

CARES Act Financial Assistance for States and Municipalities

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Practice Area: School Law & County and Municipal Governance & Government Law

The CARES Act (the “Act”) offers much needed financial assistance for individuals and businesses throughout the United States who have been, and will continue to be, impacted by the COVID-19 pandemic. In addition to financial relief to the private sector, the Act also provides federal financial assistance to States and municipalities. States and municipalities will receive the financial assistance provided under the Act through three main avenues: (1) increased funding to grants and agencies; (2) Coronavirus Relief Fund; and (3) direct loans. Much of the specifics surrounding the enhanced funding will be worked out at the agency level through rule-making. The purpose of this *Legal Update* is to provide an overview of the categories of aid provided under the Act.

Increased Funding to New and Existing Grants and Agencies

What is it?

The Act increased funding to a variety of grants and existing agencies including **the childcare and development block grant** (provision of federal funds to states for subsidizing childcare for low income families), **community development block grants** (federal support for state and local programs promoting infrastructure, economic development projects, public facilities installation, community centers, housing rehabilitation, public services, clearance/acquisition, microenterprise assistance, etc.), emergency solutions grants (helping those facing a housing crisis), the public health and social services emergency fund (new fund created to reimburse eligible health care providers for health care related expenses or lost revenues that are attributable to coronavirus), and the **education stabilization fund** (new fund created to support K-12 and higher education).

Who gets it?

Agencies and State programming already receiving federal funds through existing grant programs will likely see an increase in available funds. The new funding programs will be primarily delivered through state programs with certain sub-allocations directed to local agencies.

How is it distributed?

The supplemental funds should automatically flow to their specified grants. If an organization is already receiving funding from one of the existing grants, then they will likely see an increase in available funds.

Funds from newly established grants will be distributed at the State level. Upon receipt and approval of an application to the Secretary of the Treasury, the funds will be provided to the States. These funds will then be distributed by the State to local governments and agencies for use.

Coronavirus Relief Fund

What is it?

The Act provides \$150 billion for State, Local, and Tribal governments to cover costs incurred between March 1, 2020 and December 30, 2020 due to COVID-19 that were not accounted for in the entity's most recent budget. The portion of funds distributed to each state is based on population. \$8 billion was set aside for distribution to Tribal governments.

Who gets it?

It is estimated that Wisconsin will receive \$2.3 billion. Up to 45% of the payment due to the State can go directly to Local Government. The Act defines Local Government as a unit of general government with a population that exceeds 500,000. In Wisconsin, Milwaukee County, Dane County, and the City of Milwaukee qualify. Qualifying local agencies who would like to receive funds will need to submit a certification signed by the Chief Executive that outlines the proposed uses of the funds. Specifics on allocations to qualifying local governments are still being discussed.

The amount paid to each Tribal government will be determined by the Secretary of the Treasury in consultation with the Secretary of the Interior and Indian Tribes and will be based on the increased expenditures relative to the Tribal governments 2019 expenditures. This determination will be adjusted so that all \$8 billion will be distributed.

How is it distributed?

The Secretary of the Treasury will pay to each State, Local, and Tribal government their allocation directly on or before April 26, 2020.

4003(b)(4) Loan Program

What is it?

The Act sets aside \$454 billion for financial programs to assist eligible businesses, States, and municipalities ("4003(b)(4) programs"). Very few specifics regarding the 4003(b)(4) programs have been provided other than that the Secretary of the Treasury shall provide opportunity for the Federal Reserve to implement a program for direct loans to States and municipalities on favorable terms, provided that such loans will not be subject to loan forgiveness.

Who gets it?

States and municipalities (as well as certain private businesses) will qualify for these direct loans. Under the Act, a municipality includes (i) any political subdivision of a State; and (ii) any instrumentality of a municipality, a State, or a political subdivision of a State.

How is it distributed?

Additional details should be forthcoming from the Secretary of the Treasury regarding the application process.

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