

Item 16: Department of Administrative Services

Coronavirus Relief Fund Expenditure Limitation Adjustment

Analyst: Ken Rocco

Request: Increase the Federal Funds expenditure limitation for the Department of Administrative Services initially established at the April 23, 2020, meeting of the Emergency Board by \$237,130,000 from funding made available to states through the Coronavirus Relief Fund for various COVID-19 response activities, programs, and services.

Description: On March 27, 2020, the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act became law. 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 and to the state from the Coronavirus Relief Fund (CRF). 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 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.

In addition, the Treasury guidance on the CRF indicated that it could not be used to replace revenue lost by state and local governments due to the COVID-19 pandemic.

The Department of Administrative Services (DAS) is the Oregon recipient agency for the state portion of 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 actions that will keep people safe while enabling business to resume. State agencies receiving transfers of CRF resources from DAS will spend the funding using Other Funds expenditure limitation.

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 expenditure limitation. On May 15, 2020, the Emergency Board increased the DAS expenditure limitation for CRF funding by \$215,000,000 for the first round of reimbursing local governments and tribes for eligible expenses occurring between March 1 and May 22 of this year. Based on the items included in this Emergency Board meeting using CRF funding for various new emergency programs and services, this request adds an additional \$237,130,000 of expenditure limitation for DAS to distribute funding to the identified agencies for each item. It should be noted that two other items (#2 and #15) also provide DAS with separate additional expenditure limitation.

While there is no legal split of the \$1.39 billion of the state's CRF resources, discussions have occurred about tracking the expenditures in three general categories - State Program Expenses, Local

Government and Tribes, and Reserves. Within the Local Government and Tribes category, there were three subcategories - Local Government-Reimbursable, Tribes-Reimbursable, and Local Government-State Provided. These subcategories had initial estimated caps of \$200 million, \$15 million, and \$200 million, respectively. With the exception of the expenditure limitation provided in Item #15, which is designated for the Local Government-State Provided subcategory, a total of \$247,130,000 in additional Federal Funds expenditure limitation is being accounted for in the Reserve category.

With this action a total of \$792,130,000 Federal Funds expenditure limitation has been provided to DAS towards the available \$1.39 billion of CRF resources.

Recommendation: The Co-Chairs of the Emergency Board recommend increasing the Federal Funds expenditure limitation established for the Department of Administrative Services by \$237,130,000 for funding made available to states through the Coronavirus Relief Fund for the costs of eligible programs and services related to the COVID-19 pandemic response.