

Item 2: Department of Administrative Services

Federal Coronavirus Relief Fund for Local Government

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Request: Increase the Federal Funds expenditure limitation established for the Department of Administrative Services for funding made available to states through the Coronavirus Relief Fund by \$215,000,000, with the understanding that \$100,000,000 of the Federal Funds expenditure limitation increase will be uncheduled pending the identification of specific eligible COVID-19 response activity costs from cities, counties, and tribes in Oregon outside of Multnomah and Washington counties.

Description: On March 27, 2020, the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act became law. One of the many funding components the CARES Act contains is a \$150 billion Coronavirus Relief Fund (CRF). Through the CRF, the CARES Act provides for payments to State, Local, and Tribal governments to pay costs associated with the impact of COVID-19.

The CARES Act requires that payments from the CRF can only be used to cover expenses that:

- (1) are necessary expenditures incurred due to the COVID-19 public health emergency;
- (2) 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 local government; and
- (3) were incurred during the period between March 1, 2020 and December 30, 2020.

As part of the federal act, funding for Coronavirus response was provided directly by the U.S. Treasury to units of local government with populations in excess of 500,000. Based on the federal formula, the City of Portland received \$114.2 million, Washington County \$104.7 million, and Multnomah County \$28.1 million. The balance of the Oregon allocation, \$1.39 billion, was provided to the state for COVID-19 related costs between March 1st and December 30th of 2020.

The Department of Administrative Services (DAS) is the Oregon recipient agency for the federal funds from the CRF, which the Department is then expending as Federal Funds. The Governor and legislative leadership are working on proposals for the best use of these federal resources for state expenses on existing and new programs with the highest priority being given to maintaining public health and on actions that will keep people safe while enabling business to resume.

Local governments are a key partner in the COVID-1 response and are a high priority for use of a portion of the CRF. The current plan for local governments and tribes outside of the Multnomah and Washington County areas is two-fold: 1) setting aside \$200 million for eligible reimbursable expenses of local governments and \$15 million for eligible reimbursable expenses of Oregon's federally recognized tribal governments; and 2) providing necessary personal protective equipment (PPE), contact tracing and testing resources, isolation and quarantine facilities expenses, and farmworker housing, quarantine, and sanitation services to local governments from the remaining state CRF resources. Local governments include cities, counties, and special districts with eligible expenses.

Since there are a number of federal requirements for use of CRF resources, local governments interested in accessing the state's CRF funding will be provided with a grant agreement outlining the conditions, an accounting form to use for submittal of reimbursable expenses, and instructions and

guidelines regarding the local government COVID-19 reimbursable expense process. The most important federal requirement is that the CRF cannot be used to replace lost state or local government revenues.

For the local government reimbursable program, it is anticipated that the first phase of reimbursement will cover costs incurred between March 1 and May 15, 2020 for local government entities outside of Multnomah and Washington counties. The process will prioritize eligible costs related to medical expenses, public health costs, payroll for employees dedicated to COVID-19 response, and other expenses to help with compliance with COVID-19 response activities. After completion of the first phase of reimbursement, the state will provide guidance and deadlines for the submission of a second round to be due sometime in July, additional phases may occur during the remainder of calendar year 2020. For tribal governments, the same process will be used to reimburse tribes for eligible expenses from the \$15 million CRF set aside in at least the same two phases planned for the local government process.

Direct payments will be made by DAS to the local governments and tribes applying for reimbursement of expenses. It is anticipated that the first phase will use less than \$50 million from the local government set aside and less than the \$15 million set aside for tribal governments. It should also be noted that all expenses reported to DAS could be subject to audit by the Secretary of State and the federal government to ensure compliance with the federal requirements.

On April 23, 2020, the Emergency Board established a new Federal Funds expenditure limitation for DAS for funding made available from the CRF and provided the agency with \$300,000,000 of limitation with \$275,000,000 of that amount unscheduled. Since that action, DAS has received approval to reschedule \$50,000,000 of the original expenditure limitation. While DAS still has sufficient expenditure limitation for the new local government set asides, increasing the available expenditure limitation demonstrates the state's commitment to providing an offset for the eligible costs incurred by local governments and the tribes for COVID-19 response activities.

Recommendation: The Co-Chairs of the Emergency Board recommend increasing the Federal Funds expenditure limitation established for the Department of Administrative Services by \$215,000,000 for funding made available to states through the Coronavirus Relief Fund, with the understanding that \$100,000,000 of the Federal Funds expenditure limitation increase will be unscheduled pending identification of specific COVID-19 response activity costs eligible for reimbursement to local governments and tribes in Oregon, outside of the boundaries of Multnomah and Washington counties. The Department of Administrative Services shall include information on these reimbursable expenses in the monthly report due to the Legislative Fiscal Office on expenditures of all funds from the Coronavirus Relief Fund through February 2021.