

August 17, 2020

Members of the Legislative Emergency Board 900 Court St., NE Salem, OR 97301 Submitted via electronic mail.

Members of the Legislative Emergency Board:

Thank you for your partnership during this critical time. The Association of Oregon Counties (AOC) and its members are grateful for the opportunity to provide comment on the August 17, 2020 proposed Legislative Emergency Board action.

We are extremely concerned with the proposed expenditure scheduled for the Legislative Emergency Board of \$105 million in CRF resources on behalf of local government for Personal Protective Equipment (PPE) and urge you to allocate these funds directly to counties and other units of local government as intended.

Under the Stafford Disaster Relief and Emergency Assistance Act, eligible bodies can apply for resources under a cost-sharing basis for emergency protective measures for Category B expenditures. Through this model, the federal government supports the cost share by 75 percent. To date, we have not seen:

- Any documentation on State expenditures related to the CRF and cost sharing with the federal government under the Stafford Act;
- Distribution plans to put PPE in the hands of local government under this proposed expenditure; or
- Consultation with counties on the existing need.

We continue to communicate with you and other members of the Legislature that the federal intent is clear and that counties are best positioned to understand and utilize funding to respond to the pandemic at the local level and address their own community needs.

In addition to the direct allocation of the \$105 million in CRF resources being discussed, we ask that the State provide counties with direct access to the full \$624.8 million in CRF intended for local governments by distributing the remaining \$424.8 million directly to local governments for COVID-19 response efforts.

As you know, the Coronavirus Aid, Relief, and Economic Securities (CARES) Act, Coronavirus Relief Fund (CRF) provides State, local, and tribal governments with resources to respond to impacts of the COVID-19 pandemic including public health, economic, and other needs to address the impact of the virus.

To date, 34 of Oregon's 36 counties have received no direct allocations from the State, but instead have been assigned a total maximum of \$200 million through a complicated reimbursement process. The U.S. Department of the Treasury guidance indicates states should allocate up to 45 percent to local governments. For local governments in Oregon, this means with the State's share set at \$1.389 billion after direct allocation, counties and local governments (with populations under 500,000) should receive sub allocations from the State totaling \$624.8 million.

The U.S. Department of the Treasury guidance further clarifies that the statutory structure of distributing resources to the State first "was based on a recognition that it is more administratively feasible to rely on States, rather than the federal government, to manage the transfer of funds to smaller local governments."

As you know, Oregon counties are the boots on the ground in the fight against the COVID-19 pandemic. Counties are also the local public health authority. They are the direct providers of contact tracing, testing, and critical services that support community hospitals in response to COVID-19. They are working tirelessly to ensure the health, safety, and well-being of each resident during this challenging time. Counties go above and beyond to meet the needs of their residents. To name a few, beyond the local public health response to bridge critical gaps for Oregonians during this challenging time, counties are:

- Standing up support for business as local economies are feeling the crippling effects of the pandemic;
- Working with childcare providers to set up resources for parents trying to navigate the pandemic and providing for their families;
- Addressing housing, homelessness, and guarantine/isolation needs; and
- Seeking solutions to broadband infrastructure to help transition our communities during this rapid-paced shift in technology.

Counties truly are the health and economic safety net for Oregonians.

As you know, success during this pandemic means that all levels of government are working together to provide a united front to balance mitigation strategies for public health and safety and economic considerations, and strategically leverage funding to ensure response efforts can be fully implemented by the bodies best suited to address elements of the pandemic.

As counties work through the public health impacts of COVID-19, Oregonians look to counties for local, community-centered solutions. Unfortunately, resources are short, and the State is continuing to spend CRF resources that should be going directly to counties.

There is also a great deal of confusion around CRF resource spending. This process has not been open or transparent. The State has indicated some spending from CRF resources has been on behalf of the counties, however, no consultation with counties is occurring on those expenditures for local response needs, and there has not been a process to identify where resources purportedly being spent on our behalf are going.

During the August 5 Legislative Emergency Board meeting, \$94 million of the resources deemed for counties and other local governments were spent, without any consultation with counties. A portion of those dollars went to Community Based Organizations (CBOs), while CBOs may be good partners for some things, they were awarded money to contract out on work counties are doing, and there is no clear oversight over their use of funds, whereas counties and other local government partners have been forced to sign onto cumbersome, one-sided agreements and only receive money through a reimbursement model. This inequitable model is highly concerning as the federal parameters suggest counties and other units of local government should receive 45 percent of the CRF resources totaling \$624.8 million.

Counties play a critical role as direct service providers for Oregonians on many fronts, the impacts of COVID-19 are stretching already limited resources. The resources devoted from the federal government to counties and other local governments are intended to relieve this burden and allow for direct response at the local level.

We urge you to reconsider allocating the proposed expenditure schedule for the Legislative Emergency Board of \$105 million in CRF resources on behalf of local government for Personal Protective Equipment (PPE) to the State. Instead, please allocate these funds directly to counties and other units of local government as outlined in the guidance from the U.S. Department of the Treasury.

For your convenience, I have included a timeline of CRF State actions and an in-depth overview of this funding stream.

Thank you for your consideration.

Gina Firman Nikkel, Ph.D.

Executive Director

Association of Oregon Counties

CC:

Oregon Governor Kate Brown

Oregon State Legislators

U.S. Senator Jeff Merkley

U.S. Senator Ron Wyden

U.S. Representative Suzanne Bonamici

U.S. Representative Earl Blumenauer

U.S. Representative Peter DeFazio

U.S. Representative Kurt Schrader

U.S. Representative Greg Walden

Oregon County Commissioners



AOC COVID-19 Response Coronavirus Relief Fund (CRF)

The Association of Oregon Counties (AOC) is working with counties to assess and plan for the short-term and long-term needs of counties during and after the COVID-19 pandemic.

During this crisis, counties have been nimble, not only monitoring and addressing the needs of their constituents and communities related to COVID-19 with limited supplies and resources, but also by continuing to provide vital public services at this crucial time.

Access to funding has been a struggle during the pandemic, however, the federal government passed a historic \$2 trillion economic relief package, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, to help address the public health and economic impacts of COVID-19. Included in this legislation was a funding stream to help state, local, and tribal governments address the financial implications of the pandemic - the Coronavirus Relief Fund (CRF). AOC has been hard at work to ensure counties receive the funding Congress intended through this assistance package. Because this is a complex issue with many hurdles along the way, the pages that follow provide a detailed background and timeline with information on the legislation, guidance, state action, and AOC's advocacy efforts.

Overview of CRF

The Coronavirus Aid, Relief, and Economic Security Act (CARES) Act, a \$2 trillion package to address economic impact of the COVID-19 pandemic, was signed into law on March 27, 2020¹.

The Coronavirus Relief Funds (CRF), a funding stream created through the CARES Act, provides payments to state, local, and tribal governments to address expenses and impact related to the COVID-19 pandemic.

Direct Payment to Local Government

Under the Act and guidance documents, a "local government" eligible for <u>direct payment</u> from the U.S. Department of the Treasury (the agency authorized through the CARES Act to make direct payments to governments of funds at the federal level) includes a county, municipality, town, township, village, parish, borough, or other unit of general government below the state

¹ H.R. 748 - CARES Act

level with a population that exceeds 500,000². Only three local governments qualified for this direct allocation in Oregon:

- Multnomah County (\$28.06 million)
- Washington County (\$104.66 million)
- City of Portland (\$114.25 million).

Each eligible jurisdiction applied for and accepted their award. These direct local government allocations come off the top of the State award.

*Payments to Tribal governments have been determined by the Secretary of the Treasury in consultation with the Secretary of the Interior and Indian Tribes.3

State Payment

The State of Oregon received a total of \$1.635 billion CRF dollars, and after the direct allocations to eligible jurisdictions, Oregon received a direct allocation of \$1.389 billion.4 Payment was received by the State in two payments. The first on April 16, 2020 in the amount of \$817,736,201.90. The second distribution was received on April 24, 2020 in the amount of \$570,770,635.20.5

Federal Intent-Local Government Sub Allocation

Federal law⁶ clarifies that of total allocation to the State, up to 45 percent could be made available to local governments.

In a Frequently Asked Questions (FAQ) document originally stated on May 28, 2020, updated July 8, 2020 by the U.S. Department of the Treasury, the following question was posed: "Should states receiving a payment transfer funds to local governments that did not receive payments directly from Treasury?"

The FAQ explains that states should sub allocate funds to local governments under the 500,000 population threshold in amounts equal to 45 percent of the local government's per capita share of the statewide allocation.

² U.S. Department of the Treasury Data and Methodology https://home.treasury.gov/system/files/136/Census-Data-and-Methodology-Final.pdf

³ U.S. Department of the Treasury Website: Policy>CARES Act> State, Local, and Tribal Government August 7, 2020 https://home.treasury.gov/policy-issues/cares/state-and-local-governments

⁴ U.S. Department of the Treasury - Payments to States and Eligible Units of Local Government, May 11, 2020 https://home.treasurv.gov/system/files/136/Payments-to-States-and-Units-of-Local-Government.pdf

⁵Email from Robert Hamilton at the Oregon Department of Administrative Services August 7, 2020 https://drive.google.com/file/d/18 iUfHKEJvfOtJd5bo7jcWv1p3ak1jbd/view?usp=sharing

⁶ P.L. 116-136 (CARES Act)



The FAQ further clarifies that the 45 percent calculation comes after the direct allocations to local jurisdictions, in Oregon's case - Multnomah and Washington counties and the City of Portland.7

Further, the FAQ clarifies that "this statutory structure was based on a recognition that it is more administratively feasible to rely on States, rather than the federal government, to manage the transfer of funds to smaller local governments. Consistent with the needs of all local governments for funding to address the public health emergency, States should transfer funds to local governments with populations of 500,000 or less, using as a benchmark the per capita allocation formula that governs payments to larger local governments. This approach will ensure equitable treatment among local governments of all sizes."8

For Oregon, that means with the State's share set at \$1.389 billion after direct allocation to local governments with populations over 500,000, local governments (with populations under 500,000) should receive sub allocations from the State totalling \$624.8 million.

Federal Guidance and Limitations

The federal limitations on CRF resources established through the CARES Act provides that payments from the Fund may only be used to cover costs that—

- 1. Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
- 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 government; and
- 3. Were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.9

With broad language around CRF resources in the CARES Act, the U.S. Department of the Treasury created guidelines¹⁰, FAQs¹¹, and other resources to further clarify use and sub allocation of funds.

⁷ U.S. Department of the Treasury Frequently Asked Questions Updated July 8, 2020 https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf

⁸ U.S. Department of the Treasury Frequently Asked Questions Updated July 8, 2020 https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf

⁹ See Section 601(d) of the Social Security Act, as added by section 5001 of the CARES Act.

¹⁰ Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal Governments Updated June 30, 2020 https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Triba I-Governments.pdf

¹¹ U.S. Department of the Treasury Frequently Asked Questions Updated July 28, 2020 https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf

Generally, these resources clarify that funds may be used for a variety of local needs related to COVID-19 response, including:

- Medical expenses:
- Public health expenses;
- Payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID19 public health emergency;
- Expenses of actions to facilitate compliance with COVID-19-related public health measures:
- Expenses associated with the provision of economic support; and
- Any other COVID-19-related expenses reasonably necessary to the function of government that satisfy the Fund's eligibility criteria. 12

State Action on CRF Allocation to Date

May 15, 2020 Legislative Emergency Board

\$200 Million through a Reimbursement Model

On Friday, May 15, the Oregon Legislative Emergency Board voted to make \$200 million of the State's allocation of CRF available to local governments for reimbursement of expenses incurred related to COVID-19.13 The reimbursement process was split into two phases. The first phase includes reimbursements for expenditures between March 1, 2020 and May 15, 2020. As indicated by the governor's office and Legislative Fiscal Office documents, the \$200 million in funding prioritizes 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, but excluded economic recovery efforts and other options that would otherwise be allowable under U.S. Department of the Treasury parameters and intent of Congress.

Counties responded to the short turnaround time for reimbursement and submitted requests to the governor's office on Friday, May 29, 2020. Eligible reimbursement, under the State's qualifiers totalled \$28.3 million for counties. 14 Reimbursements were delivered to counties over

¹² Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal Governments Updated June 30, 2020 https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Triba I-Governments.pdf

¹³ Legislative Fiscal Office Oregon Legislative Emergency Board Certificate May 15, 2020 https://www.oregonlegislature.gov/lfo/eboard/EB%20Certificate%2005-15-2020.pdf

¹⁴ Email attachment from Department of Administrative Services June 13, 2020 https://drive.google.com/file/d/1uj4nP0yw4v1ru2AObeAG9BDnOep_0P5L/view



the course of one month. Additionally, the State is awarded \$13.8 million to cities and \$3.8 million to special districts from the first bucket of CRF dollars. 15

This restriction caused a challenge for counties. Each county is unique in terms of geographic. service, and economic needs. The **U.S. Department of the Treasury FAQ** clarifies that States may impose restrictions on the transfer of funds to local government, however, only "to the extent that the restrictions facilitate the State's compliance with the requirements set forth in section 601(d) of the Social Security Act outlined in the Guidance and other applicable requirements such as the Single Audit Act, discussed below. Other restrictions are not permissible."

\$200 Million for the State to Spend Without Consultation

Additionally, the Oregon Legislative Emergency Board allocated \$200 million to the State purportedly to pay for personal protection equipment, contact tracing, testing capacity, vulnerable population quarantine, farmworker field sanitation restrictions, and other costs incurred by local governments during the response to COVID-19.

This funding was not available for reimbursement or direct allocation to counties, but is called out as the State's to use on behalf of local government.¹⁶ No process for distribution of resources, in terms prioritization of resources, geographic and population factors, or timing was created. As the overall allocation to local government is intended to be \$624.8 million under U.S. Department of the Treasury, AOC advocated for this funding to be modified to allow for direct allocation to counties to cover allowable expenses under CRF guidance issued from the U.S. Department of the Treasury to allow for use of funds to match direct community needs.

June 5, 2020 Legislative Emergency Board

On June 5, the Legislative Emergency Board convened and authorized additional CRF resources. No direct allocations to counties were made. 17

June 24, 2020 First Special Legislative Session

On June 24, the Legislature convened and held the 2020 First Special Legislative Session. Additional CRF allocations were made for a variety of purposes, however no action was taken to

¹⁵ Shared on a June 12, 2020 phone call with AOC members.

¹⁶ Legislative Fiscal Office Oregon Legislative Emergency Board Federal Coronavirus Relief Fund Distribution May 15,

https://olis.oregonlegislature.gov/liz/2019I1/Downloads/CommitteeMeetingDocument/221872

¹⁷ Legislative Fiscal Office Oregon Legislative Emergency Board Certificate June 5, 2020 https://www.oregonlegislature.gov/lfo/eboard/EB%20Certificate%2006-05-2020.pdf



address local government distribution of 45 percent of the State's share under the Federal guidance.

July 14, 2020 Legislative Emergency Board

On July 14, the Legislative Emergency Board convened and authorized additional CRF resources. No direct allocations to counties were made.

August 5, 2020 Legislative Emergency Board

On Wednesday, August 5, the Legislative Emergency Board met to take possible action on six proposals related to further use of CRF resources.

AOC and the League of Oregon Cities (LOC) objected to two of the proposed actions, and were supported in those objections by an alliance of stakeholders. Ultimately, the Emergency Board moved forward with five of the six proposals, narrowly rejecting one of the two opposed by AOC and LOC.

Each of the six proposed action items involved authorizing the Department of Administrative Services (DAS) to expend CRF resources for:

- 1. Purchasing contact tracing and testing, purportedly on behalf of local governments;
- 2. Implementing a racial disparities plan;
- Purchasing personal protective equipment (PPE), purportedly on behalf of local governments;
- 4. State agency expenses due to COVID-19;
- 5. Updating additional state expenses; and
- 6. Updating the implementation of the statewide cultural support program.

Local government was not consulted on the use of funds spent on their behalf. Counties prefer that any of the second \$200 million be distributed to local governments to enable local decisions under the U.S. Department of the Treasury guidance, since needs vary from community to community. As a result, AOC and LOC objected to actions one and three, as described above.

After extensive discussions involving the objections of local governments, the Emergency Board ultimately voted to approve all but action item three - the purchase of PPE on behalf of local government.

What's the Problem?

Overall, the State has not honored the intent of the CARES Act and U.S. Department of the Treasury guidance and FAQs to distribute 45 percent of its distribution to local government. In



the intent and guidance described in the U.S. Department of the Treasury FAQ, the State should allocate \$624.8 million to local governments¹⁸. At this time only a small portion of those funds have been made available to local governments, and of those dollars, there are barriers surrounding the disbursement process, eligible expenses, and equity.

Equity

Equity and expediency in delivery of State sub allocations are not prioritized in the State's reimbursement model. Counties have had short turnaround times to complete reimbursement forms that may or may not be approved. Federal guidance indicates for sub allocations, the State can impose restrictions consistent with the CARES Act, but not in addition.

The State received funds in April, and made only \$200 million available to local government through a complicated reimbursement model from May to June. Without certainty, challenges are created in planning and executing strategies for response.

Additionally, while counties are partners and deliver State mandated services, counties were required to complete one-sided, complex agreements, while the State awarded funds intended for counties to other organizations with virtually no oversight.

As the boots on the ground and critical responders for Oregonians, counties need certainty from the State. Unfortunately, funding has been spent, transparency has been lacking in communications about the State use of funds, and what will or will not be available for counties.

Expediency

The CARES Act was signed into law on March 27, 2020. Counties urged the governor to release the maximum allowable amount of funds (45 percent of total state funds) to local governments to pay for programs. Eligible jurisdictions had until April 17, 2020 to apply for funds, knowing the State would receive \$1.635 billion, no explicit commitment to counties was made until May 15, 2020.

Counties have been, and continue to respond to the pandemic, and need funds to address immediate circumstances. Waiting on distribution and certainty that they will be reimbursed, for some, means key programs and assistance cannot be stood up as resources are not readily available in existing budgets.

The second pot of \$200 million allocated by the Legislative Emergency Board is touted as funding for local government, however, this funding is described in Legislative Emergency Board meeting materials from the Legislative Fiscal Office as follows:

¹⁸ U.S. Department of the Treasury Frequently Asked Questions Updated July 8, 2020 https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf

"\$200 million from the State to pay for personal protection equipment, contact tracing, testing capacity, vulnerable population quarantine, farmworker field sanitation restrictions, and other costs incurred by local governments during the response to COVID-19. These services and programs would be paid by the State but provided to the local entities and would not require the local government reimbursable process. Since Multnomah County, Washington County, and the city of Portland received a total of \$247 million directly from the U.S. Treasury, this set aside for local government and tribes is for entities outside of the boundaries of the two counties."19

Counties are providing direct services to Oregonians, and are tracking expenses based on community need and required response efforts. This process creates another layer between counties and delivery of response efforts, eliminating options for local control. There is no transparency on process and distribution of resources associated with these funds. Nor are they being expediently provided.

What's the Solution?

The solution is simple. Federal intent is clear. AOC is asking the State to provide direct allocations to counties in the amount intended by the federal government - \$624.8 million for use between March 1, 2020 and December 30, 2020, to address issues in a timely manner, and to allow for the same flexibility granted under federal guidance.

AOC Advocacy

Through this process, AOC has advocated for counties to receive their full share of CRF dollars, as direct allocations, and for fair and equitable disbursement in line with the federal guidelines.

¹⁹ Legislative Emergency Board Meeting Materials - Item 1: Legislative Fiscal Office Federal Coronavirus Relief Fund Distribution (Revised) May 15, 2020

https://olis.oregonlegislature.gov/liz/2019I1/Downloads/CommitteeMeetingDocument/221872



Coronavirus Relief Fund Timeline of Actions and Impact to Local Government

March 27, 2020

 CARES Act signed into law. Creates Coronavirus Relief Fund (CRF). Contains provision allowing for 45 percent distribution to local government.

April 16, 2020

State receives first of two payments from federal government: \$817,736,201.90

April 24, 2020

• State receives second of two payments from federal government: \$570,770,635.20

Mid-late April

Washington and Multnomah Counties and City of Portland received direct allocations of CRF.
 Only federal restrictions apply.

May 15, 2020

- Legislative Emergency Board allocates \$200 million from CRF resources to local government through a reimbursement model, with extensive restrictions on use, and intensive, one-sided contract requirements.
- Legislative Emergency Board sets aside \$200 million for the State to spend on behalf of local government. No consultation or process is defined to address local community needs.

May 18, 2020

• The governor's office delivered extensive reporting form for county reimbursement requests and required counties return the form by May 22, 2020 to receive funding. Reimbursements were limited by the governor to a \$50 million portion of the \$200 million available to local government divided, again with all local government and only for a narrow use related to COVID-19 response, in conflict with federal parameters.

May 20, 2020

• The governor's office modified the reimbursement request form and modified the submission date to May 29, 2020.

May 28, 2020

 Federal Guidance and FAQ's released clarifying states <u>should allocate 45 percent</u> of the State distribution to local government.

May 29, 2020

Counties completed the governor's reimbursement documentation requirements.

June 5, 2020

 Legislative Emergency Board convenes and distributes additional CRF resources. No direct allocations to counties are made.

June 19, 2020

 AOC requested from the governor's office clarifications on Emergency Board allocations, remaining CRF resources, State breakdown of expenditures, and other expenditures and reimbursement options the State is pursuing through federal sources. No direct response was provided.

June 24, 2020

• Oregon State Legislature convenes for the 2020 First Special Legislative Session. Additional CRF resources are spent. Local government receives no direct allocation.

July 6, 2020

 Department of Administrative Services provided an online portal for counties to apply for funds for a second phase of CRF resources. Funds are distributed through a reimbursement model. Verbal discussions resulted in clarity that economic support would be provided, but no certainty on what the governor's office would approve for reimbursement was made. Counties had between July 13- July 24 to submit reimbursement requests from March 1- June 30. Next steps, parameters, and timelines have not been identified.

July 14, 2020

• The Legislative Emergency Board convenes and allocates additional CRF resources. No direct allocation is made to local government.

August 5, 2020

- The Legislative Emergency Board convenes and considers additional allocation of funds. The
 Legislative Emergency Board considers allocating \$105 million of the State funding to "spend on
 behalf of local government" for personal protective equipment. No needs assessment was
 conducted with local government. No input was solicited.
- The Legislative Emergency Board appropriates \$94 million of the State funding to "spend on behalf of local government." Some resources are made available to Community Based Organizations (CBOs) for services counties are equipped to provide, however, unlike counties, have no oversight and receive direct allocation of funding intended for local government.

August 6, 2020

 The Department of Administrative Services (DAS) Chief Financial Office provided a proposed schedule of DAS CRF reimbursement windows to cities, counties, and special districts.
 Reimbursement is scheduled for seven rounds between May 11 - 2020 and November 20, 2020.