of the U.S. Treasury is given the authority to recoup CRF payments that have not been used by December 30, 2020.

2. Is a state that received a payment allowed to transfer funds to a county or other unit of local government?

Yes, provided that the transfer qualifies as a necessary expenditure incurred due to the public health emergency and meets the other criteria of section.

Such funds would be subject to recoupment by the Treasury Inspector General if they have not been used in a manner consistent with section 601(d) of the Social Security Act.

3. Are county governments required to submit proposed expenditures to Treasury for approval?

No. Governments are responsible for making determinations as to what expenditures are necessary due to the public health emergency with respect to COVID-19 and do not need to submit any proposed expenditures to Treasury.

4. The Guidance says that funding can be used to meet 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. How does a government determine whether payroll expenses for a given employee satisfy the “substantially dedicated” condition?

The Fund is designed to provide ready funding to address unforeseen financial needs and risks created by the COVID-19 public health emergency.

For this reason, and as a matter of administrative convenience in light of the emergency nature of this program, a State, territorial, local, or Tribal 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.

5. May a unit of local government that received a payment allowed to transfer funds to another unit of government?

Yes. For example, a county may transfer funds to a city, town, or school district within the county and a county or city may transfer funds to its state, provided that the transfer qualifies as a necessary expenditure incurred due to the public health emergency and meets the other criteria of section 601(d) of the Social Security Act outlined in the Guidance. **For example, a transfer from a county to a constituent city would not be permissible if the funds were intended to be used simply to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify as an eligible expenditure.**

6. Are recipients required to use other federal funds or seek reimbursement under other federal programs before using Fund payments to satisfy eligible expenses?

No. County governments may use CRF payments for any expenses eligible under section 601(d) of the Social Security Act outlined in Treasury’s guidance. CRF payments are not required to be used as the source of funding of last resort. However, as noted below in question 7, counties may not use payments from the CRF to cover expenditures for which they will receive reimbursement.

7. Are there prohibitions on combining a transaction supported with Fund payments with other CARES Act funding or COVID-19 relief Federal funding?

County governments will need to consider the applicable restrictions and limitations of such other sources of funding. In addition, expenses that have been or will be reimbursed under another federal program, such as reimbursements by the federal government pursuant to the CARES Act of contributions of states to state unemployment funds, are not eligible uses of CRF payments.

8. Are counties permitted to use CRF payments to support state unemployment insurance funds generally?

To the extent that the costs incurred by a county unemployment insurance fund are incurred due to the COVID-19 public health emergency, a county may use CRF payments to make payments to its respective unemployment insurance fund, separate and apart from such county's obligation to the unemployment insurance fund as an employer. This will permit counties to use CRF payments to prevent expenses related to the public health emergency from causing their state unemployment insurance funds to become insolvent.

9. Are county governments permitted to use CRF payments to pay for unemployment insurance costs incurred by the county as an employer?

Yes, CRF payments may be used for unemployment insurance costs incurred by the recipient as an employer (for example, as a reimbursing employer) related to the COVID-19 public health emergency if such costs will not be reimbursed by the federal government pursuant to the CARES Act or otherwise.

10. Treasury's [guidance released on April 22](#) states that CRF payments may support a "broad range of uses" including payroll expenses for employees "whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency." What are some examples of types of covered employees?

Under the guidance, CRF payments may be used to cover payroll expenses for classes of employees that are involved in 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.

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 substantially dedicated to mitigating or responding to the COVID-19 public health emergency are also covered. Other eligible expenditures include payroll and benefit costs of educational support staff or faculty responsible for developing online learning capabilities necessary to continue educational instruction in response to COVID-19-related school closures. Please see the Guidance for a discussion of what is meant by an expense that was not accounted for in the budget most recently approved as of March 27, 2020.

11. May counties provide stipends to employees for eligible expenses (for example, a stipend to employees to improve telework capabilities) rather than require employees to incur the eligible cost and submit for reimbursement?

Expenditures paid for with payments from the CRF must be limited to those that are necessary due to the public health emergency. As such, unless the county determines that providing assistance in the form of a stipend is an administrative necessity, the government should provide such assistance on a reimbursement basis to ensure as much as possible that funds are used to cover only eligible expenses.

12. May counties deposit CRF payments into an interest-bearing account?

Yes, so long as a county separately invest amounts received from the CRF, it must use the interest earned or other proceeds of these investments only to cover expenditures incurred in accordance with Section 601(d) of the Social Security Act and [Treasury's guidance](#) on eligible expenses. If a county deposits CRF payments in a government's general account, it may use those funds to meet immediate cash management needs provided that the full amount of the payment is used to cover necessary expenditures. Fund payments are NOT subject to the [Cash Management Improvement Act of 1990](#), as amended.

13. May CRF payments be used for COVID-19 public health emergency recovery planning?

Yes. Expenses associated with conducting a recovery planning project or operating a recovery coordination office would be eligible, if the expenses otherwise meet the criteria set forth in section 601(d) of the Social Security Act outlined in [Treasury's guidance](#).

14. To what extent may a county government use CRF payments to support the operations of private hospitals?

Counties may use CRF payments to support public or private hospitals to the extent that the costs are necessary expenditures incurred due to the COVID-19 public health emergency, but the form such assistance would take may differ. In particular, financial assistance to private hospitals could take the form of a grant or a short-term loan.

15. Can CRF payments be used to assist individuals with enrolling in a government benefit program for those who have been laid off due to COVID-19 and thereby lost health insurance?

Yes. To the extent that the relevant government official determines that these expenses are necessary, and they meet the other requirements set forth in section 601(d) of the Social Security Act outlined in [Treasury's guidance](#), these expenses are eligible.

16. May Fund payments be used to replace foregone utility fees? If not, can Fund payments be used as a direct subsidy payment to all utility account holders?

Fund payments may not be used for government revenue replacement, including the replacement of unpaid utility fees. Fund payments may be used for subsidy payments to electricity account holders to the extent that the subsidy payments are deemed by the recipient to be necessary expenditures incurred due to the COVID-19 public health emergency and meet the other criteria of section 601(d) of the Social Security Act outlined in the Guidance. For example, if determined to be a necessary expenditure, a government could provide grants to individuals facing economic hardship to allow them to pay their utility fees and thereby continue to receive essential services.

17. Would providing a consumer grant program to prevent eviction and assist in preventing homelessness be considered an eligible expense?

Yes, assuming that the recipient considers the grants to be a necessary expense incurred due to the COVID-19 public health emergency and the grants meet the other requirements for the use of Fund payments under section 601(d) of the Social Security Act outlined in the Guidance. As a general matter, providing assistance to recipients to enable them to meet property tax requirements would not be an eligible use of funds, but exceptions may be made in the case of assistance designed to prevent foreclosures.

18. May a county recipient create a "payroll support program" for public employees?

CRF payments may be used to cover payroll or benefits expenses of public employees. However, this is limited to employees whose work duties are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

Please note that [Treasury's guidance](#) states that counties may **NOT** use CRF payments to create a payroll support system for local governments. The guidance was intended to encourage the creation of a payment support program for the private sector, not one for the public sector.

19. May recipients use CRF payments to cover employment and training programs for employees that have been furloughed due to the public health emergency?

Yes. This would be an eligible expense if the county determined that the costs of such employment and training programs would be necessary due to the public health emergency.

20. May a county recipient use CRF payments to provide emergency financial assistance to individuals and families directly impacted by a loss of income due to the COVID-19 public health emergency?

Yes, if a county determines such assistance to be a necessary expenditure. For example, this assistance could include a program to assist individuals with payment of overdue rent or mortgage payments to avoid eviction or foreclosure or unforeseen financial costs for funerals and other emergency individual needs. This assistance should be structured in a manner to ensure as much as possible, within the realm of what is administratively feasible, that such assistance is necessary.

21. Treasury's guidance state that CRF payments may be used for grants to small businesses to reimburse the costs of business interruption caused by required closures due to COVID-19. What is does the guidance mean by "small business," and are CRF payments intended to refer only to expenditures to cover administrative expenses of such a grant program?

Local governments have the discretion to determine what payments are necessary. A program that is aimed at assisting small businesses with the costs of business interruption caused by required closures should be tailored to assist those businesses in need of such assistance. The amount of a grant to a small business to reimburse the costs of business interruption would also be an eligible expenditure under section 601(d) of the Social Security Act, as outlined in Treasury's guidance.

22. Can CRF payments be used to assist impacted property owners with the payment of their property taxes?

Fund payments may not be used for government revenue replacement, including the provision of assistance to meet tax obligations.

23. Can CRF payments be used for capital improvement projects that broadly provide potential economic development in a community?

In general, no. If capital improvement projects are not necessary expenditures incurred due to the COVID-19 public health emergency, then CRF payments may not be used for these projects.

However, CRF payments may be used for the expenses of, for example, establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity or improve mitigation measures, including related construction costs.

24. The Guidance includes workforce bonuses as an example of ineligible expenses but provides that hazard pay would be eligible if otherwise determined to be a necessary expense. Is there a specific definition of “hazard pay”?

Hazard pay means additional pay for performing hazardous duty or work involving physical hardship, in each case that is related to COVID-19.

25. The Guidance provides that ineligible expenditures include “[p]ayroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.” Is this intended to relate only to public employees?

Yes. This particular nonexclusive example of an ineligible expenditure relates to public employees. A recipient would not be permitted to pay for payroll or benefit expenses of private employees and any financial assistance (such as grants or short-term loans) to private employers are not subject to the restriction that the private employers’ employees must be substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

26. Must a stay-at-home order or other public health mandate be in effect in order for a county to provide assistance to small businesses using payments from the Fund?

No. Treasury’s guidance states, as an example of an eligible use of payments from the Fund, expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures. Such assistance may be provided using amounts received from the CRF in the absence of a requirement to close businesses if the relevant government determines that such expenditures are necessary in response to the public health emergency.

27. Should States receiving a payment transfer funds to local governments that did not receive payments directly from Treasury?

Yes, provided that the transferred funds are used by the local government for eligible expenditures under the statute. To facilitate prompt distribution of Title V funds, the CARES Act authorized Treasury to make direct payments to local governments with populations above 500,000, in amounts equal to 45 percent of the local government’s per capita share of the statewide allocation. This statutory structure was based on a recognition that it is more administratively feasible to rely on states, rather than the federal government, to manage the transfer of funds to smaller local governments.

Consistent with the needs of all local governments for funding to address the public health emergency, 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.

28. May a state impose restrictions on transfers of funds to local governments?

Yes, to the extent that the restrictions facilitate the State’s compliance with the requirements set forth in section 601(d) of the Social Security Act outlined in the Guidance and other applicable requirements such as the Single Audit Act, discussed below. Other restrictions are not permissible.

29. Are Fund payments considered federal financial assistance for purposes of the Single Audit Act?

Yes, CRF payments are considered to be federal financial assistance subject to the [Single Audit Act](#) (31 U.S.C. §§ 7501-7507) and the related provisions of the Uniform Guidance, 2 C.F.R. § 200.303 regarding internal controls, §§ 200.330 through 200.332 regarding subrecipient monitoring and management, and subpart F regarding audit requirements.

30. If a state transfers CRF payments to its political subdivisions, would the transferred funds count toward the subrecipients' total funding received from the federal government for purposes of the Single Audit Act?

Yes. The CRF payments to subrecipients would count toward the threshold of the Single Audit Act and 2 C.F.R. part 200, subpart F re: audit requirements. Subrecipients are subject to a single audit or program specific audit pursuant to 2 C.F.R. § 200.501(a) when the subrecipients spend \$750,000 or more in federal awards during their fiscal year.

31. If a recipient must issue tax anticipation notes (TANs) to make up for tax due date deferrals or revenue shortfalls, are the expenses associated with the issuance eligible uses of Fund payments?

If a government determines that the issuance of TANs is necessary due to the COVID-19 public health emergency, the government may expend payments from the Fund on the accrued interest expense on TANs and unbudgeted administrative and transactional costs, such as necessary payments to advisors and underwriters, associated with the issuance of the TANs.

32. May recipients use Fund payments to expand rural broadband capacity to assist with distance learning and telework?

Such expenditures would only be permissible if they are necessary for the public health emergency. The cost of projects that would not be expected to increase capacity to a significant extent until the need for distance learning and telework have passed due to this public health emergency would not be necessary due to the public health emergency and thus would not be eligible uses of CRF payments.

33. Are costs associated with increased solid waste capacity an eligible use of payments from the CRF?

Yes, costs to address increase in solid waste as a result of the public health emergency, such as relates to the disposal of used personal protective equipment, would be an eligible expenditure.

34. Is there a Catalog of Federal Domestic Assistance (CFDA) number assigned to the Fund?

Yes. The CFDA number assigned to the Fund is 21.019, pending completion of registration.

35. What records must a county keep that received payment?

Counties should keep records sufficient to demonstrate that the amount of Fund payments to the government has been used accordance with section 601(d) of the Social Security Act.

36. May counties pre-pay with CARES Act funds for expenses such as a one or two-year facility lease, such as to house staff hired in response to COVID-19?

A county should not make prepayments on contracts using CRF payments to the extent that doing so would not be consistent with its ordinary course policies and procedures.

37. May a county retain assets purchased with payments from the CRF?

Yes, if the purchase of the asset was consistent with the limitations on the eligible use of funds provided by Section 601(d) of the Social Security Act.

38. If a government has transferred funds to another entity, which entity would the Treasury Department seek to recoup the funds if they have not been used in a manner consistent with section 601(d) of the Social Security Act?

The Treasury Department would seek to recoup the funds from the government that received the payment directly from the Treasury Department. State, territorial, local, and Tribal governments receiving funds from Treasury should ensure that funds transferred to other entities, whether pursuant to a grant program or otherwise, are used in accordance with section 601(d) of the Social Security Act as implemented in the Guidance.

Additional resources

- For the U.S. Treasury’s COVID-19 landing page, [click here](#).
- For U.S. Treasury’s Coronavirus Relief Fund (CRF) guidance landing page, [click here](#).
- For NACo’s CRF resource hub, which provides information of how counties are spending CRF funds, [click here](#).
- For a list of eligible units of local government to receive CRF payments [click here](#).
- For a list of payments to states and eligible units of local government, [click here](#).
- To review the U.S. Treasury’s methodology for Coronavirus Relief Fund payments, [click here](#).