



## ***Coronavirus Aid, Relief, and Economic Security (CARES) Act<sup>1</sup>*** **About State and Local Government Support**

**SUMMARY:** The *CARES Act* provides \$150 billion for States, Tribal governments, and units of local governments. Within that, \$3 billion is marked for the District of Columbia and U.S. territories and \$8 billion for Tribal governments. The section also provides definitions for use of funds as well as oversight authority by Inspector General (IG) from the Department of Treasury.

**OVERSIGHT:** The IG of the Department of Treasury is responsible for conducting and monitoring oversight of receipt, disbursements and use of funds. If the IG finds that funds have been misused, funds will be booked as debt of such entity owed to the federal government.

**APPLICATION:** Local governments with a population of 500,000 or greater will be eligible to receive their funding directly from the federal government. Localities below this size will have to appeal directly to their state to receive funds. Treasury provides a [breakdown of the formula](#) used to distribute money to states and localities along with a [list of eligible units of local government](#).

**GUIDENCE:** The CARES Act provides that payments from the Fund may only be used to cover costs that:

- are necessary<sup>2</sup> expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
- were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
- were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

Treasury released [additional guidance](#) for states and local governments along with a list of [Frequently Asked Questions](#). Under this guidance, CARES Act money may not be used to replace lost revenues.

**OTHER RESOURCES UNDER CARES ACT:** Section 4003 of the *CARES Act* authorized a Municipal Lending Facility (MLF) program to support [lending](#) to states, cities and counties to support operations and programs as their ability to collect taxes (sales, property, income, etc.) is diminished. The Federal Reserve will lend to a special purpose vehicle (SPV) on a recourse basis and secure all assets. The SPV can purchase up to \$500 billion in eligible notes. Details of this program can be found on the [Federal Reserve's website](#). While all states are eligible, cities must have a population of one million or more and counties must have a population equal or greater than two million.

***This document was prepared as an informational resource and should not be considered legal or business counsel. Please reach out to [CoronavirusHelp@braun.senate.gov](mailto:CoronavirusHelp@braun.senate.gov) for questions, concerns, or additional assistance. Last updated April 28, 2020.***

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<sup>1</sup> [H.R.748](#), the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* (Public Law No. 116-136) was approved unanimously by the Senate on March 25, 2020, then by the House of Representatives on March 27, 2020, and signed into law by President Trump on March 27, 2020.

<sup>2</sup> Treasury guidance notes that the statute specifies that expenditures using Fund payments must be “necessary” and that the Department of the Treasury understands this term broadly to mean that the expenditure is reasonably necessary for its intended use in the reasonable judgment of the government officials responsible for spending Fund payments.