



Commonwealth of Massachusetts

Executive Office for Administration & Finance

Federal Funds Office (FFO)

Federal COVID Relief Funds in Local Government:

Overview and Observations

March 2021

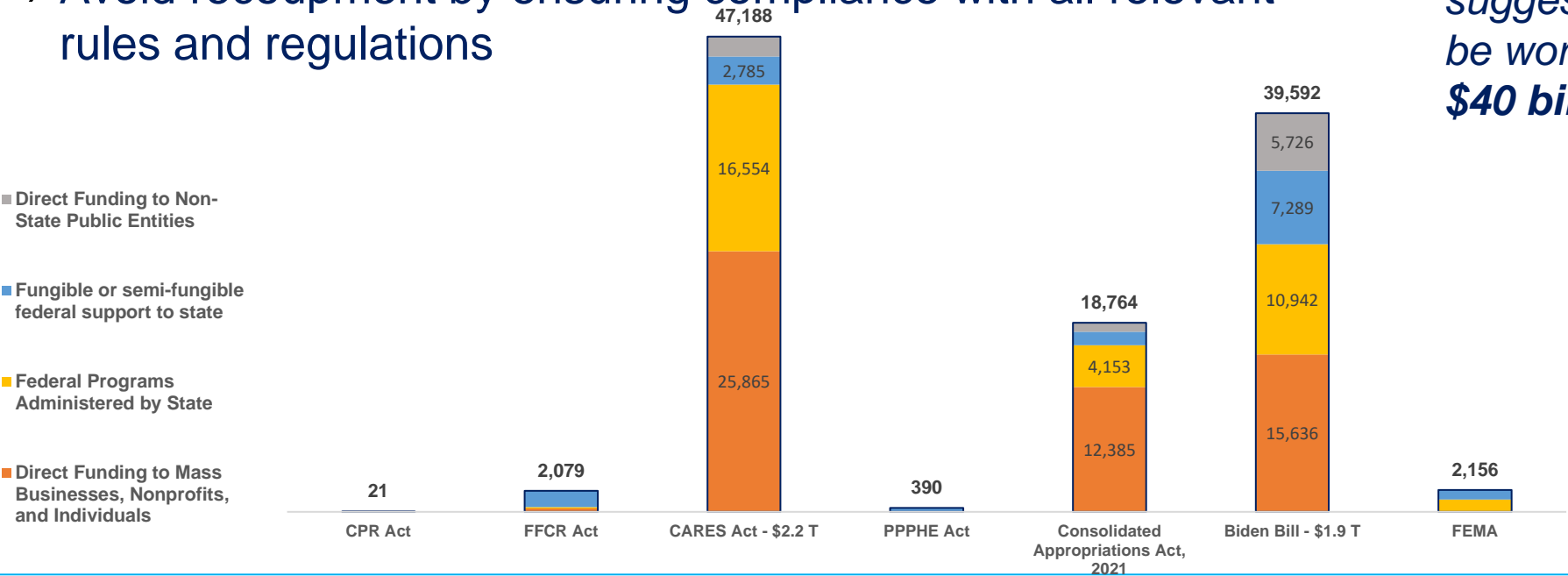


Goals & Objectives

- **Maximize federal revenue** available to respond to the COVID-19 pandemic
 - › Maximize the utility of dollars based on constraints such as eligible uses, timing, and availability of resources
- **Minimize compliance risks** associated with these funds
 - › Avoid recoupment by ensuring compliance with all relevant rules and regulations

Key Data Points

- About **\$71 billion** is available to Massachusetts through five pieces of COVID-related legislation adopted to date
- Very preliminary estimates suggest aid in Biden bill may be worth about an additional **\$40 billion** for MA





Overview

- Business support, unemployment insurance, and stimulus checks represent **78 percent** of federal aid to Massachusetts
- Most of the federal aid flowing through the state came in the form of **expansions to existing federal grants**
 - › *These programs typically provide the Commonwealth with little discretion over the uses of the funds (e.g. formula grants)*
- Though **more than 175 federal grants** have been created or expanded by COVID legislation, **only about 35 or 20 percent**, offer some degree of flexibility for the Commonwealth to direct these funds to needs

Massachusetts COVID-Related Federal Aid		
Category	Amount	Share
PPP/EIDL	26,629	38%
UI	20,601	29%
Stimulus Checks	8,029	11%
Health Care Provider Payments	2,750	4%
Coronavirus Relief Fund	2,673	4%
MBTA/RTAs/Transportation	1,745	2%
Enhanced Medicaid Reimbursement	1,610	2%
Testing, Tracing, Vaccines	1,329	2%
ESSER	1,030	1%
Higher Education	746	1%
FEMA	595	1%
Rental Assistance	436	1%
Child Nutrition	373	1%
SNAP	277	0%
CCDBG	177	0%
CDBG	151	0%
Other	1,449	2%
Total	70,599	100%

Figures in \$ millions
Shaded items offer the Commonwealth some level of discretion



Overview

Critical Relief for State and Local Governments

- The **Coronavirus Relief Fund (CvRF)** enacted as part of the CARES Act offers the most flexibility to the Commonwealth, but is still subject to significant federal limitations and compliance obligations
 - › *Capped amount paid as an advance*
- The **Federal Emergency Management Agency's Public Assistance** grant program ("FEMA PA") provides reimbursement for emergency protective measures to secure life safety and support disaster response
 - › *Uncapped amount paid as reimbursement*



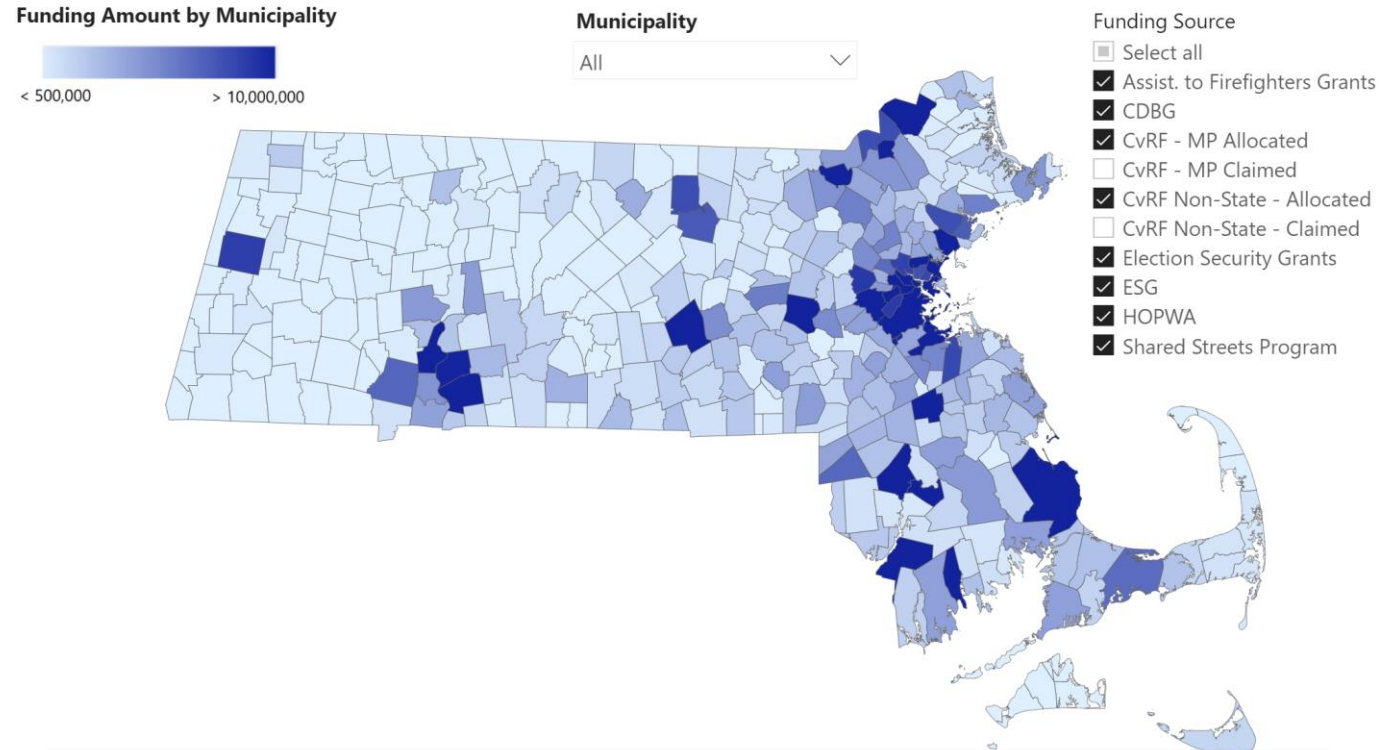
CvRF Budget Highlights

- MA received **\$2.7 B** in CvRF
 - › **\$956 M** to transfer to other governments (cities, counties, towns, and school districts)
 - › **\$781 M** allocated for economic assistance
 - › **\$510 M** in spending on public health and medical expenses
 - › **\$368 M** for first responder pay and hazard pay
 - › **\$71 M** in other expenses



Overview

- *The Commonwealth serves as a conduit for making federal resources available to **municipalities** and **school districts (LEAs)***
- *Over **\$2 B** in federal resources have been allocated to municipalities and local education agencies to date*
 - › ***\$900 M** for municipalities, primarily via CvRF*
 - › ***\$1.1 B** available to LEAs, primarily via ESSER*
 - » ***\$735 M** via ESSER II*



[Mass.gov/federal-funds](https://www.mass.gov/federal-funds)

In compliance with Chapter 288 of the Acts of 2020, on February 1, 2021 A&F launched the COVID-related federal funds transparency website. This site has detailed information about federal funds coming to the Commonwealth associated with the COVID-19 pandemic.



Coronavirus Relief Fund

- *The federal Coronavirus Relief Fund (CvRF) is administered by the **US Department of the Treasury***
- *Federal oversight is provided by the US Treasury **Office of Inspector General***
- *Chapter 124 of the Acts of 2020 created the **Massachusetts Coronavirus Relief Fund** to receive and spend federal CvRF resources without further appropriation*

Eligible Uses

Necessary as a result of the public health emergency caused by COVID-19 as defined by specific Treasury guidance¹

Not budgeted as of **March 27, 2020**
*Funds **may not** be used as revenue replacement*

Beneficial use of the expense received during the covered period beginning **March 1, 2020 and ending December 31, 2021**

1. For more detail see at 86 Fed. Reg. 4182 (Jan 15, 2021)



FEMA PA

Illustrative Impact of FEMA PA Changes on CvRF				
Pre-January 21, 2021	CvRF	FEMA	Total	Notes
Sources				
Federal Revenue	25	75	100	\$100 in FEMA eligible costs; 25% supported by CvRF, 75% reimbursed by FEMA
Uses				
COVID-19 spending	25	75	100	
Balance	0	0	0	
Post-January 21, 2021				
Sources				
Federal Revenue	25	100	125	
Uses				
COVID-19 spending	0	100	100	
Balance	25	0	25	

- FEMA PA typically provides **75 percent** reimbursement for eligible expenses
- The President's 1/21/21 Executive Order increases the reimbursement rate to **100 percent** for the entire COVID-19 disaster incident period, currently defined as January 20, 2020 to September 30, 2021

FEMA PA for Municipalities

- Prior to President's EO, A&F expected **\$218 M** from FEMA PA for municipalities
- Rate increase worth an additional **\$70 M** for munis in the form of additional CvRF resources available to allocate

Note: Local accountants or auditors will need to re-align sources and uses to account for FEMA changes



Outstanding Issues

- President's EO appears to expand FEMA PA eligible costs, but key questions remain outstanding:



- › **PPE** – awaiting further guidance; may cover non-first responders



- › **Cleaning and sanitation costs** - awaiting further guidance



- › **School Reopening costs** – awaiting further guidance

» HVAC? Transportation? Surveillance testing?

- These items **matter a lot** to municipal FEMA PA applications

9/15/2020 Eligibility Changes

- *FEMA **narrowed** eligibility to PPE for first responders only, excluding teachers, public-facing staff, and other critical public servants*
- *Cleaning and sanitation costs **limited** to the initial costs of opening a school only; does not support ongoing enhanced cleaning costs necessary to keep schools open amid pandemic*



Minimizing Compliance Risk- Key Concerns

Case Study: **Hazard Pay**

- *Municipality provided hazard pay to public employees to provide continuity of critical public services*
 - › *Hazard pay was **collectively bargained pre-COVID***
 - › *Paid pre-agreed incremental rate for states of emergency only to employees who were **not able to work remotely***
 - › ***Did not** track employee time per incident of working on COVID*
- *Independent auditor deemed costs **ineligible** for CvRF*

Waste, Fraud, and Abuse – intentional or unintentional misuse of federal funds in a manner that does not comply with federal guidance, rules, and regulations

Duplication of Benefits – a form of fraud in which the federal government is charged twice for the same expense

Audit Findings – federally mandated single audit identifies noncompliant practices or activities with federal funds, inviting further scrutiny from federal auditors

Recoupment – process by which the federal government recoups federal funds used in a non-compliant fashion, usually via deductions from federal support for other ongoing activities (Medicaid, etc.)



Summary

Key Takeaways

1. *Everything is in motion, so the strategy to maximize revenue and minimize risk keeps moving, too*
 - › Priorities change as the response changes
 - › Federal rules change regarding eligibility, required documentation, or other issues
2. *Additional federal resources force reallocations*
 - › More than **\$400 M** is flowing to Massachusetts for rental relief (ERAP)
 - › May be an opportunity to free up CvRF for some municipalities

Federal Guidance is a Moving Target

- *The CvRF guidance was first published in April 2020; since that time, there were **16 updates or changes** to the guidance*
- *Program design for the Emergency Rental Assistance Program (ERAP) started **before** federal guidance for the program was issued*



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