

Department of Treasury Updates Coronavirus Relief Fund FAQ

- *States should transfer 45 percent of remaining funds to local governments with populations of 500,000 or less to help address the public health emergency.*
- *Localities that receive direct payments may transfer funds to smaller local governments that did not receive direct funds within its borders.*
- *Governments are not required to submit expenditures for approval, but should keep sufficient records to demonstrate funds have been used appropriately.*
- *This updated FAQ could decrease urgency among some in Congress to provide additional local government relief during any future COVID-19 response bill.*

On May 28, the Department of Treasury published an updated list of [frequently asked questions](#) (FAQ), which serves as a supplement to its [guidance](#), regarding the Coronavirus Relief Fund for state, local, and tribal governments. Specifically, the updated FAQ document lays out the eligibility requirements for covered expenditures in the fund, as well as how the payments of the fund will be administered.

- **Background.** [H.R. 748](#), the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provides \$150 billion to state, tribal and local governments with populations that exceeds 500,000. Under the current statute, no state shall receive less than \$1.25 billion from this fund. Funding can be used to cover costs for: (1) necessary expenditures incurred due to the public health emergency with respect to COVID-19; (2) were not accounted for in the budget most recently approved as of the date of enactment of this section for the State or government; and (3) were incurred during the period that begins on Mar. 1, 2020 and ends on Dec. 30, 2020. To see how much is allocated to each state and eligible unit of local government, please click [here](#). The payments to states are meant to be used for expenses incurred due to the public health emergency and, more importantly, 45 percent of the remaining funds are to be sub-allocated to local governments within the state that do not meet the 500,000 population threshold. Treasury does not define what type of local governments.

The key takeaways from the FAQ are below:

- **Transfer of Payments** — The FAQ addresses two different modes of permissible transfer of funds:

- States **should** transfer 45 percent of its remaining funds to local governments with populations less than the 500,000 threshold - if transferred funds are used for eligible expenditures. The FAQ does not clarify what type of local government, whether city, county, or other. Further, states are not permitted to add additional restrictions beyond the Treasury Guidance or section 601(d) of the Social Security Act (SSA) that are unrelated to compliance.
 - It should be noted that this sub-allocation could decrease the urgency among some in Congress to provide additional funding to all units of local government via any potential future COVID-19 response bills.
- A unit of local government receiving direct payments may transfer funds to another unit of government within its borders, such as a city, town, or school district. The transfer must qualify as a necessary expenditure incurred due to the public health emergency and meets other criteria of section 601(d) of the SSA.
- **Accountability** — Governments receiving funds are responsible for determining what are necessary expenditures in response to the public health emergency and do not have to submit proposed expenditures to Treasury for approval. However, they must keep sufficient records to demonstrate funds have been used in a manner consistent with section 601(d) of the SSA.
- **Utility Assistance** — Although funds can not be used for unpaid utility fees, they can be used for subsidy payments to electricity account holders to the extent the recipient deems the subsidy payments necessary expenditures incurred due to the public health emergency. The example given in the FAQ states governments “could provide grants to individuals facing economic hardship to allow them to pay their utility fees and thereby continue to receive essential services.”
- **Payroll Expenses** — The payroll expenses of the following classes of public employees are deemed eligible expenses:
 - Public safety;
 - Public health;
 - Health care;
 - Human services;
 - Similar employees whose services are substantially dedicated to mitigating or responding to the public health emergency;
 - Employees who could have been furloughed or laid off, but were instead repurposed to respond to the pandemic; and
 - Educational support staff and faculty responsible for developing online learning capabilities necessary to continue educational instruction.
- **Paid Leave** — The funds can be used to provide paid sick and paid family and medical leave to public employees to comply with COVID-19 related public health measures.
- **Telework** — Funds may be used to expand rural broadband capacity to assist with distance learning and telework, until the pandemic has passed. Funding can also be allocated toward improving telework capabilities for public employees in the form of stipends or reimbursements.