



CARES act aid to local governments: use, amounts and oversight

Summary: As debate continues over a federal coronavirus stimulus bill, aid from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) has arrived and is starting to be utilized by local governments in Pennsylvania.

The CARES act passed in March. It contains \$150 billion in a Coronavirus Relief Fund (CRF) for aid to state, territorial, tribal and local governments (with a population of more than 500,000).

The CARES act requires recipients to use CRF aid for “necessary expenditures incurred due to the public health emergency with respect to [COVID-19]...not accounted for in the budget most recently approved as of the date of enactment of this section...incurred during the period that begins on March 1 and ends on December 30, 2020.” According to documents from the U.S. Treasury, aid cannot be used for 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.

Pennsylvania and seven local governments (Philadelphia and Allegheny, Bucks, Chester, Delaware, Lancaster and Montgomery counties) received a direct CRF allocation—\$3.9 billion to the state and \$1 billion total to the local governments. The state passed Act 24 which established a block grant program of \$625 million from its allocation for the 60 counties with a population of 500,000 or less. This includes six counties in the Pittsburgh Metropolitan Statistical Area (MSA).

Coronavirus Relief Fund Data, Pittsburgh MSA Counties

County	2019 Population Estimate	Direct (CARES Act)/Indirect (Act 24)	CRF Allocation	CRF as % of 2020 General Fund Budget	CRF Per Capita
Allegheny	1,216,045	Direct	\$212,190,476	26	\$174.49
Armstrong	64,735	Indirect	\$5,846,144	24	\$90.31
Beaver	163,929	Indirect	\$14,804,241	18	\$90.31
Butler	187,853	Indirect	\$16,964,790	25	\$90.31
Fayette	129,274	Indirect	\$11,674,587	28	\$90.31
Washington	206,865	Indirect	\$18,681,742	21	\$90.31
Westmoreland	348,899	Indirect	\$31,508,670	26	\$90.31

All counties in the MSA had their 2020 budgets in place at the time of the CARES act’s passage. Each county took action to accept the money.

An Allegheny County resolution, for example, amended its grants budget to accept the CRF allocation for “expense recovery for eligible costs incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19).” The expenses were classified as personnel (\$15.8 million), operations (\$36.3 million), equipment (\$10.5 million) and services (\$149.6 million). These are broad categories that are likely estimates since not all costs through December can be anticipated. Most are likely to be related to the health department. Hopefully they become more defined and are accompanied by council and executive action when spending decisions are made.

Though not spelled out in the resolution, the county appears to be providing a portion of its allocation to municipalities. A City of Pittsburgh resolution indicated it would “enter into a grant agreement with Allegheny County for the purpose of receiving Coronavirus Relief funds” totaling \$6.2 million. Recall that in April, the mayor of Pittsburgh made a specific appeal for additional federal relief for cities. Resolutions in other municipalities (Dormont, Mt. Lebanon, Collier, Richland and McCandless) indicate those local governments will seek reimbursements from the county’s CRF allocation for amounts ranging from \$125,000 to \$250,000. Health-related expenses like testing, treatment and emergency medical services are likely to dominate reimbursements.

Westmoreland County set up grant programs for small businesses and non-profit organizations located in the county, with \$5 million in each program. A news article indicated the county might distribute money to municipalities. Butler County hired a consultant to steer its program.

Use of the money by direct recipients will be overseen at the federal level by the Office of Inspector General (OIG) of the U.S. Treasury Department. Based on a July 2 memorandum, there are requirements for reporting and record retention. Failure to use aid as the CARES Act intends could lead to recovery of funds.

The first reporting directive by the OIG to recipients was to file an interim report by July 17 for costs incurred between March 1 and June 30. Allegheny County reported that it spent \$12.7 million (6 percent) of its allocation. 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).

Recipients are required to follow up with quarterly reports, the first due Sept. 21. Records must be kept for five years after the final CRF payment.

Monitoring for counties that indirectly accessed funding from Act 24 will fall to the state Department of Community and Economic Development (DCED), which does not have a good track record of follow-up on tax incentives (see *Policy Brief Vol.7, No. 60* and the 2014 DCED audit by the Auditor General). Based on program guidelines, DCED will have access to records, invoices and materials related to the block grant. According to DCED, counties will have to file monthly reports beginning Sept. 1.

Hopefully oversight is taken seriously for the sake of taxpayers. 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.

Did the CARES Act intend for local governments smaller than 500,000 to get aid? 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? 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.

Eric Montarti, Research Director

Hannah Bowser, Research Assistant

Policy Briefs may be reprinted as long as proper attribution is given.

Allegheny Institute for Public Policy
305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234
Phone (412) 440-0079
E-mail: aipp@alleghenyinstitute.org
Website: www.alleghenyinstitute.org
Twitter: [AlleghenyInsti1](https://twitter.com/AlleghenyInsti1)