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Bird-dogging those CARES Act dollars

By Colin McNickle

Local Pennsylvania governments have received and have been spending federal dollars granted under the Coronavirus Aid, Relief and Economic Security Act (or CARES Act).

And as financially challenged these jurisdictions have been as the pandemic continues, it could be just as challenging for them to comply with documentation regulations surrounding receipt of the money.

The same can be said for federal and state efforts to oversee that it's being spent as intended, conclude researchers at the Allegheny Institute for Public Policy.

"Hopefully, oversight is taken seriously for the sake of taxpayers," say Eric Montarti, research director at the Pittsburgh think tank, and Hannah Bowser, a research assistant there.

"This is a program involving 171 counties and cities across the nation that received money directly, along with many others that may get funding indirectly," they say (in *Policy Brief Vol. 20, No. 28*).

The CARES Act, adopted in March, earmarked $150 billion for state, territories, tribal and local governments, the latter of which required a population in excess of 500,000. The money is supposed to be used to offset expenses directly incurred because of the pandemic (between March 1 and Dec. 30, 2020). It cannot be used for budget/revenue shortfalls.
"States can transfer money to local governments and local governments can transfer money to other local governments so long as the funds are used as the CARES act intends," Montarti and Bowser remind.

To that end, Pennsylvania and seven local governments (Philadelphia and Allegheny, Bucks, Chester, Delaware, Lancaster and Montgomery counties) received direct allocations—$3.9 billion to the state and $1 billion total to the local governments.

The state Legislature established a $625 million block grant program (through Act 24) from its allocation for the 60 counties with populations of 500,000 or less. That includes six counties in the Pittsburgh Metropolitan Statistical Area (MSA).

The City of Pittsburgh requested $6.2 million from Allegheny County's share.

There *are* strict oversight protocols. At least on paper.

Direct recipients are being overseen by the U.S. Treasury Department's Office of Inspector General (OIG). Any spending violations could lead to jurisdictions being required to repay the money.

An interim report due by July 17 covered the March 1-June 30 period.

"Allegheny County reported that it spent $12.7 million (6 percent) of its allocation," the think tank scholars say. "Philadelphia spent $115.8 million (42 percent) and the five other counties spent between $147,000 and $30 million (0.1 to 33.5 percent)."

Federal quarterly reports will follow, the first due Sept. 21.

Monitoring for counties that indirectly accessed funding through Act 24 will fall to the state Department of Community and Economic Development (DCED).

But Montarti and Bowser remind the agency does not have a good track record of follow-up on state-sanctioned tax incentives, as concluded by state audits.

DCED will have access to records, invoices and materials related to the block grant, with counties required to file monthly reports beginning Sept. 1.

But there remain several questions about the CARES Act money that warrant close attention. To wit:

"Did the CARES Act intend for local governments smaller than 500,000 to get aid?" ask Montarti and Bowser.

"Will the overseers scrutinize the financials of recipients, including any unassigned fund balances that could be put toward relief efforts?

"How will safeguards against false or inadmissible labeling of expenditures be ensured?" the researchers wonder.

Additionally, "Can overseers track this money accurately given the number of reports that will be submitted let alone if an additional aid program is passed?

"Answers to these questions should be made clear in the next five months," Montarti and Bowser conclude.

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