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TO: COUNCIL MEMBERS

FROM: David Whitaker, Director
Legislative Policy Division Staff

DATE: April 3, 2020 **CORRECTED COPY**[1]

RE: The Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
$150 Billion Allocation for State and Local Governments

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), United States Congress House Resolution 748, was introduced by US House Representative Joe Courtney (D – CT), with 369 cosponsors (369 current and 7 original), was signed into law by the President on March 27, 2020. The purpose of this $2 trillion economic stimulus legislation is to help states address massive economic challenges and stave off economic collapse due to the impact of the coronavirus disease 2019 (COVID-19) pandemic.

A most notable component of the CARES Act is the establishment of a $150 billion "Coronavirus Relief Fund." The following is a description of the Coronavirus Relief Fund program as provided by the Michigan Senate Fiscal Agency in a memorandum entitled "Federal Stimulus Acts in Response to the Coronovirus Pandemic"[2] dated March 31, 2020, pages 10-11 (Attachment I):

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[1] **In the Lesgislative Policy Division's initial report on the Coronavirus Aid, Relief, and Economic Security Act, dated April 1, 2020, we indicated that the City of Detroit could receive up to $1.74 billion from the Coronavirus Relief Fund. But after hearing from the Office of the Chief Financial Officer (OCFO), and based upon further research, we now conclude that the maximum allocation to the City of Detroit is $117.4 million, which is explained further in this report. We apologize for the misinformation in our initial report.**

[2] It is important to note that the CARES Act is the third package of federal legislation to address the impact of the COVID-19 pandemic. The first package of legislation is U.S. Congress House Resolution 6074, entitled "Coronavirus Preparedness and Response Supplemental Appropriations Act", became law on March 6, 2020, and is a supplemental appropriation for the Federal Departments of Health and Human Services, and the Small Business Administration. The second package of legislation is U.S. Congress House Resolution 6201, entitled "Families First

- Out of the Coronavirus Relief Fund, $3 billion is reserved to make payments to the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa.

- $8 billion is reserved for payments to Tribal governments.

- The remaining $139 billion is divided by population to the 50 states. No state shall receive a payment of less than $1.25 billion. According to a preliminary analysis done by the Federal Funds Information for States, Michigan will be eligible for over $3.8 billion. Attachment II represents a chart showing the estimated allocation of the COVID-19 Relief Fund by state.

- The payment to the State is reduced by an amount to give funding to eligible local units of government that have submitted a certification to receive direct payments.

- An eligible local unit is a county, municipality, town, township, village, parish, borough, or other unit of government below the state level with a population greater than 500,000. **For the State of Michigan, eligible local units may include Detroit, Wayne County, Oakland County, Macomb County, and Kent County** (emphasis added).

- The maximum amount a local unit is eligible for is the proportion of that unit's population divided by the whole State population, mulitipled by 45% (0.45). Using Detroit as an example:

  A. 45% of the State of Michigan's total distribution from the Coronavirus Relief Fund, or $3.87 billion, is $1.74 billion, the maximum amouut of the State's distribution that can go to local units of government with a population greater than 500,000, as reflected in the table below.

State	Total distribution (millions)	% of Total	State Min	Local Max
Michigan	**$3,873**	**2.5821%**	**$2,130**	**$1,743**
USA Total	**$149,997**	**100%**	**$87,448**	**$62,549**

  B. The State of Michigan's local maximum of $1.74 billion times 672,662 (Detroit's 2018 population) divided by 9,985,857 (State of Michigan's 2018 population), or 6.7%, equals Detroit's maximum share of **$117.4 million** of the State's total distribution from the Coronavirus Relief Fund, as reflected in the table below.

The local match for Detroit is based on the city's share of the State's population:

Municipality	2018 Population Estimate	% Of MI Pop.	Detroit Max (millions)
Detroit Population	672,662	6.74%	$117.40
Municipality	**2018 Population Estimate**	**% Of MI Pop.**	**Michigan Min (millions)**
Michigan Population	9,985,857	100%	$2,130.15

Coronavirus Response Act", became law on March 18, 2020 (sources: National League of Cities coronavirus website and the Michigan Senate Fiscal Agency memo entitled "Federal Stimulus Acts in Response to the Coronavirus Pandemic" (Attachment I)).

For Council's edification, Attachment III shows the estimated allocations from the Coronavirus Relief Fund to 36 cities in the U.S. with a population greater than 500,000, per the National League of Cities.

- If all eligible local units in the State of Michigan submitted certification and qualified for the maximum payment, the State share will be reduced by approximately $787.0 million (of which $117.4 would go to Detroit), leaving approximately $3.1 billion directly to the State of Michigan.

- Local units of government may only use the funds under the Coronavirus Relief Fund section of the CARES Act for cost that: 1) are necessary expenditures incurred because of the COVID-19 public health emergency; 2) were not accounted for in the most recently approved State budget as of the date of enactment; and 3) are incurred between March 1, 2020, and December 30, 2020.

- This program gives money directly to the State and certain local governments, although the restrictions mean the money may only be spent on new costs incurred because of the COVID-19 public health emergency. The U.S. Treasury is expected to issue guidance soon regarding specifically what the funds can be used for, **but currently it does not appear that the funds can be used to make up for lost revenue because of the COVID-19 public health emergency or related economic effects** (emphasis added).

LPD is extremely concerned about the possible inability to use Coronaviurs Relief Fund monies for cost that cannot be supported by lost revenue, which could be considered a "cost" to the City of Detroit due to the impact of the COVID-19 crisis. Based on a conversation with David Massaron, CFO, regarding this issue, he shares LPD's concerns. Mr. Massaron stated: "we (the City of Detroit) have been/are participating in a number of national lobbying efforts on this very issue. I think the language could be read to be broader than they interpreted. What will ultimately make that decision will be whether or not Treasury enacts rules that permit policy decisions that result in lost revenue to be reimbursed. For example, as a responsive activity, we shut down the casinos; there was a large expenditure or cost as a result of that action… This is one reason we will likely relatively soon be bringing on federal lobbyist. We need to make sure that we are articulating the need the City will have as a result of this".

On April 2, 2020, Mayor Duggan, along with 32 mayors throughout the U.S., signed jointly a letter to the U.S. Secretary of the Tresury, Steven T. Mnuchin requesting that the Treasury Department considers three recommendations as it develops guidance on how the Coronavirus Relief Fund should be structured to deliver funds to local governments, including the use of monies from this Fund to address critically city services due to recent unexpected local revenue shortfalls. Attachment IV represents a copy of this letter.

LPD Observations and Recommendations

LPD questions could the City of Detroit receive additional monies from the Coronavirus Relief Fund since it is located within Wayne County, which will receive its own allocation of stimulus funding since its 2018 population is approximately 1.75 million, or greater than 500,000. It is important for the City to monitor the U.S. Treasury's guidance on how the stimulus funding can be distributed.

In addition, it is not clear if the City of Detroit was to receive FEMA (Federal Emergency Management Agency) reimbursement dollars for COVID-19 expenditures, would that render the City ineligible to receive stimulus dollars from the Coronavirus Relief Fund without more flexible allocation criteria made available from the U.S. Treasury, as discussed previously. Again, this needs to be monitored closely by the City.

The Inspector General under the US Department of Treasury "shall conduct monitoring and oversight of the receipt, disbursement" of funds.[3] Due to the level of scrutiny dictated by the Act, it is imperative that the City of Detroit makes a complete and comprehensive accounting of its *"expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) (that were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020)."*

Some of the obvious expenditures associated with the COVID-19 situation include, the direct impact on several key City revenue sources, such as the closures and the three city casinos by the governor and the related curtailed level of revenue, the cancellation of the collection of bus fares, in order to provide for the safety of the bus drivers, decreases in collections of City income taxes, related to the COVID-19 situation, the allocation of vacation time to City employees who are both unable to work at home and have exhausted their eligible vacation banks and granted paid leave due to the COVID-19 outbreak, overtime costs related to addressing the COVID-19 situation and the infrastructure and labor costs incurred by the City to assist in providing auxiliary hospital space, due to the COVID-19 situation. The Office of the Chief Financial Officer (OCFO) and the Budget Department should ideally take the lead in identifying, quantifying and documenting these costs.

The OCFO in a memo to the Detroit City Council entitled, "FY 2020-2029 Long term Forecast Report for Legacy Pension Plans and Debt Obligations, dated March 30, 2020, recorded a detailed listing of items related to the COVID-19 emergency, that were anticipated to adversely impact the City's financial position in both the short term and the long term. In its report, the OCFO recorded the following disclaimers: *"The projections included in this report were prepared prior to the COVID-19 emergency and its mandatory closures, social distancing, and stay-at-home order. The projections in this report do not reflect the material fiscal impact of COVID-19..."*

In its report,[4] the OCFO indicated in the following, that the City is losing revenue and incurring extraordinary costs in FY 2020 due to COVID-19:

- Detroit's three casinos closed on March 16, causing immediate losses in gaming revenues every day[5].
- Employers have laid off and furloughed workers, causing losses in income taxes (unemployment benefits are not subject to the City's income tax).

[3] SEC. 601. INSPECTOR GENERAL OVERSIGHT Subsection (f)

[4] Given the material change in fiscal outlook due to COVID-19, the City (OCFO) will prepare an updated Long-Term Forecast Report by July 1, 2020.

[5] Mayor Duggan has been quoted in various recent news articles indicating that each day the three Detroit casinos are closed, the City loses $600,000 in gaming (casino) tax revenue. That equates to $18 million if the three Detroit casinos are closed for an entire month.

- The City has suspended bus fares, parking enforcement, and other revenue-generating operations.
- Construction and other economic activity have been impaired.
- The fiscal and economic impact will depend on how long the emergency continues.

After the crisis ends, the City is expecting ongoing impacts in FY 2021 and beyond:

- Income tax losses from lower employment and business activity.
- Gaming revenue losses if casinos do not meet revenue targets for +1% tax.
- Property tax losses from cancelled foreclosure auction.
- State Revenue Sharing losses from lower sales taxes.
- Pension Plan investment losses will increase projected annual contributions that resume in FY 2024.
- The fiscal and economic impact will depend on whether there is a rapid recovery during FY 2021 or a prolonged contraction.

This may also be an opportunity for the City to apply for funds to establish an endowment for the water assistance fund. Water shutoffs in Detroit and their relationship to the COVID-19 outbreak was most recently mentioned in a March 30, 2020 New York Times article as the following. "Emerging as a concern in the city in a moment where handwashing has become essential: water service in Detroit homes where it had been shut off for nonpayment..."[6]

Therefore, in order to stem tide of the coronavirus, the City could justify the need for government to assist its less fortunate citizens to maintain water service in order to facilitate hand washing.

Full Provisions of the CARES Act [7]

The 883-page bill, titled the "CARES Act,"[8] a $2 trillion bill that includes financial aid to individuals, businesses, nonprofits and state and local governments, features the following:

- **Direct payments:** Americans will receive a one-time direct deposit of up to $1,200, and married couples will get $2,400, plus an additional $500 per child. The payments will be available for incomes up to $75,000 for individuals and $150,000 for married couples. This is true even for those who have no income, as well as those whose income comes entirely from non-taxable, means-tested benefit programs, such as Social Security.
- **Use of retirement funds:** The bill waives the 10% early withdrawal penalty for distributions up to $100,000 for coronavirus-related purposes, retroactive to Jan. 1.
- **Small businesses:** $350 billion is being dedicated to prevent layoffs and business closures while workers have to stay home during the outbreak. Companies with 500 employees or fewer that maintain their payroll during coronavirus can receive up to 8 weeks of cash-flow assistance. If employers maintain payroll, the portion of the loans

[6] **Coronavirus Sweeps Through Detroit, a City That Has Seen Crisis Before**, The New York Times, March 30, 2020, By Mary M. Chapman, Julie Bosman and John Eligon https://www.nytimes.com/2020/03/30/us/coronavirus-detroit.html

[7] https://www.axios.com/whats-in-coronavirus-stimulus-bill-320eedcb-ce06-4dea-b736-8fa59a4dd5b0.html

[8] Link to the "Cares Act" https://www.documentcloud.org/documents/6819206-CARES-ACT-FINAL-TEXT.html

used for covered payroll costs, interest on mortgage obligations, rent, and utilities would be forgiven.

- **The unemployed:** The program's $250 billion extended unemployment insurance program — "unemployment on steroids," as Sen. Chuck Schumer calls it — expands eligibility and offers workers an additional $600 per week for four months, on top of what state programs pay. It also extends UI benefits through Dec. 31 for eligible workers. The deal applies to the self-employed, independent contractors and *gig economy workers*.[9]
- **Hospitals and health care:** The bill provides over $140 billion in appropriations to support the U.S. health system, $100 billion of which will be injected directly into hospitals. The rest will be dedicated to providing personal and protective equipment for health care workers, testing supplies, increased workforce and training, accelerated Medicare payments, and supporting the CDC, among other health investments.
- **Coronavirus testing:** All testing and potential vaccines for COVID-19 will be covered at no cost to patients.
- **Large corporations:** $500 billion will be allotted to provide loans, loan guarantees, and other investments, overseen by a Treasury Department inspector general. These loans will not exceed five years and cannot be forgiven.
- **Airlines** will receive $50 billion (of the $500 billion) for passenger air carriers, and $8 billion for cargo air carriers.
- **Payroll taxes:** The measure allows individuals to delay the payment of their 2020 payroll taxes until 2021 and 2022.
- **States and local governments** will get $150 billion, with $8 billion set aside for tribal governments (*reviewed in the body of this report*).
- **Agriculture:** The deal would increase the amount the Agriculture Department can spend on its bailout program from $30 billion to $50 billion, according to a press release issued by Sen. John Hoeven (R-N.D.)

Attachment V represents an informative summary of the CARES Act prepared by the National League of Cities.

At this time, the unprecedented scale and depth of the COVID-19 crisis precludes firm final conclusions about everything that will be needed to respond to the pandemic and its social consequences. The CARES Act is reportedly one of three congressional responses, with additional federal legislation currently under discussion. The provisions of the statute are broadly worded, and additional issues and changes in the implementation process are to be expected. Indeed, at this time the full dimensions of the health crisis itself are unknown - with Detroit apparently being one of the hardest hit communities. We cannot possibly know the full scope yet of what we are facing.

While these deadly effects are still in the process of seriously damaging our community to an unknown extent, it is not really possible to envision in detail what the full scope of the response should be to the financial and social aftermath. LPD will continue to monitor both the progress of the COVID-19 pandemic and the efforts of all levels of government to respond to it, and advise Council accordingly as these fast-moving events continue to confront us.

[9] Gig economy workers have been classified as independent contractors instead of employees by ride-hailing Uber & Lyft) and food delivery companies, among others. https://www.axios.com/coronavirus-bill-gig-economy-unemployment-benefit-a3534c5d-2841-48ca-a492-705d5af79534.html

The National League of Cities already anticipates the need for additional stimulus bills to further address long-term economic stabilization. Attachment VI represents the National League of Cities appeal to the U.S. Congress regarding the need for a larger Coronavirus Relief Fund in a possible fourth stimulus package. In addition, Attachment VII represents a thoughful report entitled "CARES Act Includes Essential Measures to Respond to Public Health, Economic Crises, But More Will Be Needed", dated March 27, 2020, prepared by the Center on Budget and Policy Priorities, which suggests areas such as health coverage, food assistance for struggling famililties and state fiscal relief will need additonal stimulus bills to address these and other pressing issues.

Finally, we respectfully request that the OCFO respond to this report and indicate what its plans are to address the COVID-19 issues that are impacting the City's financial position. LPD also respectfully requests that the OCFO take the lead in creating a COVID-19 Steering Committee that include the necessary agencies (Police, Fire, Housing & Revitalization, Detroit Economic Development Corporation, General Services Department, etc.) to ensure the City of Detroit maximizes the receipt of funds from the various programs and components from all three federal legislation (U.S. Congress House Resolution 6074-Coronavirus Preparedness and Response Supplmental Appropriations Act; U.S. Congress House Resolution 6201-Families First Coronavirus Response Act, and U.S. Congress House Resolution 748-Coronavirus Aid, Relief, and Economic Security Act) that help states and cities face and address these unprecedented times caused by the impact of the COVID-19 pandemic crisis.

Please let us know if we can be of any more help.

Attachments

cc: Auditor General's Office
David Massaron, CFO
John Naglick, Deputy CFO/Finance Director
Tanya Stoudemire, Deputy CFO/Budget Director
Steven Watson, Deputy Budget Director
Avery Peoples, Mayor's Office

Attachment I

Michigan Senate Fiscal Agency Memorandum entitled "Federal Stimulus Acts in Response to the Coronavirus Pandemic" dated March 31, 2020

SENATE FISCAL AGENCY
MEMORANDUM

DATE: March 31, 2020

TO: Members of the Senate

FROM: Ellyn Ackerman, Ryan Bergan, John Maxwell, Cory Savino, Fiscal Analysts; Josh Sefton, Senior Fiscal Analyst; Steven Angelotti and Kathryn Summers, Associate Directors, and Christopher Harkins, Director

RE: Federal Stimulus Acts in Response to the Coronavirus Pandemic

The Federal Government recently has acted on three pieces of legislation intended to address the coronavirus disease 2019 (COVID-19) pandemic. The purpose of this memorandum is to briefly address the most notable aspects of those Congressional actions that affect the State of Michigan. This document does not encompass all facets of these Federal Acts. This memorandum provides an overview of the three Federal stimulus acts, House Resolution (HR) 6074, the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020; HR 6201, the Families First Coronavirus Response Act; and HR 748, the Coronavirus Aid, Relief, and Economic Securities Act (CARES) Act. In addition to each overview, this memorandum provides specific details of each of the three Acts. In total, the Federal Funds Information for States (FFIS) estimates the three stimulus acts will result in over $5.6 billion of additional Federal funds allocated in Michigan.

OVERVIEW

House Resolution 6074 was signed by the President on March 6, 2020, and is a supplemental appropriation for the Federal Departments of Health and Human Services (HHS), State, and the Small Business Administration (SBA), totaling $7.8 billion. An additional $500.0 million is appropriated for the Telehealth Services During Certain Emergency Periods Act of 2020 in Division B of the Act. Of these funds, $3.1 billion is appropriated to the Office of the Secretary of HHS to supplement the Public Health and Social Services Emergency Fund, and $2.2 billion is provided to the Centers for Disease Control and Prevention (CDC) to "prevent, prepare for, and respond to coronavirus , domestically or internationally", of which not less than $950.0 million is provided for grants to, or cooperative agreements with, states, localities, territories, tribes, tribal organizations, urban Indian health organizations, or health services providers. The Department of Health and Human Services announced initial awards to state and local jurisdictions on March 12 and Michigan's total awarded amount was $15.3 million.

House Resolution 6201 became law on March 18, 2020. This Act, the Families First Coronavirus Response Act, is divided into several major divisions addressing the following: nutritional waivers, emergency family and medical leave expansion and relevant tax credits, emergency unemployment insurance stabilization and access, emergency paid sick leave, and health provisions related to coronavirus tests, costs and cost-sharing. The item of greatest immediate impact to the State budget is a temporary 6.2% increase in Federal medical assistance percentages (FMAP). In Michigan, this increase will lead to an increase in Federal match of about $177.0 million per quarter and a corresponding reduction in State General Fund/General Purpose (GF/GP) costs. The Act also includes $1.0 billion to be distributed to individual state unemployment trust funds, with $500.0 million distributed within 60 days and the additional $500.0 million distributed when state unemployment benefits increases 10% over the same quarter from the previous year. As such, Michigan likely will receive around $16.4 million within the next 60 days.

House Resolution 748, the CARES Act became law on March 27, 2020. The CARES Act appropriates $2.0 trillion in Federal appropriations with the most immediately notable impact for the State being a $150.0 billion Coronavirus Relief Fund for states, local units of government, territories, and tribal governments. These funds must be used for expenses incurred because of the coronavirus health emergency. Of the total funds, $139.0 billion is available to states based on population, with a minimum of $1.25 billion per state. In total, Michigan is anticipated to receive approximately $3.8 billion from these resources. Local government funds for municipalities with a population in excess of 500,000 are eligible for a portion of these funds allocated to Michigan, reducing the amount directed to the State. The City of Detroit, Wayne County, Oakland County, Macomb County, and Kent County are eligible for these funds. The Act includes numerous other changes, including refundable tax credits against 2020 individual income tax liabilities and $30.75 billion for the "Education Stabilization Fund" to "prevent, prepare for, and respond to coronavirus, domestically or internationally".

HR 6074 DETAILS

Title II: SBA Disaster Loans Program Account. The Act appropriated $20.0 million for the Economic Injury Disaster Loan (EIDL) Program to allow loans for entities affected by COVID-19. Economic Injury Disaster Loans generally are available to small businesses, small agricultural cooperatives, and private nonprofit organizations. The loans can provide up to $2.0 million to help meet financial obligations and operating expenses that could have been made had the disaster not occurred. The loans are made by lenders certified by the SBA and guaranteed by the Federal government. The interest rate must be no more than 4.0%, and the repayment term is determined by the borrower's ability to repay the loan (although no more than 30 years). Finally, EIDL assistance is available only to small businesses that the SBA determines are unable to obtain credit elsewhere.

To the extent that recipients of the loans can keep businesses and other organizations open and maintain payroll, the State will avoid a reduction in business tax and income tax revenue. Also, the State may avoid a reduction in consumption taxes that likely will accompany reduced spending by laid-off employees or employees and owners with reduced income.

Title III: CDC-Wide Activities and Program Support - Grants to States for Preparedness and Response Activities. The Act includes $950.0 million through the end of fiscal year (FY) 2021-22 for grants to states for public health activities tied to COVID-19 including disease surveillance, epidemiology, lab capacity, infection control, mitigation, communication, and other preparedness and response activities. This equates to about $30.0 million for Michigan to be available over the next two and a half years. Half of the money will be made available by early April 2020.

Title III: Public Health and Social Services Emergency Fund. The Act includes $3.1 billion (with an additional $300.0 million in reserve) to be available through the end of FY 2023-24 to support countermeasures and vaccines for COVID-19 including therapeutics, vaccines, diagnostics, supplies, equipment, and surge capacity. This funding generally will not be allocated to the states directly but may be used for preparedness grants at the State and local level.

HR 6201 DETAILS

Division A - Second Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020

Title I: Women, Infants, and Children (WIC) Food Program. The Act includes $500.0 million in increased funding for WIC through the end of FY 2020-21. Generally, absent other information, the Senate Fiscal Agency (SFA) assumes 3.0% of Federal funding goes to the State of Michigan. However, FFIS has estimated that the State of Michigan will receive $12.5 million in additional WIC funding over the next 18 months. The current FY 2019-20 WIC appropriation in the Michigan Department of Health and Human Services (MDHHS) budget is $231.3 million.

Title I: Commodity Assistance Program. The Act includes $400.0 million in funding for this United States Department of Agriculture (USDA) program that purchases commodities for distribution to elderly and low-income individuals. In addition, HR 748 (the CARES Act) includes $450.0 million for emergency food assistance programs and commodities.

Title V: Senior Nutrition. The Act includes $250.0 million in funding through the end of FY 2020-21 for home-delivered meals for seniors ($160.0 million), congregate meals for seniors ($80.0 million), and nutrition services for Native Americans ($10.0 million). In addition, HR 748 (the CARES Act) includes $480.0 million for senior nutrition. All of these funds, with the exception of the $10 million for Native American nutrition services, is expected to flow through states to local aging agencies. The FFIS estimates that Michigan will receive $15.2 million for home-delivered meals and $7.6 million for congregate meals over the next 18 months. The total appropriation for senior nutrition services (which includes both home-delivered and congregate meals) in the MDHHS budget is $42.3 million.

Division B - Nutrition Waivers

Title III: Supplemental Nutrition Assistance Program (SNAP) Expansion. The Act increases SNAP benefits to households that contain at least one member who is an eligible child attending a school that was closed for at least five consecutive days during a public health emergency designation during which the school otherwise would have been in session. Since this school closure criteria applies to the entire state of Michigan, there likely will be a large expansion of benefits to existing cases as well as new cases.

The Act designates the United States Secretary of Agriculture to approve standards of eligibility and levels of benefits in State SNAP agency plans. At this time, the MDHHS has not updated the Food Assistance Program (FAP)—which is what Michigan calls SNAP—eligibility or benefit amounts. The funding amount is uncapped under the Act as Congress appropriated amounts necessary to carry out this section. It is not known what the total number of cases or the amount necessary to fund this expansion of benefits, but there is no GF/GP cost to the State as FAP is entirely federally funded. For FY 2019-20, the appropriated amount was $1.76 billion Gross. As of February 2020, there were 1.2 million recipients enrolled in the FAP program with a total of $677.1 million expended. The largest recent recipient total for the FAP program was in FY 2008-09 with approximately 2.0 million recipients. The largest FAP expenditure total was in FY 2010-11 with a total of approximately $3.1 billion Gross.

Title III: SNAP Waivers and Lifting of Work Requirement. The Act allows the Secretary of Agriculture to permit waivers for several variances from current law including an allowance for noncongregate feeding of school lunches and the adult care food program, waiving the physical presence reporting requirements for WIC, lifting the SNAP work eligibility requirements, disregarding nonworking periods during the crisis from the work eligibility requirements, and providing additional flexibilities for the Secretary for benefit levels and reporting requirements.

Division D - Emergency Unemployment Insurance Stabilization and Access Act of 2020

The Act includes expansion and increases to unemployment benefits to individuals who are laid off or become unemployed. Currently, Michigan requires an individual to show a history of working and earnings during a full one-year period (the base period) before the full quarter an individual applies for unemployment insurance. Additionally, the individual must have earned at least $2,871 during one quarter of the base period, which is an average of 30 hours a week at the State minimum wage for one quarter. The weekly benefit for an eligible worker then is calculated at 4.1% of what was earned during the highest quarter of the base period, with an additional $6 per week per dependent, for a maximum benefit of up to $362 per week. Michigan currently allows up to 20 weeks of unemployment benefits by statute; this was increased to 26 weeks under Executive Order 2020-24.

The Act provides an additional $600 per week to all unemployment claimants for up to four months including individuals who applied for unemployment benefits after January 31, 2020. It then expands the number of weeks that a claimant can receive unemployment benefits from 20 weeks to 26 weeks, with an additional 13 weeks in expanded benefits. Additionally, the Act expands the categories of individuals who qualify for unemployment benefits to individuals who were self-employed, gig-workers, independent contractors, freelancers, part-time workers, and furloughed employees who are no longer able to work because their employers have closed or reduced operations. Individuals who currently do not qualify for unemployment benefits but will under the eligibility expansion will receive at minimum 50% of the State average payouts as the base weekly allotment. In 2019, the average weekly benefit to unemployment insurance claimants was roughly $315 per week, which means these individuals will receive roughly $157.50 per week. This is in addition to the $600 dollars per week described above.

The Act provides Federal support for the $600 in additional dollars per week and the additional 13 weeks in extended benefits. It does not directly allocate appropriations to each state to support these benefits, only the guarantee of support.

The State will have to pay the standard payment to current claimants and newly eligible individuals for up to 26 weeks. Executive Order 2020-24 already allows individuals to receive up to 26 weeks of unemployment benefits as of March 16, 2020, which was estimated to increase total payments 14% from $760.0 million to $970.0 million. The week ending March 21 experienced a 123,000-case increase from the previous week in initial unemployment claims, which represents individuals who previously qualified for unemployment benefits. This will mean an increase of between $38.7 million and $44.5 million in additional weekly benefits paid out. With the expanded eligibility for individuals, additional claimants likely are to be a mix of previously and newly eligible claimants, which could mean an additional $16.0 million to $32.0 million in additional pay-outs for every 100,000 claimants per week. Executive Order 2020-24 requires benefits paid out during the duration of the executive order to be charged to the State's nonchargeable account, which is capped at 1.0% of wages. This will limit the total unemployment insurance taxes assessed on employers, which will result in less total revenue collected by the Michigan Unemployment Trust Fund. This means there may be a net reduction in the Trust Fund balance for the duration of the Executive Order and the changes to the unemployment benefits in the Act.

Michigan's Unemployment Trust Fund had a fund balance of $4.6 billion at the end of the fourth quarter of 2019, which was the third highest state trust fund balance in the country. The Trust Fund can sustain an average weekly net negative of up to $176.9 million per week over the next 26 weeks and remain solvent. It currently is unknown how many individuals will apply and receive unemployment benefits or how many weeks they will receive benefits, but the Michigan Unemployment Trust Fund could maintain a significant increase in unemployment benefit payouts and maintain solvency.

The Act allocates $1.0 billion to be distributed to individual state unemployment trust funds, with $500.0 million distributed within 60 days and the additional $500.0 million distributed when state unemployment benefits increase 10% over the same quarter from the previous year. The distribution is based on the proportion of unemployment insurance tax revenue generated for each state in the previous 60 days. In the fourth quarter of 2019, Michigan businesses generated 2.2% in unemployment revenue out of the total revenue generated in the United States. This means the State will receive around $11.0 million within the next 60 days. Since weekly initial unemployment claims increased 123,000 cases from the previous week, the State likely will experience at least a 10% increase in unemployment benefits paid out from the previous year and will be eligible to receive the second deposit. Up to 50% of this money may be used for administration ($11.0 million), which represents a 10.5% increase from current Federal revenue projections for the Michigan Unemployment Insurance Agency, which is estimated at $105.0 million. Currently, the FY 2019-20 budget authorizes up to $140.0 million in Federal revenue for the Unemployment Insurance Agency, which means authorization will not be required to appropriate those additional dollars for administration.

Division F - Health Provisions

Coverage of COVID-19 Testing. Health insurers (including Medicare, Medicaid, and the State Children's Health Insurance Program (SCHIP, i.e. MiChild)) must cover testing (and the corresponding office visit) for people with COVID-19 infection without any cost sharing being imposed. This will lead to a minor increase in the overall net cost of COVID-19 on health insurers and the Medicaid and Medicare programs as not just the test and office visit will be covered but, unlike the case with most other disease testing, there will be no cost-sharing and the insurer will cover the entire cost.

Funding to Support COVID-19 Items and Services for Uninsured Individuals. The Act includes $1.0 billion to reimburse providers for these services to uninsured individuals. This money will not flow through state governments.

FMAP Increase. The Federal Medicaid "FMAP" match rate will increase by 6.2% retroactive to the beginning of the fiscal quarter in which the emergency was declared (January 1, 2020), extending though the final quarter of the emergency. Furthermore, the SCHIP match rate, which is indirectly tied to the FMAP, will increase by about 4.2%. In Michigan, this increase will lead to an increase in Federal match of about $177.0 million per quarter and a corresponding reduction in State GF/GP costs. Assuming the emergency lasts into the third calendar quarter of 2020, the State will see a reduction in GF/GP costs of $531.0 million. If the emergency continues into FY 2020-21 the State would see a continued reduction of GF/GP costs in that fiscal year as well.

Conditions on the FMAP Increase. The Act includes conditions on the FMAP increase and those conditions will lead to cost increases for State Medicaid programs. Eligibility standards cannot be changed, premiums cannot be increased, COVID-19 cost sharing cannot be imposed, and cases cannot be closed during the emergency unless the Medicaid client dies, leaves the State, or voluntarily disenrolls from the program.

The eligibility standards provision will restrict the ability of states to reduce Medicaid costs. The limits on case closures will cause growth in the caseload with significant costs. There usually are over 110,000 Medicaid case closures per quarter. That may lead to a caseload increase of 220,000 by the end of FY 2019-20. There are a number of reasons why this figure is overstated: 1) many of the people who leave Medicaid return to the rolls when their family income declines; 2) some of the case closures are due to leaving the State (which is exempted in the legislation); and 3) some of the case closures are due to death (also understandably exempted in the legislation).

About 1.3% of Michigan's population moves out during a year and 1.0% pass away. While the demographics of the Medicaid caseload may lead to different averages for Medicaid versus statewide, the global data imply that about 13% of Medicaid case closures are due to moving away or passing away.

Estimating the number of cases that are duplicated (i.e., a case that closes then reopens a few months later) is a separate challenge. But, assuming that this is a nontrivial factor and assuming some voluntary case closures, it seems that the caseload increase will be in the 100,000-150,000 range at the end of the next six months (that is, at the end of FY 2019-20).

For the sake of convenience, the SFA will uses a caseload increase figure of 120,000. It should be noted that this will phase in (an increase of 20,000 in April, 40,000 in May, etc.) leading to an increase in member months of just over 1.1 million or an average caseload increase for the entirety of FY 2019-20 of about 90,000 cases. It appears that these will be less expensive cases, many of whom will be children (and of course 25,000-30,000 of these cases will be Healthy Michigan Plan (HMP) cases with a match rate of 90.0% Federal). As such, a figure of $4,000 per case appears to be reasonable, leading to a Gross cost increase of $360.0 million and, when the HMP case mix and enhanced FMAP are applied, a GF/GP cost increase of $90.0 million. This estimate of $360.0 million Gross and $90.0 million GF/GP is based on a number of assumptions that may vary, so these amounts could fluctuate greatly. However, a caseload increase because of the limitations on case closures is nearly certain.

The caseload increase in FY 2020-21, if the COVID-19 emergency continues, will be much larger as the initial increase on October 1, based on the above analysis, will be 120,000. This amount will continue to climb throughout that fiscal year as long as the emergency continues.

Overall, the change in the FMAP will lead to a large reduction of GF/GP Medicaid expenditures, offset to a noticeable degree by the limitations on closing cases.

HR 748 DETAILS

Division A - Title I: Direct Appropriations

Grants to Hospitals and Certain Other Health Care Providers. The Act provides $100.0 billion to be expended through grants or other mechanisms to eligible health care providers for health care-related expenses or lost revenue attributable to the public health emergency resulting from COVID-19. For the purposes of the Act, "eligible health care provider" is defined as a hospital, public entity, not-for-profit entity, Medicare and Medicaid enrolled supplier, or institutional provider that provided diagnoses, testing, or care for individuals with diagnosed or presumed cases of COVID-19. These payments will not run through the State, rather eligible health care providers must submit an application to the Secretary of Health and Human Services that includes a statement justifying the funding need. Because grants will flow directly to eligible health care providers, there will be no direct impact on the State; however, it is estimated that the statewide impact on health care providers could be approximately $3.0 billion.

Title II: Assistance for American Workers, Families, and Businesses

Paycheck Protection Program. The Paycheck Protection Program is a loan program for small businesses and certain other organizations to provide short-term cash flow assistance during the covered period, which is from February 15, 2020, through June 30, 2020. Loans will be made by lenders certified by the Small Business Administration and guaranteed by the Federal government. Loans generally will be available for businesses, nonprofit organizations, veterans organizations, and tribal business concerns with fewer than 500 employees, including sole proprietorships, self-employed individuals, and independent contractors. There are certain exceptions, including for businesses in the accommodation and food service sectors.

The maximum loan amount is 250% of average monthly payroll costs, determined either by the average monthly payroll cost of the one-year period before the loan origination, or, in the case of seasonal businesses, the monthly average for the 12-week period beginning either February 15, 2019, or March 1, 2019, at the election of the eligible recipient. (Payroll costs include employee compensation not exceeding $100,000 annually, prorated for the covered period, and compensation to or income of a sole proprietor or independent contractor not exceeding $100,000 annually, prorated for the covered period.) Alternate calculation methods are available for businesses that were not in business in the period of February 15, 2019, through June 30, 2019.

In addition to the above amount, a borrower that received an Economic Injury Disaster Loan after January 31, 2020, may refinance that loan under the Paycheck Protection Program. The maximum loan amount for any eligible organization can be no more than $10.0 million.

Loan proceeds can be used for employee related costs (payroll, health care, sick leave, etc.), interest on a mortgage or rent, utilities, and interest on other debt obligations incurred before the covered period.

The loans do not require a personal guarantee, nor is collateral required. Also, the Program waives a requirement that an organization demonstrate that it cannot obtain credit elsewhere. The loans may not have an interest rate more than 4.0%. Payments must be deferred for at least six months, but no longer than one year.

The loan principal may be forgiven under certain circumstances. The amount forgiven will be the amount of eligible costs incurred in the eight-week period beginning on the loan date, but no more than the original principal amount of the loan. To receive the full amount of loan forgiveness, the borrower generally must maintain the same number of employees it had before February 15, 2020, and salary or wages of each employee of at least 75% for the covered period. There are exceptions for employers who previously laid off workers but eliminate the reduction before June 30, 2020. If a borrower does reduce its total employment, the maximum loan forgiveness will be reduced essentially by the percentage reduction in average employees during the covered period. It will be further reduced by the total salary reduction more than 75% of any employee (with a salary no more than $100,000 per year) during the covered period. Also, borrowers with tipped employees may receive forgiveness for additional wages paid to those employees during the covered period.

To the extent that recipients of the loans can keep businesses and other organizations open and maintain payroll, the State will avoid a reduction in business tax and income tax revenue. Also, consumption taxes may avoid a reduction that likely will accompany reduced spending by laid off employees or employees and owners with reduced income.

Recovery Rebates for Individuals. There is a refundable tax credit against 2020 income tax liability in the amount of $1,200 ($2,400 for joint filers), with an additional $500 per qualifying child (no maximum number of children). The credit is reduced for individuals with adjusted gross income greater than $75,000 ($112,500 for head of household, $150,000 for joint filers) by 5.0% of the income above the threshold until the credit reaches $0. Since the payment is an advance of an income tax credit, the payment generally will not increase the tax liability of individuals who receive it.

Eligibility is based on 2019 tax return data. If an individual has not filed a 2019 tax return, 2018 return information will be used. If neither return has been filed, 2019 information will be used from Form SSA-1099 (Social Security Benefit Statement) or Form RRB-1099 (Social Security Equivalent Benefit Statement). Nonresident aliens, anyone who can be claimed as a dependent on someone else's tax return, and estates or trusts are excluded from receiving a credit.

Refunds will be advanced as rapidly as possible. Payments will be made electronically to any account a taxpayer authorized to receive a tax refund or to make a payment on or after January 1, 2018. Other eligible individuals will have checks mailed to their last known address. Within 15 days of distribution, a notice will be sent by mail to the taxpayer's last known address, letting the individual know how the payment was made, the amount of the payment, and a phone number to report any failure to receive it.

Since the payments are an advance tax refund and not income, they will generally not be subject to State income tax. However, if the payments are spent on taxable goods, that will lead to increased consumption tax revenue. Also, to the extent that the increased spending allows businesses to stay open and maintain workers, that will lead to a decreased reduction in business and income taxes, and decreased spending on social insurance, such as unemployment benefits.

Title III Part IV, Subtitle B - Education Provisions

The Act appropriates $30.75 billion for the Education Stabilization Fund to "prevent, prepare for, and respond to coronavirus, domestically or internationally". The fund is divided into three main components, described below.

Grants to Governors and State Departments of Education. The first 9.8%, or roughly $3.0 billion, is for grants to governors of states with an approved application. Allocations will be provided to each state based on their relative population of individuals aged 5-24 and on their relative number of elementary and secondary children. Funds may be used to provide emergency support through grants to schools that the state department of education deems to have been the most significantly impacted by coronavirus; to provide emergency support through grants to higher education institutions most impacted by coronavirus; and provide support to any other educational institution (higher education, school district, or other) that the Governor deems essential for carrying out emergency educational services, including the provision of child care and early childhood education, social and emotional support, and the protection of education-related jobs. The FFIS estimate for Michigan from this component is $89.7 million.

Grants to School Districts (Which Include Charter Schools). The next 43.9%, or roughly $13.5 billion, is for elementary and secondary school emergency relief grants to each state department of education with an approved application. Grants to states with approved allocations will be in the same proportion as each state received under Title I, Part A. A state receiving a grant must allocate at least 90% of the grant to school districts in the proportion to the amount of funds each district received under Title I, Part A. A district may use the funds for the following:

-- Any activity authorized by the Elementary and Secondary Education Act, the Individuals with Disabilities Education Act (IDEA), the Adult Education and Family Literacy Act, the Carl D. Perkins Career and Technical Education Act, or subtitle B of Title VII of the McKinney-Vento Homeless Assistance Act.
-- Coordination of preparedness and response efforts to prevent, prepare for, and respond to coronavirus.
-- Providing principals and other school leaders with the resources necessary to address the needs of their individual schools.
-- Activities to address the unique needs of low-income children or students, children with disabilities, English learners, racial and ethnic minorities, homeless students, and foster care youth.
-- Developing and implementing procedures and systems to improve the preparedness and response efforts of schools.
-- Purchasing supplies to sanitize and clean facilities.
-- Planning for and coordinating during long-term closures, including how to provide meals, how to provide technology for online learning to all students, how to provide guidance for carrying out IDEA requirements, and how to ensure education services can be provided consistent with all Federal, state, and local requirements.
-- Purchasing educational technology.
-- Providing mental health services and supports.
-- Planning and implementing activities related to summer learning and supplemental after-school programs, including providing classroom instruction or online learning during the summer months and addressing the needs of low-income students, students with disabilities, English learners, migrant students, homeless students, and children in foster care.
-- Other activities necessary to maintain the operation of and continuity of services in schools and continuing to employ existing staff of the school.

The remaining up to 10% of funding under this section is for emergency needs as determined by the state department of education to address issues responding to coronavirus, which may be addressed through the use of grants or contracts. A state department may reserve up to 0.5% for administrative costs. The FFIS estimate for Michigan for this component (both the 90% and 10% pieces) is $389.8 million.

Higher Education and Community Colleges. The Act creates the Higher Education Emergency Relief Fund, which allocates about $14.0 billion for institutions of higher education to defray costs incurred directly and indirectly because of COVID-19.[1] The Fund will be divided into three primary parts. The FFIS estimates Michigan's share of these funds to be about $347.3 million.

The first 90.0%, or about $12.6 billion, will be distributed using same system as Federal funds are distributed under Title IV (Student Assistance) of the Higher Education Act of 1965. Seventy-five percent, or about $9.4 billion of those funds, will be distributed based on full-time equivalent enrollment of Pell Grant students not exclusively enrolled in a distance learning program before the COVID-19 emergency. Twenty-five percent, or about $3.1 billion, will be distributed based on full-time equivalent enrollment of non-Pell Grant students not exclusively enrolled in a distance learning program before the COVID-19 emergency. These funds will be used to prevent, prepare for, and respond to, COVID-19.

The next 7.5%, or about $1.0 billion will be distributed under Parts A (Strengthening Institutions) and B (Strengthening Historically Black Colleges and Universities) of Title III (Institutional Aid), Parts A (Hispanic-Serving Institutions) and B (Promoting Postbaccalaureate Opportunities for Hispanic Americans) of Title V (Developing Institutions), and Part A (Graduate Education Programs) of Title VII (Graduate and Postsecondary Improvement Programs) of the Higher Education Act, distributed proportionately to the relative share of funding appropriated to those programs in the Further Consolidated Appropriations Act of 2020 (Public Law 116-94). Funds may be used to defray expenses incurred by institutions of higher education and for grants to students for any component of a student's cost of attendance including food, housing, course materials, technology, health care, and child care.

The final 2.5%, or about $348.8 million, of the Fund will be distributed under Part B (Fund for the Improvement of Postsecondary Education) of Title VII of the Higher Education Act for institutions of higher education that the Secretary of Education determines have the highest unmet need relative to COVID-19. This money may be used to defray expenses incurred by institutions of higher education and for grants to students for any component of a student's cost of attendance including food, housing, course materials, technology, health care, and child care.

A local educational entity, the State, and institutions of higher education, or other entity that receives funds from the Education Stabilization Fund must continue to pay its employees and contractors during the period of any disruptions or closures related to coronavirus, to the greatest extent practicable.

A State applying for funds is required to include in the application assurances that the State will maintain support for elementary and secondary education, and State support for higher education (including operational funding and financial aid) in FY 2019-20 and FY 2020-21 at least at the levels of support that is the average in the three fiscal years preceding FY 2019-20. However, this maintenance of effort requirement may be waived by the Secretary of Treasury to relieve fiscal burdens on states that experience a precipitous decline in financial resources.

Title V: Coronavirus Relief Fund

The new Act appropriates $150.0 billion in total, $3.0 billion of which is reserved to make payments to the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, the Northern

[1] This amount assumes that the Secretary of Education uses the full 2.0% of the Educational Stabilization Fund allocated under the Act for outlying areas, programs operated by the Bureau of Indian Education, and states with the highest coronavirus burden.

Mariana Islands, and American Samoa, and $8.0 billion is reserved for payments to Tribal governments. The remaining $139.0 billion is divided by population to the 50 states. No state shall receive a payment of less than $1.25 billion. According to a preliminary analysis done by FFIS, Michigan will be eligible for over $3.8 billion.

The payment to the state is reduced by an amount to give funding to eligible local units of government that have submitted a certification to receive direct payments. An eligible local unit is a county, municipality, town, township, village, parish, borough, or other unit of government below the state level with a population greater than 500,000. For the State of Michigan, eligible local units may include Detroit, Wayne County, Oakland County, Macomb County, and Kent County. The maximum amount a local unit is eligible for is the proportion of that unit's population divided by the whole State population, multiplied by 0.45. If all eligible local units in the State submitted certification and qualified for the maximum payment, the State share will be reduced by approximately $787.0 million, leaving approximately $3.1 billion directly to the State.

Local units of government may only use the funds under this section for costs that: 1) are necessary expenditures incurred because of the COVID-19 public health emergency; 2) were not accounted for in the most recently approved State budget as of the date of enactment; and 3) are incurred between March 1, 2020, and December 30, 2020.

This program gives money directly to the State and certain local governments, although the restrictions mean the money may only be spent on new costs incurred because of the COVID-19 public health emergency. The U.S. Treasury is expected to issue guidance soon regarding specifically what the funds can be used for, but currently it does not appear that the funds can be used to make up for lost revenue because of the COVID-19 public health emergency or related economic effects.

Division B: Emergency Appropriations for Coronavirus Health Response and Agency Operations

Title I: Agricultural Programs - SNAP Contingency Reserve. The Act provides $15.5 billion into a contingency reserve necessary for the SNAP program, if program participation or costs exceed budget estimates to prevent, prepare for, and respond to coronavirus. The Act also appropriates $450.0 million for the emergency food assistance program (TEFAP), which is a Federal program that helps supplement the diets of low-income Americans, including elderly people, by providing them with emergency food and nutrition assistance. Of this amount, $150.0 million is dedicated for distribution costs.

TEFAP also provides administrative funds to State Distributing Agencies (SDAs) to support the storage and distribution of USDA Foods. The Michigan Department of Education (MDE) is the SDA for the State. Through TEFAP, the USDA purchases foods, including the processing and packaging, and makes it available to the MDE. The Department of Education provides the food to local agencies, usually food banks, which in turn distribute the food to local organizations, such as soup kitchens and food pantries that directly serve the public. Though each food package varies, each package includes protein, fruit, and vegetables. In FY 2019-20 the MDE is estimated to receive approximately $20.5 million in food grant value for the TEFAP program. Based on previous year data, it is estimated that Michigan will receive approximately $27.2 million of the $850.0 million in food value made available under this Act and HR 6201. The FFIS estimate for Michigan for this component is $27.3 million.

Title II: Department of Commerce - Economic Development Administration. The Act appropriates $1.5 billion for local economic development assistance for affected industries and communities such as tourism and manufacturing supply chains, provide low interest loans, and other support. These dollars will be distributed based on the economic impact from COVID-19, which may include Michigan given the State's tourism and supply chain manufacturing industries. The funding may require local or private contributions for the economic assistance. The Michigan Department of Labor and Economic Opportunity may have to increase Federal authorization and/or provide matching dollars to appropriate additional Federal dollar received by the State.

Title VIII: Department of Labor - Employment and Training Administration. The Act allocates $345.0 million for job training programs and services for dislocated workers, seniors, migrant, farmworkers, and homeless veterans. This includes funding for administration of these programs. This represents a 10% increase from current appropriations for these job training programs. If distribution follows current formulas, this represents an additional $5.3 million to the State of Michigan. This increase will be within current appropriations in FY 2019-20 and will not require an increase in Federal authorization.

Title VIII: Department of Health and Human Services - State/Local Public Health Efforts. The Act includes $1.5 billion for grants or cooperative agreements to States and other entities to carry out surveillance, epidemiology, laboratory capacity, infection control, mitigation, communications, and other preparedness and response activities. The Act requires that every grantee that received a Public Health Emergency Preparedness (PHEP) grant for FY 2018-19 receive not less than 100% of that grant level from funds appropriated in the bill. In FY 2018-19 the State received $16,185,611 through the PHEP, from a total FY 2018-19 grant of $622,858,200 (or approximately 2.5%). Additionally, the Act requires that $125.0 million of this funding be allocated to tribes, tribal organizations, urban Indian health organizations, or health service providers to tribes. Assuming that the State receives 2.5% of the remaining funding after accounting for the $125.0 million for tribal entities and the $622.9 million to fulfill the minimum grant level, it is estimated that the direct impact on the State will be approximately $18.8 million.

The $1.5 billion in funding for CDC does not appear to flow to the states, nor does the $500.0 million for global disease prevention and emergency response, the $500.0 million for public health data surveillance, or the $300.0 million for the Infectious Diseases Rapid Response Reserve Fund.

Nursing Homes. The Act includes $200.0 million for the Centers for Medicare and Medicaid Services, at least $100.0 million of that is designated for assistance to nursing homes with infection control while prioritizing nursing home facilities with a high risk of contracting coronavirus through community transmission vectors. Since the funding will flow directly to eligible nursing homes, there will be no direct fiscal impact on the State, but the impact on nursing homes within the State is estimated to be approximately $3.0 million to $6.0 million.

Community Behavioral Health Clinics. The Act includes $250.0 million to support the Certified Community Behavioral Health Clinic Expansion Grant Program. This program increases access to community mental health and substance use disorder treatment by expanding the number and quality of certified community behavioral health clinics. Currently there are seven certified community behavioral health clinics located in the State. Since this funding will be distributed as grants directly to community behavioral health clinics there will be no direct impact on the State, but the estimated impact on clinics within the State is approximately $7.5 million.

Low-Income Home Energy Assistance Program (LIHEAP). This program provides funds to states to help low-income families pay their home energy bills. The Act makes some of the funding available for FY 2019-20 and the rest available for FY 2020-21. For FY 2019-20, the State's LIHEAP award is $160.6 million Gross. It is estimated that the State will receive approximately $39.5 million Gross of this supplemental funding. It is likely that the additional LIHEAP funding will be distributed through the existing LIHEAP processes. The FFIS estimate for Michigan for this component is $12.3 million.

Child Care and Development Fund. The bill allocates $3.5 billion for Federal child care development block grant, which is a 60% increase in current appropriations. This program funds the Michigan Child Development and Care program, which provides child care support to qualified families. The State of Michigan will receive around $100.2 million in additional Federal block grant dollars. This money will be considered one-time funding that may be spent over the next three fiscal years.

The State of Michigan has maintained payments to child development and care providers for absent children and maintained child eligibility, which maintains current appropriation levels. The program has also extended maximum service hours for school age children to 90 biweekly hours, which is estimated to increase program appropriations $11.4 million. The additional Federal funding may be used to maintain funding to child care centers, provide child care to essential employees regardless of income eligibility, for activities related to cleaning and sanitization activities necessary to maintain operations, and any other payments or reimbursements to prevent/prepare/respond to COVID-19. Federal authorization will need to be increased in the Child Development and Care program to appropriate any additional Federal dollars.

Community Services Block Grant (CSBG). The bill allocates $1.0 billion for Federal community services block grant. The CSBG had not received a full year appropriation for FY 2019-20. The last appropriation was in FY 2018-19 of $725.0 million, so the $1.0 billion amount represents a 27.5% increase from the last full appropriation. This program funds the CSBG program is intended to focus on three overall (national) goals: reducing poverty, empowering low-income families and individuals to become self-sufficient, and revitalizing low-income communities. These funds are passed through from the state to local community action agencies (CAAs). Of the funds,90% must be allocated directly to CAAs, with 5% reserved for administrative costs and the other 5% reserved for state discretionary funding. In FY 2019-20, the State appropriated $25.8 million for the CSBG. Based on previous appropriations, it is estimated that the State will receive $35.6 million in CSBG. The FFIS estimate for Michigan for this component is $36.2 million.

Head Start. The bill appropriates $750.0 million to Head Start and Early Head Start programs to meet staffing needs. This represents a 7.0% increase in current Federal appropriations to local providers. Unlike the Child Development and Care program, Head Start is administered directly to local providers. This means the dollars will flow immediately to providers without State involvement. In FY 2017-18, providers in the State of Michigan received $330.1 million from the Federal Head Start program. If current formula distribution models are used, providers in the State may experience an additional $25.8 million.

Child Welfare Services. The funds are authorized under Title IV-B of the Social Security Act, 42 USC 601 to 619. These funds may be used for child welfare services for the prevention of and response to child abuse and neglect. Additionally, there is funding to the family violence prevention and services funding. These funds will be provided without the normal condition of the

State providing matching funds. SFA estimates the State will receive approximately $1.35 million Gross. The FFIS estimate for Michigan for these components is $2.1 million.

Vaccines/Therapeutics Funding. The Act includes $16.0 billion for the Strategic National Stockpile (supplies, personal protection equipment, life-saving medicine). This money does not appear to flow directly to states. The amount included for the Biomedical Advanced Research and Development Authority (which supports the transition of medical countermeasures, e.g., vaccines, drugs, and diagnostics from research through advanced development towards consideration for inclusion into the Strategic National Stockpile), $3.5 billion, also does not appear to flow directly to states.

Hospital Preparedness Program. The Act provides $250.0 million to be made available as grants or cooperative agreements to entities that have received grants through the Hospital Preparedness Program. This Federal program encourages the creation of regional health care coalitions to enhance the ability of a state's healthcare system to respond to large-scale public health emergencies. Given that Michigan received 2.3% of the total funding included in the FY 2018-19 Federal Budget ($6,064,000 of $264,555,000) and 2.4% of the total funding for the program ($6,074,000 of $264,555,000) in the President's proposed FY 2019-20 Federal Budget, it is estimated that the State will receive approximately $5.75 million to $6.0 million.

Ryan White HIV/AIDS Programs. The Act includes $90.0 million for the Ryan White HIV/AIDS Program to modify and supplement existing grants and cooperative agreements. The Ryan White HIV/AIDS Program is a five-part program that provides grants to states and other entities to provide medical care and treatment to low-income people with HIV/AIDS to reduce transmission and improve health outcomes. Assuming that an increase in funding for the Ryan White HIV/AIDS Program will mirror the past distribution methodology, and given that Michigan received 1.4% of the total Federal funding for Part A and Part B of the program in the FY 2018-19 Federal Budget and in the President's proposed FY 2019-20 Federal Budget ($28,296,000 of $1,970,881,000), it is estimated that the State will receive approximately $1.26 million.

Poison Control Centers. The Act provides $5.0 million to increase funding for poison control centers to respond to increased calls and system strain. Michigan currently has one Poison Control Center located within Wayne State University as part of the University's Emergency Medicine Department. In FY 2019-20, the MDHHS budget includes over $2.1 million Gross for the Michigan Poison Center. Funding under this portion of the Act will flow directly to the poison control centers, not through the State. Although there will be no direct fiscal impact on the State, it is estimated that the impact on the Michigan Poison Center will be approximately $150,000.

Rural Critical Access Hospitals and Rural Health. Of the $180.0 million included in the Act for telehealth and rural health activities, $15.0 million is earmarked for tribes, tribal organizations, urban Indian health organizations, or health service providers to tribes. The remaining $165.0 million is for critical access hospitals, community health centers, telehealth networks, telehealth resource centers, and rural health networks to restore amounts incurred to prevent, prepare for, or respond to coronavirus. Because the funding will flow directly to eligible hospitals and centers, there will be no direct impact on the State; however, it is estimated that the statewide impact on eligible hospitals and centers will be approximately $4.95 million. Additionally, the Act states that maintaining or increasing health center capacity and staffing levels to address coronavirus shall be an allowable use of the funding provided in FY 2019-20 for the Health Centers Program.

Senior Community Services. The Act includes $200.0 million for Title III-B of the Older Americans Act, which supports senior community services delivered in Michigan through the Area Agencies on Aging. The FFIS estimates that Michigan will receive $6.3 million in funding. The State appropriated $46.0 million in funding for Senior Community Services in FY 2019-20.

Community Health Centers. The Act includes $2.1 billion for community health centers (in addition to $100.0 million included in HR 6074). The FFIS estimates that Michigan community health centers will receive $35.8 million of this funding, likely through direct grants rather than through the State.

Justice Assistance Grants. The Act includes $850.0 million for Byrne Justice Assistance Grants. The FFIS estimates that the State of Michigan will receive $16.4 million of this funding and local units of government in Michigan will receive $8.4 million. The State appropriated $99.3 million in Federal funding for Justice Assistance Grants in the FY 2019-20 budget.

Centers for Independent Living. The Act includes $85.0 million for centers for independent living. The FFIS estimates that Michigan centers for independent living will receive $2.2 million of this funding. The enacted appropriation in FY 2019-20 for the centers was $12.0 million.

Other Funding. The Act includes $50.0 million for suicide prevention but there is not sufficient information on how the funding will be distributed. The Act includes $100.0 million for activities authorized under section 501(o) of the Public Health Services Act. This appears to be flexible funding that will not necessarily go to the states.

Title XIII: Department of Housing and Urban Development - Tenant-Based Rental Assistance. The Act appropriates $850.0 million to Section 8 Tenant-Based Rental Assistance. This is a Federally funded program that is administered by the Michigan State Housing Development Authority (MSHDA) and provides rental assistance to qualified individuals. The appropriation represents an estimated $14.5 million increase to the State of Michigan. This increase is within the current Federal authorization for MSHDA.

Community Development Block Grant. The Act appropriates $5.0 billion to entitlement and nonentitlement Community Development Block Grant programs to support and coordinate responses across communities to COVID-19. The funding will be available through FY 2021-22. The Department of Housing and Urban Development will have authorization on how to distribute $2.0 billion dollars intended to be based on COVID-19 response distributed through the current formula distribution. The first $1.0 billion will be distributed to states based on public health needs, risk of transmission of coronavirus, number of coronavirus cases compared to the national average, and economic and housing market disruption. The remaining $2.0 billion will be distributed directly to states and local units of government at the discretion of the Secretary of Housing and Urban Development.

Most Community Development Block Grant dollars go directly to local community development organizations and not through the State. However, the State might have an administrative role to various programs involved with statewide responses. The State of Michigan currently oversees and distributes economic development grants to communities with populations less than 50,000 residents. The State is estimated to receive around $33.0 million in Community Develop Block Grant dollars in FY 2019-20. The $2.0 billion distributed to states through the current formula represents a $20.5 million increase to the State of Michigan, which will bring total appropriations to $53.5 million. The FY 2019-20 budget appropriated $47.0 million for the Community

Development Block Grant program, which means the Department would need additional Federal authorization for these funds. Additionally, any other Federal dollars that are distributed to the State will need additional Federal authorization.

Conclusion

To date, the Federal Government has enacted three separate stimulus acts to address the COVID-19 pandemic: HR 6074, the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020; HR 6201, the Families First Coronavirus Response Act; and HR 748, the CARES Act. These Acts will have a fiscal impact on State revenue and on various State departments. Some aspects of these Acts require additional guidance to be issued from the Federal government, including the applicable uses of the Coronavirus Relief Fund included in HR 748.

If you have any questions regarding these Federal Stimulus Acts, please do not hesitate to contact us.

/lms

Attachment II

Estimated Allocation of the COVID-19 Relief Fund by State showing State Minimum and Local Maximum (45% of total state distribution)

Estimated Allocation of the Covid-19 Relief Fund

State	Total distribution (millions)	% of Total	State Min	Local Max
California	$15,321	10.2142%	$8,427	$6,894
Texas	$11,243	7.4955%	$6,184	$5,059
Florida	$8,328	5.5521%	$4,580	$3,748
Tribal governments	$8,000	5.3334%	$8,000	N/A
New York	$7,543	5.0288%	$4,149	$3,394
Pennsylvania	$4,964	3.3094%	$2,730	$2,234
Illinois	$4,914	3.2761%	$2,703	$2,211
Ohio	$4,533	3.0221%	$2,493	$2,040
Georgia	$4,117	2.7447%	$2,264	$1,853
North Carolina	$4,067	2.7114%	$2,237	$1,830
Michigan	**$3,873**	**2.5821%**	**$2,130**	**$1,743**
New Jersey	$3,444	2.2960%	$1,894	$1,550
Virginia	$3,310	2.2067%	$1,821	$1,490
Washington	$2,953	1.9687%	$1,624	$1,329
Arizona	$2,822	1.8814%	$1,552	$1,270
Massachusetts	$2,673	1.7820%	$1,470	$1,203
Tennessee	$2,648	1.7654%	$1,456	$1,192
Indiana	$2,610	1.7400%	$1,436	$1,175
Missouri	$2,380	1.5867%	$1,309	$1,071
Maryland	$2,344	1.5627%	$1,289	$1,055
Wisconsin	$2,258	1.5054%	$1,242	$1,016
Puerto Rico	$2,241	1.4940%	$2,241	N/A
Colorado	$2,233	1.4887%	$1,228	$1,005
Minnesota	$2,187	1.4580%	$1,203	$984
South Carolina	$1,996	1.3307%	$1,098	$898
Alabama	$1,901	1.2674%	$1,046	$855
Louisiana	$1,803	1.2020%	$992	$811
Kentucky	$1,732	1.1547%	$953	$779
Oregon	$1,635	1.0900%	$899	$736
Oklahoma	$1,534	1.0227%	$844	$690
Connecticut	$1,382	0.9214%	$760	$622
Alaska	$1,250	0.8334%	$688	$563
Arkansas	$1,250	0.8334%	$688	$563
Delaware	$1,250	0.8334%	$688	$563
Hawaii	$1,250	0.8334%	$688	$563
Idaho	$1,250	0.8334%	$688	$563
Iowa	$1,250	0.8334%	$688	$563
Kansas	$1,250	0.8334%	$688	$563
Maine	$1,250	0.8334%	$688	$563
Mississippi	$1,250	0.8334%	$688	$563
Montana	$1,250	0.8334%	$688	$563
Nebraska	$1,250	0.8334%	$688	$563
Nevada	$1,250	0.8334%	$688	$563
New Hampshire	$1,250	0.8334%	$688	$563
New Mexico	$1,250	0.8334%	$688	$563
North Dakota	$1,250	0.8334%	$688	$563
Rhode Island	$1,250	0.8334%	$688	$563
South Dakota	$1,250	0.8334%	$688	$563
Utah	$1,250	0.8334%	$688	$563
Vermont	$1,250	0.8334%	$688	$563
West Virginia	$1,250	0.8334%	$688	$563
Wyoming	$1,250	0.8334%	$688	$563
District of Columbia	$495	0.3300%	$495	N/A
Territories*	$263	0.1753%	$263	N/A
US Total	$149,997	100%	$87,448	$62,549

*Guam, Virgin Islands, Northern Mariana Islands, and American Samoa
No State that is 1 of 10 the 50 States shall receive a payment that is less than $1,250,000,000.

Attachment III

National League of Cities' Estimated Allocations from the Coronavirus Relief Fund to the 36 U.S. Cities with populations greater than 500,000

City	State	City Coronavirus relief ($)
Albuquerque	New Mexic	$150,390,099.30
Austin	Texas	$169,969,659.51
Baltimore	Maryland	$105,169,846.75
Boston	Massachus	$121,280,283.73
Charlotte	North Caro	$153,782,289.40
Chicago	Illinois	$469,642,390.16
Columbus	Ohio	$156,333,783.81
Dallas	Texas	$237,100,097.94
Denver	Colorado	$126,408,374.34
Detroit	Michigan	$117,286,119.46
El Paso	Texas	$120,338,863.72
Fort Worth	Texas	$158,454,825.56
Fresno	California	$92,387,128.38
Houston	Texas	$410,026,025.91
Indianapolis	Indiana	$151,664,728.42
Jacksonville	Florida	$159,039,812.28
Las Vegas	Nevada	$119,504,500.41
Los Angeles	California	$695,504,150.96
Louisville	Kentucky	$108,169,347.92
Memphis	Tennessee	$114,518,751.26
Mesa	Arizona	$90,126,092.68
Milwaukee	Wisconsin	$103,470,576.45
Nashville	Tennessee	$117,135,339.06
New York	New York	$1,458,805,924.85
Oklahoma	Oklahoma	$113,689,764.52
Philadelphia	Pennsylvan	$276,304,433.99
Phoenix	Arizona	$293,988,215.93
Portland	Oregon	$114,570,142.30
Sacramento	California	$88,630,104.46
San Antonio	Texas	$270,087,054.76
San Diego	California	$248,539,262.87
San Francisco	California	$153,952,403.60
San Jose	California	$179,540,810.99
Seattle	Washingto	$131,366,667.68
Tucson	Arizona	$96,679,185.13
Washington	District of (	$495,000,000.00
TOTAL		$8,168,857,058.50

Attachment IV

Letter to Steven T. Mnuchin, U.S. Secretary of Treasury from 36 Mayors throughout the U.S., including Mayor Duggan, making recommendations on the use of monies from the Coronavirus Relief Fund to be address the cities' economic challenges due to the COVID-19 crisis

April 2, 2020

The Honorable Steven T. Mnuchin
Secretary of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Mnuchin:

Thank you for your leadership and work to include the Coronavirus Relief Fund to support municipalities in the Coronavirus Aid Response and Economic Security (CARES) Act, H.R. 748. As the municipalities who are eligible to receive direct funding from this program, we write to make three critical recommendations as the Treasury Department develops guidance on how the fund should be structured to deliver funds to local governments.

First, we request that you ensure that the Coronavirus Relief Fund allows cities to use this funding to address critical city services due to recent unexpected local revenue shortfalls. Given legal mandates, we must maintain balanced city budgets. In this current fiscal climate, maintaining city services and programs effectively becomes a new expense for us tied directly to the pandemic. A recent survey of a thousand local governments conducted this March 2020 by the Government Finance Officers Association showed that, over the first two weeks of the COVID-19 Pandemic, local governments project an unanticipated $23 billion budget impact. With federal social distancing guidelines expected to last through May 1, 2020 at a minimum, it is clear that this funding to our cities and counties is vitally needed quickly to give us the ability to continue many of the core basic services for our citizens as we confront this crisis.

Secondly, we ask that you utilize the latest U.S. Census Bureau data as eligibility criteria for the list of municipalities that can receive a direct allocation from the Coronavirus Relief Fund. The 2019 Census Bureau data would be the most accurate if those numbers are available. If not, we believe the 2018 data will serve as the next best indicator of city populations. The Treasury Department should also strongly consider including the City of Atlanta. Although the city is 1,986 persons below 500,000 according to 2018 data, it is likely over 500,000 if 2019 data were to be used.

Lastly, we would like to ask for utmost flexibility in the allowable use of funds to include, but not be limited to, eligible personnel and administrative costs affiliated with our workforce response to COVID-19. For example, police departments, parks, and buildings employees are being asked to take on different roles, while employees in our convention centers and museums have been repurposed to assist other departments in our community response.

We look forward to continuing to work with you to implement a strategy to combat this pandemic that is federally supported, state managed, and locally executed. The Coronavirus Relief Fund is one of the important parts of the CARES Act. Without direct funding to municipalities it will be very difficult to survive this crisis and be in a position to spur the much needed economic recovery. We also urge the Department to continue to support funding for Coronavirus Relief Fund and consider increasing its flexibility in the next COVID-19 related stimulus package.

Sincerely,

Eric Garcetti
Mayor
City of Los Angeles, CA

Jenny A. Durkan
Mayor
City of Seattle, WA

Bill de Blasio
Mayor
City of New York, NY

Michael Hancock
Mayor
City of Denver, CO

London Breed
Mayor
City of San Francisco, CA

Dee Margo
Mayor
City of El Paso, TX

Kate Gallego
Mayor
City of Phoenix, AZ

James Kenney
Mayor
City of Philadelphia, PA

Andrew Ginther
Mayor
City of Columbus, OH

Darrell Steinberg
Mayor
City of Sacramento, CA

Tom Barrett
Mayor
City of Milwaukee, WI

John Giles
Mayor
City of Mesa, AZ

Martin Walsh
Mayor
City of Boston, MA

Betsy Price
Mayor
City of Fort Worth, TX

Kevin Faulconer
Mayor
City of San Diego, CA

Greg Fischer
Mayor
City of Louisville, KY

Tim Keller
Mayor
City of Albuquerque, NM

Sylvester Turner
Mayor
City of Houston, TX

John Cooper
Mayor
City of Nashville, TN

Eric Johnson
Mayor
City of Dallas, TX

Ron Nirenberg
Mayor
City of San Antonio, TX

Jim Strickland
Mayor
City of Memphis, TN

Lori E. Lightfoot
Mayor
City of Chicago, IL

Lee Brand
Mayor
City of Fresno, CA

Keisha Lance Bottoms
Mayor
City of Atlanta, GA

Carolyn Goodman
Mayor
City of Las Vegas, NV

Mike Duggan
Mayor
City of Detroit, MI

Sam Liccardo
Mayor
City of San Jose, CA

Ted Wheeler
Mayor
City of Portland, OR

Joe Hogsett
Mayor
City of Indianapolis, IN

Steve Adler
Mayor
City of Austin, TX

Regina Romero
Mayor
City of Tucson, AZ

Bernard C. "Jack" Young
Mayor
City of Baltimore, MD

Attachment V

An Informative Summary of the CARES Act from the National League of Cities

NATIONAL LEAGUE OF CITIES

CITIES STRONG TOGETHER

Summary of CARES Act, Third COVID-19 Response Package

On March 27, President Trump signed the CARES Act (H.R. 748), a $2 trillion emergency package intended to stave off total economic collapse in the wake of the coronavirus crisis. (See bill text and summary.)

SUPPORT FOR CITIES

STATE & LOCAL CORONAVIRUS RELIEF FUND - Under the legislation, $139 billion is reserved to be distributed between states and units of local government. Although widely reported $150 billion, much is earmarked for the District of Columbia, territories, and tribal governments.

A unit of local government is a county, municipality, town, township, village, parish, borough, or other unit of general government below the State level with a population that exceeds 500,000.

The funds shall be distributed to states and units of local governments no later than 30 days after the enactment of the bill. The funds may only be used for 1) "necessary expenditures" related to COVID-19; 2) are not accounted for the budget most recently approved as of the date of enactment of this section for the State or government; 3) were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

Each state is allocated a minimum of $1.25 billion but will be prorated by population.

When a unit of local government receives funds, it will reduce the amount available to its own state by the amount a unit of local government receives. A "unit of local government" is term of art in this bill, meaning a "county, municipality, town, township, village, parish, borough, or other unit of general government below the State level with a population that exceeds 500,000." Under this provision, units of local government will receive 45% of the funding allocated to the state in which the unit is located. There is no provision that requires a state government to distribute money to local governments.

TREASURY LOANS - The Treasury Department will deploy up to $500 billion of loans that will be available to industries impacted by COVID-19 but also available to cities and states.

TRANSPORTATION

- AIRPORTS
  - FAA's Airport Improvement Program (AIP) will see an infusion of $10 billion to maintain operations and respond to COVID-19 at our nation's airports. AIP funds will be distributed by formula. (**)
  - Essential Air Service (EAS) – $56 million provided to maintain existing air service to rural communities. This funding is necessary to offset the reduction in overflight fees that help pay for the EAS program. (**)
  - TSA Additional Support – Additional $1 million to support response and protective equipment.

- TRANSIT
  - Federal Transit Administration (FTA) Transit Infrastructure Grants – $25 billion for transit providers, which are primarily led by local governments across the country, for operating and capital expenses. Funding will be distributed proportionally using existing FTA formulas - 5307 Urbanized Area Formula, 5311 Rural Formula, 5337 State of Good Repair Formula and 5340 Growing and High-Density States Formula. FTA is required to release these funds within 7 days of enactment. (*)
- RAIL
  - Amtrak – Provides $492 million in grants for the Northeast Corridor and $526 million in grants for the broader national network to cover revenue losses related to coronavirus. In addition, funding is provided to help states pay for their share of the cost of state supported routes.

CONNECTIVITY

- U.S. Department of Agriculture – Provides an additional $25 million for the existing Distance Learning, Telemedicine, and Broadband Program, plus $100 million to extend the ReConnect competitive rural broadband grant/loan program through the end of FY2021. (**)
- Department of Veterans Affairs – Allows flexibility for VA to contract for short-term broadband services to high-risk and rural veterans for them to access video mental health services.
- Federal Communications Commission – Provides $200 million to the FCC for telehealth pilot program funding, available until expended.
- Institute of Museum and Library Services – Provides $50 million for network access, devices and technical support, available through the end of FY2021. (**)

RURAL DEVELOPMENT

- Rural Development Programs: $20.5 million for the cost of loans for rural business development programs (**)

NUTRITION AND FINANCIAL ASSISTANCE

- Supplemental Nutrition Assistance Program (SNAP): $15.5 billion additional SNAP benefits to provide additional access to food for those who need support, available until the end of FY2021.
- Child Nutrition Programs: $8.8 billion to ensure food access for children outside of school through the end of FY2021.
- Temporary Assistance for Needy Families Program and Related Programs extension through 2021 to Nov. 30, 2020.
- Low Income Home Energy Assistance Program: $900 million to help lower income households heat and cool their homes through the end of FY2021.

HEALTH AND HUMAN SERVICES

- Community Services Block Grant: $1 billion to support projects such as addressing employment, education, better use of available income, housing, nutrition, emergency services and/or health through the end of FY2021.

- Centers for Disease Control and Prevention: $4.3 billion to support the coronavirus response, including $1.5 billion to support states and local areas, tribes and territories for equipment, testing, mitigation and preparedness, available through September 30, 2024. (**)
- Clean extension of the Health Profession Opportunity Grant program until November 30, 2020. This program provides skills training and support for those in the health care sector. NLC supports making this program permanent.

EDUCATION AND EARLY CHILDHOOD

- Education Stabilization Fund: $30.75 billion for costs incurred by schools including those for planning for long-term closure, additional technology to enable distance learning as well as funds to be directed towards districts impacted the most, to available through the end of FY2021, with applications being accepted 30 days after bill enactment and approved or denied no later than 30 days after receipt. (**)
- Head Start: $750 million to Head Start programs to meet the needs of children and families, as well as allowing for expansion of summer programs through FY2020 and FY2021.
- Child Care and Development Block Grant: $3.5 billion for child care subsidies for low-income families with children under age 13, as well as flexibility to pair state and federal funds to improve the quality of child care available to families within existing state and local systems, available through the end of FY2021.

LABOR

- Workforce training and supportive services: $360 million to invest in programs that provide training and supportive services for dislocated workers, seniors, migrant farmworkers, and homeless veterans, available through the end of FY2022. This also includes funding for DOL agencies to ensure new Paid Leave and UI benefits are implemented swiftly and effectively.

ENVIRONMENT

- Superfund program: $770,000 to prevent, prepare for, and respond to coronavirus, domestically or internationally for necessary expenses for cleaning and disinfecting equipment or facilities of, or for use by, the U.S. Environmental Protection Agency

COMMERCE

- EDA Economic Adjustment Assistance Program: $1.5 billion to assist state and local entities with a wide range of technical, planning, and public works and infrastructure assistance in regions experiencing adverse economic changes that may occur suddenly or over time. (**)
- Manufacturing Extension Partnership: $50 million to assist manufacturers to prevent, prepare for, and respond to coronavirus.

SMALL BUSINESS ADMINISTRATION

- Economic Injury Disaster Loans: $562 million to assist small businesses impacted by COVID-19 response measures. The bill makes several loan eligibility adjustments to permit more businesses to qualify.

HOUSING AND COMMUNITY DEVELOPMENT

- Community Development Block Grants: $5 billion. Of that amount, $2 billion direct allocation to states and local governments through the regular program formula within 30 days of enactment; $1 billion to states within 45 days of enactment; and the remaining $2 billion will be allocated by HUD to state and local governments based on need. The measure also suspends the 15% services cap so that grantees may spend additional funds on assistance to low-income households. (**)
- Homeless Assistance Grants: $4 billion. Of that amount, $2 billion allocation by formula to current grantees within 30 days of enactment; and $2 billion allocation by HUD to state and local governments based on a formula to be developed by the Secretary and such allocations shall be made within 90 days of enactment. (**)
- Tenant-Based Rental Assistance: $1.25 billion for rental assistance to low-income individuals.
- Project-Based Rental Assistance: $1 billion for assistance to owners or sponsors of properties receiving federal subsidies to house low-income individuals.
- Public Housing Operating Fund: $685 million to provide housing stability for public housing residents with reduced income as a result of COVID-19. (Funding goes directly to Public Housing Agencies rather than municipal governments)
- Housing for the Elderly: $50 million
- Housing for Persons with Disabilities: $15 million

LAW ENFORCEMENT, PUBLIC SAFETY & CRIMINAL JUSTICE

- Resources for Federal, State and Local Law Enforcement: $850 million for the Byrne-Justice Assistance Grant Program (Byrne-JAG). The funding can be used to purchase personal protective equipment and other needs to help law enforcement with responding to the COVID-19 pandemic. The awards will not be subject to restrictions or special conditions imposed on awards under FY 2018 Byrne-JAG grants, that forbid interference with Federal law enforcement. (*)
- Federal Bureau of Prisons: $100 million.
- Federal Law Enforcement: $55 million for the Federal Bureau of Investigation, Drug Enforcement Administration, U.S. Marshals Service, and U.S. Attorneys.
- Federal Judiciary: $7.5 million for three accounts in the Judicial Branch including the Supreme Court and U.S. District Courts.
- Family Violence Prevention Services: $45 million to support families during this uncertain time, and to prevent and respond to family and domestic violence, including offering shelter and supportive services to those who need it. (**)
- Support for Legal Services: $50 million is provided for the Legal Services Corporation (LSC) to meet civil legal aid needs for low-income Americans. This funding can help LSC clients facing job losses, eviction, domestic violence and consumer scams resulting from the coronavirus crisis. (**)

PERSONAL PROTECTIVE EQUIPMENT

- Defense Production Act: $1 billion to allow the Department of Defense to invest in manufacturing capabilities that are key to increasing the production rate of personal protective equipment and medical equipment to meet the demand of healthcare workers across the nation.

- Assistance to Firefighter Grants: $100 million for personal protective equipment for first responders. (*)
- Personal Protective Equipment: $178 million for the Department of Homeland Security to ensure front line federal employees have personal protective equipment.

DISASTER ASSISTANCE

- Disaster Relief Fund: $45 billion to provide for the immediate needs of state, local, tribal, and territorial governments. Reimbursable activities may include medical response, personal protective equipment, National Guard deployment, coordination of logistics, safety measures, and community services nationwide. This funding supplements existing funding that is available to state and local governments through FEMA's Public Assistance grant program.(**)
- Emergency Management Performance Grants: $100 million for state, local, territorial, and tribal governments to support coordination, communications, and logistics. (**)
- National Guard: $1.4 billion for deployments to sustain up to 20,000 members of the National Guard, under the direction of the governors of each state, for the next six months in order to support state and local response efforts.
- FEMA's Emergency Food and Shelter Program: $200 million for shelter, food, and supportive services through local service organizations. (**)
- Expansion of Military Hospital: $1.5 billion to alleviate the anticipated strain on both the military and civilian healthcare systems, these funds will nearly triple the 4,300 beds available in military treatment facilities today.

ELECTIONS

- Election Grants: $400 million for states to help prepare for the 2020 elections.

DEADLINE EXTENSIONS

- REAL ID Deadline for States: Extends the deadline for states to meet the requirements of the REAL ID Act to not earlier than September 30, 2021.

MUNICIPAL BONDS

The $454 billion "Economic Stabilization Fund" permits the Treasury Department to "purchase obligations or other interests in secondary markets or otherwise." This will allow the Federal Reserve to be an institutional investor in securities that mature in greater than 6 months. Note: This fund also provides loans and loan guarantees to small businesses, so not all the $454 billion will be used for bond the purchase of securities.

*Denotes program where funds go entirely to local governments.

**Denotes program where a portion of the funds go to local governments.

Attachment VI

The National League of Cities appeal to the U.S. Congress regarding the need for a larger Coronavirus Relief Fund in a possible fourth stimulus package.

NLC NATIONAL LEAGUE OF CITIES
CITIES STRONG TOGETHER

March 26, 2020

The Honorable Mitch McConnell
Majority Leader, Unites States Senate
Washington, DC 20510

The Honorable Nancy Pelosi
Speaker, United States House of Representatives
Washington, DC 20515

The Honorable Charles Schumer
Minority Leader, United States Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader, United States House of Representatives
Washington, DC 20515

Dear Leader McConnell, Speaker Pelosi, Leader Schumer, and Leader McCarthy,

The National League of Cities (NLC) wants to thank you for your tireless work on the CARES Act. The CARES Act provides local governments funding to meet the immediate needs of residents, households, and small businesses on the economic margins. NLC applauds Congress for advancing a bill that does much to meet the needs of Main Street, in addition to traditional economic protections for Wall Street.

Although the CARES Act provides for many of the immediate needs of municipal governments to prevent economic decline, for the governments themselves and their residents, we think that it will prove to be insufficient for intermediate and long-term economic stabilization. This is especially true for legacy cities and other communities that never sufficiently recovered from the previous recession caused by the housing bubble.

The Coronavirus Relief Fund established under the CARES Act will primarily help states, and the potential impact on local budgets is largely unknown at this point because governors will have maximum flexibility to allocate resources from the fund as they see fit.

In a fourth stimulus bill, NLC would like to see:

- Changes to Coronavirus Relief Fund by:
    - Increasing the total allocation to $250 billion, instead of $150 billion;
    - Lowering the unit of local government threshold from 500,000 to 50,000.
- Provide governmental employers the access to tax credits for the paid sick and paid emergency leave that they are required to provide to employees.

We are ready to assist your efforts in any capacity, but especially as a means for establishing communications and coordination between federal authorities and local leaders. We are compiling resources for local leaders on our website at https://www.nlc.org/resource/coronavirus-response-resources-for-local-leaders. If NLC can be of further help to you in this crisis, please contact Irma Esparza Diggs, NLC Senior Executive and Director of Federal Advocacy, at 202-626-3176 or diggs@nlc.org.

Sincerely,

Clarence E. Anthony
CEO and Executive Director
National League of Cities

Attachment VII

Report from the Center on Budget and Policy Priorities entitled "CARES ACT Includes Essential Measures to Respond to Public Health, Economic Crises, But More Will Be Needed", dated March 27, 2020

Center on Budget and Policy Priorities

CARES Act Includes Essential Measures to Respond to Public Health, Economic Crises, But More Will Be Needed

REPORT | MARCH 27, 2020 | BY SHARON PARROTT, CHAD STONE, CHYE-CHING HUANG, MICHAEL LEACHMAN, PEGGY BAILEY, AVIVA ARON-DINE, STACY DEAN, AND LADONNA PAVETTI, PH.D.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which has passed both the Senate and the House, includes important provisions to mitigate the sharp economic decline already unfolding. But policymakers' efforts should not end with this bill. They will need to do substantially more in subsequent bills to address urgent needs in areas like health coverage, food assistance for struggling families, and state fiscal relief.

"POLICYMAKERS' EFFORTS SHOULD NOT END WITH THIS BILL."

The CARES Act includes, in addition to substantial resources for small businesses to help them retain their employees and a sizable fund that the Treasury can use to support larger businesses:

- A sizable expansion of unemployment benefits, including expansions of who is eligible for benefits and increases both in weekly benefit levels for the next four months and in the number of weeks of jobless benefits that someone can receive.

- Significant direct payments ("recovery rebates") to low- and middle-income families of $1,200 for most adults and $500 for children under age 17. Unfortunately, millions of low-income households that don't otherwise have to file a tax return will need to file to receive the payments, and certain immigrant families — including many with children who are U.S. citizens — are ineligible.

- A $150 billion Coronavirus Relief Fund to help address the large budget holes emerging in states and localities. This is an important first step, but less than states are likely to need to avoid making deep budget cuts and laying off teachers and other staff, actions that would worsen the recession and slow recovery.

- Substantial investments across a range of existing programs that can help respond to the current crisis, including important new investments in programs to serve people experiencing homelessness (among many others) and to prevent people from losing their housing.

However, the bill also has important shortcomings:

- It lacks any provisions to expand health coverage or pay for COVID-19-related treatment for the uninsured.

- It lacks a SNAP benefit increase, which is needed to help families afford food — and to boost overall consumer spending — while the economy remains weak.

- It lacks an emergency fund modeled after the successful TANF Emergency Fund in place during the Great Recession. Such a fund could quickly provide both families with children and others with cash assistance to meet their basic needs and other forms of crisis assistance. Such a fund also could provide funding to states to set up subsidized jobs programs after the health crisis diminishes and such programs can be undertaken safely.

- It lacks provisions to extend — or broaden — certain of its economic-relief provisions if economic conditions warrant. For example, its broad eligibility expansions for unemployment benefits expire December 31, and its unemployment benefit increase expires July 30. Similarly, states can only use the Coronavirus Relief Fund for spending through December 31, while the increase in the federal share of state Medicaid costs Congress provided in the previous COVID-19 response legislation ends at the end of the public health emergency, neither continuing nor increasing if the economy worsens.

The next legislative package needs to continue improvements in unemployment benefits and provide additional fiscal relief for states, including a larger increase in the federal share of Medicaid costs, for as long as the economy remains weak. Otherwise, we risk under-sizing and turning off key stimulus measures too early, lengthening and deepening the recession.

Accordingly, after enacting the CARES Act, Congress should turn its attention to putting together legislation to address these gaps and put in place policies that will remain in effect until an economic recovery takes hold.

Meanwhile, the Administration and state and local governments will begin making critical implementation choices that have a large impact on the success of the CARES Act. Policymakers, the media, and the public should monitor these implementation efforts very closely.

Expanded Unemployment Insurance

The CARES Act includes a robust expansion in unemployment benefits that, in the near term, will enable more jobless workers to receive benefits and provide benefits that are more robust. This is critical, given both the sharp rise in unemployment we are already seeing and the underlying weakness in the basic Unemployment Insurance (UI) system.

Three million workers filed a claim for UI benefits during the week of March 21, according to the Labor Department — an unprecedented increase. Initial claims averaged under 240,000 over the previous four weeks.

Without the kinds of improvements in the CARES Act, the basic UI program would leave many workers out altogether and provide inadequate help to many others. Each state runs its own program and has significant discretion over eligibility and benefits. As a result, states vary widely in what share of jobless workers qualify for benefits and the level and duration of benefits. Nationally, fewer than 3 in 10 unemployed workers received UI over the 2010-2019 period.[1] Many do not qualify because they lack sufficient recent work history, are looking for part-time work in states that exclude part-time workers from UI, or left their job for a reason not covered by their state's program, such as needing to care for an ill family member. During a recession, the share of jobless workers who qualify for UI typically rises because more unemployed workers have longer work histories and more lose their jobs for reasons that qualify them for benefits (layoffs versus a health issue). But large numbers are still left out. During the Great Recession, the share of jobless workers receiving UI benefits peaked at about 40 percent.

And, for those who qualify, benefits are low, averaging just $366 per week in the median state in February and even less in many states. (In Mississippi, Louisiana, Arizona, Alabama, and Tennessee, weekly benefits are below $250; benefits in another seven states are below $300.) And, while most states provide up to 26 weeks of jobless benefits, nine states offer fewer, with eight of them providing 20 weeks or fewer at the start of this downturn.

To address some of these shortcomings, the CARES Act:

- Creates a Pandemic Unemployment Assistance (PUA) program that provides federally funded unemployment benefits to many — though certainly not all — workers who lose their jobs but are ineligible for the state's regular UI program. This includes workers lacking an extensive enough work history or looking for part-time work as well as those who have exhausted their regular UI benefits. Workers can receive up to 39 weeks of PUA benefits. This program is only in effect through December 31.

- *Provides a $600 per week, federally funded benefit increase through July 31 for recipients of PUA or regular UI.* This sizable increase will help workers and their families stay afloat and boost overall consumer demand to mitigate the downward economic trends.

- *Extends the maximum number of weeks of regular UI benefits.* For those eligible for regular UI, the bill allows states to provide an additional 13 weeks of federally funded extended benefits; workers who exhaust those benefits can receive PUA benefits, but only as long as that program is in place.

- Provides funding to states that have approved short-time compensation (work-sharing) programs, in which employers reduce certain employees' hours in lieu of layoffs and the affected workers receive partial UI benefits. The bill also provides funding to help states establish such programs.

These measures constitute a strong response to the immediate job losses in the COVID-19 pandemic, but they are temporary and would not automatically continue beyond the end of the year (or beyond July 31 in the case of the benefit increase) if economic conditions warrant. The pandemic has exposed the inadequacies of our antiquated UI system, including its inability to respond quickly and automatically to assist unemployed workers and support a weakening economy. As discussed in more detail below, the next package needs to, at a minimum, put in place robust unemployment benefit expansions that will remain in place until the economy (nationally and in states) is in full recovery.

Direct Payments to Households

The CARES Act includes sizable "recovery rebates" of $1,200 per adult ($2,400 for a married couple) and $500 per dependent child age 16 or younger. A married couple with two children is therefore eligible for $3,400. The rebates phase down gradually for couples with incomes above $150,000, heads of household with incomes above $112,500, and individuals with incomes above $75,000.

These rebates are larger than the 2008 stimulus payments of $600 for a single filer, $1,200 for a married couple, and an extra $300 per child. And, unlike the 2008 payments, they don't require households to have a minimum level of income to qualify. Senate Majority Leader Mitch McConnell's initial stimulus proposal would have required a minimum level of income to qualify for the rebate and would have gradually phased in the rebate with income, thereby making nearly 70 million households with incomes below about $50,000 ineligible for the full rebate — including roughly 9 million very low-income households who would have been left out entirely.[2] That proposal met swift bipartisan opposition.

While the final version is an improvement over earlier versions, it misguidedly:

- *Denies the entire rebate to certain immigrant families, including some with children who are U.S. citizens.* For a household to receive any rebate, each person in the household — including children — must have a Social Security number (SSN). (The only exception is for members of armed services, if one spouse has an SSN.) This is even harsher than the 2017 tax law's Child Tax Credit provisions, which require that a child have an SSN to qualify for the rebate but do not require parents to have an SSN. The CARES Act leaves out both children who have an SSN and those who do not whose parents brought them to the United States.

  Parsing immigration status during a pandemic and economic crisis will deny help to many families, children, and communities hardest hit by the loss of jobs during the pandemic.

- *Denies the rebate to tens of millions of dependents.* Filers may only claim the additional $500 for dependents for children under age 17. This means that filers who support other dependents — including elderly dependents, adults with disabilities living with family members who help care for them, and college students — won't get extra help based on these dependents. There's no clear policy rationale for this choice, which ignores the struggle of many families with dependents who are not minor children, and the added cost to rectify it would be quite modest.

- *Requires members of vulnerable groups to submit burdensome tax filings.* Treasury will send automatic stimulus payments to many people who filed a 2019 or 2018 tax return using the direct deposit information from their tax returns, where available. But tens of millions of people don't file a tax return: either their incomes are so low they don't have to or they receive the bulk of their income from untaxed sources such as Social Security, veterans benefits, or disability benefits. The CARES Act creates mechanisms to reach recipients of certain federal benefits but leaves much to Treasury's discretion to determine whether and how to get automatic payments to such individuals.

  Treasury should use this authority to act quickly and aggressively to get as many of these people automatic payments as possible. Requiring them to file a tax return during a pandemic would be a barrier to many people who are self-isolating, have low incomes or disabilities, or are otherwise vulnerable, and who lack access to in-person help from family, government offices, nonprofit organizations, or even for-profit preparers while physical distancing is in place to reduce virus transmission. Treasury and the IRS will likely quickly issue guidance after the law is enacted to provide further guidance on who will need to file a tax return or provide updated bank account or other information.

  Even if Treasury exercises its full discretion, millions of very low-income people will very likely have to file a tax return to receive the stimulus payment. The Volunteer Income Tax Assistance (VITA) program will be essential in reaching these people, and is likely to see a surge in need to help millions more people who have not previously been required to file a tax return — while facing the enormous task of shifting to online service in the middle of a pandemic and an extended 2019 tax filing season. The CARES Act appropriated modest additional resources to the IRS and Treasury to implement the stimulus payments, and the Administration should ensure that VITA has the resources needed to meet this challenge.

State Fiscal Relief

The CARES Act includes $150 billion in a new Coronavirus Relief Fund that states, and local governments with populations over 500,000, can draw down to meet virus-related costs in calendar year 2020. (Under the Act, the Treasury Secretary is required to release funds to states within 30 days of the bill's enactment.) It also contains $30 billion specifically for elementary and secondary schools and colleges and universities, $25 billion for mass transit systems, $5 billion for community development block grants, $3.5 billion for child care, and $400 million to prepare for elections, among other funding directed to states.

This much-needed relief will help state and local governments over the coming months. But it likely will not be enough over the course of the downturn. State and local governments are incurring huge new costs as they seek to contain and treat the coronavirus and respond to the spike in joblessness and related needs of their residents. At least 14 states have already enacted supplemental appropriations or made withdrawals from their reserve funds to address the crisis.

At the same time, states anticipate sharply lower tax revenues — beginning right now — than they had expected, because the virus has caused economic activity to plummet. Most state revenue comes from sales taxes and personal income taxes, so when economic activity declines, so do revenues. Last week, Goldman Sachs projected the national unemployment rate will reach 9 percent, an increase of more than 5 percentage points since before the crisis.[3] Historically, each 1 percentage-point increase in unemployment translates into roughly $40 billion less in state tax revenues.[4] As discussed below, because of physical distancing measures and direct costs to respond to the virus, this recession is likely to result in even deeper revenue declines, as well as larger increases in state costs, than that rule of thumb would suggest.

States whose economies rely on particularly affected sectors of the economy, such as tourism and oil and gas production, will be especially hard hit. And their reserve funds generally are well below what they would need for a crisis of this magnitude.[5]

Without the CARES Act's considerable federal aid, states would have needed to start cutting basic core services — or enact massive tax increases — very quickly just to keep functioning. That would have worsened the recession and delayed the eventual recovery.

That said, the CARES Act's federal aid is unlikely to be sufficient, even over the next year. State budget shortfalls reached about $227 billion in the worst year of the last recession (adjusted only for inflation, and not including city and county shortfalls) and will likely be even larger in this recession. That's both because unemployment is rising much more rapidly in this recession, causing steeper drops in income and sales tax revenues, and because states and localities face substantial direct costs related to the virus.

The federal government will have opportunities in coming weeks and months to provide states additional aid as the scale of the crisis becomes clearer. One targeted approach would be to increase the federal share of state Medicaid expenditures, with the extent and duration of the increase tied to state-specific economic indicators. The Families First Coronavirus Response Act, enacted about a week ago, included an increase in the federal share of Medicaid costs, but the increase is modest and time-limited.[6] The Take Responsibility for Workers and Families Act, introduced in the House, would provide additional increases in federal Medicaid match rates that would be scaled based on state unemployment rates and would end only when unemployment rates return to normal levels.

Increased Resources for Programs That Can Help Respond to Current Crisis

The CARES Act boosts funding for a broad range of existing programs that will see increased need or play a special role in responding to the health and economic crises. These include the Federal Emergency Management Administration, the Centers for Disease Control and Prevention, child care, veterans' medical care, and various transportation programs.

It also boosts funding for several housing programs that will reduce evictions of low-income renters, help communities reconfigure their homeless assistance systems to mitigate COVID-19-related health risks, and help more people move from homelessness into healthy, stable housing. While not sufficient given the need, this funding is an important down payment.

- The bill dedicates $4 billion toward helping people experiencing or at risk of homelessness. These funds can increase shelter capacity, allow communities to reconfigure shelter space to adhere to physical distancing guidelines, deliver medical care to people who acquire the virus or may be at higher risk, and provide short-term rental or utility payment assistance so that people who have lost jobs or income don't also lose their housing or access to public services like electricity and water.

- The bill provides almost $3 billion to help ensure that the more than 10 million recipients of federal rental assistance continue to have access to decent, stable housing. The funds will cover added program costs, such as deep cleaning and services for quarantined residents, and offset reductions in rental payments by families that have lost incomes.

- The bill includes over $450 million to help various groups of people who will have special housing needs at this critical time. They include veterans, people experiencing domestic violence at home, youth experiencing homelessness, people with disabilities, seniors, and Native Americans.

Funding for these housing-related services is critical. During this crisis, people will have even greater difficulty working, caring for their children, and staying healthy if they don't have a safe place to live or are worried about losing their housing.

In light of the coronavirus' impact on job stability and the economy broadly, it is already clear that policymakers must do more to help people facing housing crises. The homelessness system alone requires at least $11.5 billion to address urgent needs in emergency shelters, experts estimate — only a portion of which will be covered by the CARES Act.[7] And, if the economy continues to decline and earnings reductions persist, many more people will need rental assistance.

CARES Act Omits Urgent Needs That Next Legislation Must Address

The CARES Act fails to address several high-priority policies to help respond adequately to the health crisis and limit the downturn's severity and duration.

Health Coverage

While the CARES Act provides critical resources to hospitals and states to help cover COVID-19-related costs, it does not expand health coverage or cover COVID-19 treatment for the uninsured. Strengthening health coverage programs is crucial to letting people access needed health care during a public health crisis and preventing severe hardship during an economic crisis.

The next response package should incorporate the following important provisions from the Take Responsibility for Workers and Families Act, introduced in the House.

- **Incentives for states to adopt or immediately implement the Affordable Care Act's expansion of Medicaid to low-income adults.** Under the House bill, the federal government would temporarily cover 100 percent of the cost of expansion, up from the current 90 percent. Several states are close to adopting or implementing expansion, and financial incentives could get them over the hump, opening up comprehensive coverage to hundreds of thousands of people who are already uninsured and many others who risk becoming uninsured in coming months.

- **Policies to help people who lose their jobs transition to marketplace coverage.** The House bill would increase premium tax credits, making coverage more affordable for at least 9 million currently uninsured people and many others likely to become uninsured in the coming months.[8] In addition to promoting enrollment, an immediate increase in premium tax credits would provide timely, well-targeted help to people at risk of serious financial hardship and serve as effective stimulus. Because people losing jobs and income may have trouble correctly estimating their incomes (which helps determine the size of their premium tax credits), the House bill also gives them added protection against owing large repayments of their credits if their estimates prove incorrect.

- Enabling Medicaid to cover costs of COVID-19 treatment for people who remain uninsured despite the above policies, including people now ineligible for Medicaid due to their immigration status. Without such changes, people with low incomes may be afraid to seek COVID-19 treatment or even testing because they fear they can't afford it.

As discussed above, Congress should also increase the federal share of Medicaid costs until the economy improves. This would help avert state cuts not only in education and other key services (which would harm residents and worsen the downturn) but also in health coverage and services, exactly when need is greatest.

SNAP

The CARES Act also fails to increase SNAP benefits, one of the most effective stimulus policies of the Great Recession.

SNAP benefits are extremely modest, averaging about $1.40 per person per meal. This is especially problematic during downturns, when many people's incomes drop and it takes those who are out of work more time to find a job.

The House's Take Responsibility for Workers and Families Act calls for raising SNAP benefits by 15 percent for the duration of the downturn. This temporary increase, of just under $100 per month for struggling families, would help families put food on the table and effectively boost the economy. A similar temporary increase in the Great Recession served as very effective stimulus and was critical to preventing far larger increases in poverty, data show. That's because SNAP households, with very tight budgets, tend to spend any additional income or resources they receive. The Congressional Budget Office (CBO) and Moody's Analytics rate SNAP expenditures as one of the most effective supports for the economy during economic downturns. CBO has observed that increases in SNAP expenditures during economic slumps have one of the biggest "bangs for the buck" of any of a broad range of possible fiscal policies for shoring up a weak economy. Put another way, expanding SNAP in a recession causes some of the largest increases in economic activity and employment per dollar spent.

The Families First Coronavirus Response Act (enacted previously) gives states important flexibility to expand SNAP benefits, but these expansions are only available during the public health emergency. Many CARES Act provisions assume that the economic fallout will outlast the public health emergency; assistance for families facing food insecurity needs to be expanded throughout the course of the downturn. Congress should raise the basic SNAP benefit until the economy has turned around.

In addition to raising SNAP benefits (as well as nutrition funding for Puerto Rico and the territories), policymakers should suspend the three-month time limit on SNAP benefits for unemployed adults not raising minor children as long as the economy is weak — not just during the public health emergency, as the Families First Coronavirus Response Act does. And Congress should halt implementation of new Trump Administration regulations that would cut SNAP benefits and take SNAP benefits away from 4 million people.

Flexible Emergency Assistance Grants

As the public health crisis and resulting economic dislocation unfold, states will need additional, flexible resources to provide basic income assistance and emergency aid to families and individuals facing serious economic hardship, which may be brought on by a rapidly deteriorating employment situation. For workers in low-paying and unstable jobs that leave them struggling to meet their basic needs in the best of times, any reduction or disruption in income could quickly make it impossible to make ends meet. Of particular concern, the inability to pay rent or utilities could lead to more personal debt, evictions, and homelessness. While the CARE Act's UI expansions and homelessness prevention funds will help some people, it is impossible to anticipate all the emergency needs the current crisis will produce, and those needs will likely change as the situation progresses.

Policymakers should therefore provide flexible Emergency Assistance Grants to the states, territories, and tribes to address unmet emergency needs, including providing subsidized jobs once the health crisis is behind us and individuals can once again work though the economy is still weak. These funds also could pay for monthly cash assistance to a higher number of families and for emergency assistance programs, which could serve single individuals as well as families. States could transfer the funds to expand existing programs or create new programs to address needs that emerge from the pandemic but that other funding streams don't address. The grants should be targeted to individuals and families with the lowest incomes who are at the greatest risk of significant hardship without assistance that reflects their personal circumstances and individual needs.

Duration of Relief Provisions Should Be Tied to State of Economy, Not Artificial Timelines

As noted, some policies — such as the CARES Act's unemployment benefit expansions and state fiscal relief and the Families First Coronavirus Response Act's expanded SNAP flexibility — are temporary and slated to end in a fixed period of time (rather than being tied to economic conditions). But this downturn may be long-lasting and deep. Policies such as these should not have an arbitrary end date; they should remain in place until economic indicators signal that a robust recovery is underway.

The next response package should tie further relief measures automatically to the economy and not end economic stimulus prematurely as in the Great Recession, when protracted high unemployment and underemployment after the recession officially ended in June 2009 continued to generate hardship and hurt long-term growth. One option is to create "triggers" based on economic conditions to guide how and when particular measures phase up or phase out. For example, the duration and extent of various relief policies — such as expanded unemployment benefits, needed state fiscal relief through a higher federal share of Medicaid costs, increased SNAP benefits, and access to Emergency Assistance Grants to provide assistance and subsidized jobs to those hard hit by the downturn — should be tied to appropriate indicators of economic conditions such as the level and rate of change of the unemployment rate or other indicators of labor market stress both nationally and, where appropriate, in states.

TOPICS:
Federal Budget, Federal Tax, State Budget and Tax, Health, Economy, Food Assistance, Family Income Support, Housing

End Notes

[1] "Application and Recipiency," (chart), U.S. Department of Labor, https://oui.doleta.gov/unemploy/images/carousel/application_and_recipiency.png.

[2] Tax Policy Center Table T20-0115, https://www.taxpolicycenter.org/model-estimates/senate-republican-economic-recovery-proposal-march-2020/t20-0115-senate-republican.

[3] Goldman Sachs, "US Daily: A Sudden Stop for the US Economy," March 20, 2020.

[4] Matthew Fiedler, Jason Furman, and Wilson Powell III, "Increasing Federal Support for State Medicaid and CHIP Programs in Response to Economic Downturns," https://www.brookings.edu/wp-content/uploads/2019/05/ES_THP_FFP_web_20190506.pdf.

[5] Last year Moody's found that most states were not financially prepared for a deep recession. See "Stress-Testing States 2019," October 2019, https://www.moodysanalytics.com/-/media/article/2019/stress-testing-states-2019.pdf.

[6] Jennifer Sullivan, "Medicaid Funding for States Can't Wait," Center on Budget and Policy Priorities, March 12, 2020, https://www.cbpp.org/blog/medicaid-funding-boost-for-states-cant-wait.

[7] Dennis Culhane *et al.*, "Estimated Emergency and Observation/Quarantine Capacity Need for the US Homeless Population Related to COVID-19 Exposure by County; Projected Hospitalizations, Intensive Care Units and Mortality," published by The National Alliance to End Homelessness, March 2020, https://endhomelessness.org/wp-content/uploads/2020/03/COVID-paper_clean-636pm.pdf.

[8] The package would increase premium tax credits for those who currently qualify for them and would extend them to some people with incomes over the current limits. See Center on Budget and Policy Priorities, "Policies Can Make Health Coverage More Affordable, Accessible to Reach the Remaining Uninsured," January 25, 2019, https://www.cbpp.org/research/health/policies-can-make-health-coverage-more-affordable-accessible-to-reach-the-remaining.