



Assessing the Targeting of the Federal Coronavirus Relief Fund

Highlights

- In March and April 2020, Congress passed four stimulus bills to address the pandemic's impact on the public health system and the economy.
- To provide direct budgetary relief to state and local governments, Congress established the \$150 billion Coronavirus Relief Fund (CRF).
- \$139 billion was distributed to states, of which \$27.6 billion was paid directly to 154 local governments. New York City received more than \$1.4 billion.
- Despite the flexibility of CRF funding for proactive preparation and mitigation to the spread of the novel coronavirus, most state and local governments have been slow to spend their share.
- As of June 30 (most recent nationwide data available), costs incurred and attributed to CRF by the states and local governments totaled less than one-quarter of their CRF payments, with hard-hit regions more likely to have costs incurred totaling a higher percentage of payments.
- The CRF was distributed based only on population, but could have been better targeted to the regions hardest hit by the novel coronavirus.

In March and April 2020, Congress passed four stimulus bills to address the COVID-19 pandemic's impact on the public health system and the economy. As Congress debates additional relief measures, it is worth reviewing the targeting of the initial funding in order to inform new policy to counter the virus and its economic effects.

In the third stimulus bill, the Coronavirus Aid, Relief and Economic Security (CARES) Act, Congress appropriated \$150 billion to the Coronavirus Relief Fund (CRF) to provide direct funding to state and local governments. The use of CRF funds is restricted to unbudgeted financial needs associated with the COVID-19 emergency during the period from March 1, 2020, to December 30, 2020. Under current law, the funds cannot be used to offset revenue losses.

The U.S. Treasury distributed \$111.4 billion to the 50 state governments and \$27.6 billion to 154 eligible local governments, including more than \$1.4 billion for New York City. The balance was distributed to tribal governments, the District of Columbia, and U.S. territories.

New York's first confirmed COVID-19 case was identified on March 1, 2020, in New York City. Six days later, the Governor declared a disaster emergency in New York State. The caseload in New York City rose rapidly in the ensuing days. By the day the CARES Act was signed into law on March 27, the number of confirmed cases in New York City had already exceeded 25,500, one-quarter of the national total.

Despite great variance in virus impacts at the time and since, funds were apportioned based only on recent U.S. Census Bureau population data. Each state received at least \$1.25 billion regardless of population or COVID-19 caseload.

Utilization of Fiscal Relief Payments

CRF funds can be used proactively to prepare for, mitigate or respond to the spread of the novel coronavirus. However, most state and local governments have been slow to spend their share of the CRF. As of June 30 (most recent nationwide data available), costs incurred and attributed to CRF by the states and local governments totaled less than one-quarter of their CRF payments (\$34 billion; see Figure 1).

FIGURE 1
Utilization of Coronavirus Relief Funds

(in billions; as of June 30, 2020)

	State	Local	Total
Fiscal Relief Payments	\$ 111.4	\$ 27.6	\$139.0
Reported Costs Incurred	27.2	6.9	34.2
Utilization Rate	24.5%	25.2%	24.6%

Sources: U.S. Treasury; OSC analysis

Almost all state (47) and local governments (142) reported incurred costs totaling less than half of their CRF payment, leaving a balance of nearly \$103 billion in unexpended funds more than three months after the legislation was enacted.

Only 12 local governments had utilized more than 50 percent of their share of the CRF through June 30, 2020 (see Figure 2; for more detail, see Appendix A), many of which are located in the regions hit hardest by COVID-19. The majority of

FIGURE 2
Local Government Utilization Rates
(as of June 30, 2020)



Sources: U.S. Treasury; OSC analysis

spending by these localities went towards public health and medical expenses, including payroll.

The \$34 billion of costs incurred by state and local governments included a number of COVID-19-related preparedness, response and relief efforts. About 40% (\$13.8 billion) was for the payroll of public health and safety employees and for public health and medical expenses (e.g., acquiring and distributing medical and protective supplies, testing, and increasing provider health treatment capacity). One-quarter (\$8.6 billion) was for actions to facilitate compliance with COVID-19-related public health measures (e.g., distance learning and telecommuting) and to provide economic support to residents and businesses.

Epicenters Shortchanged by Funding

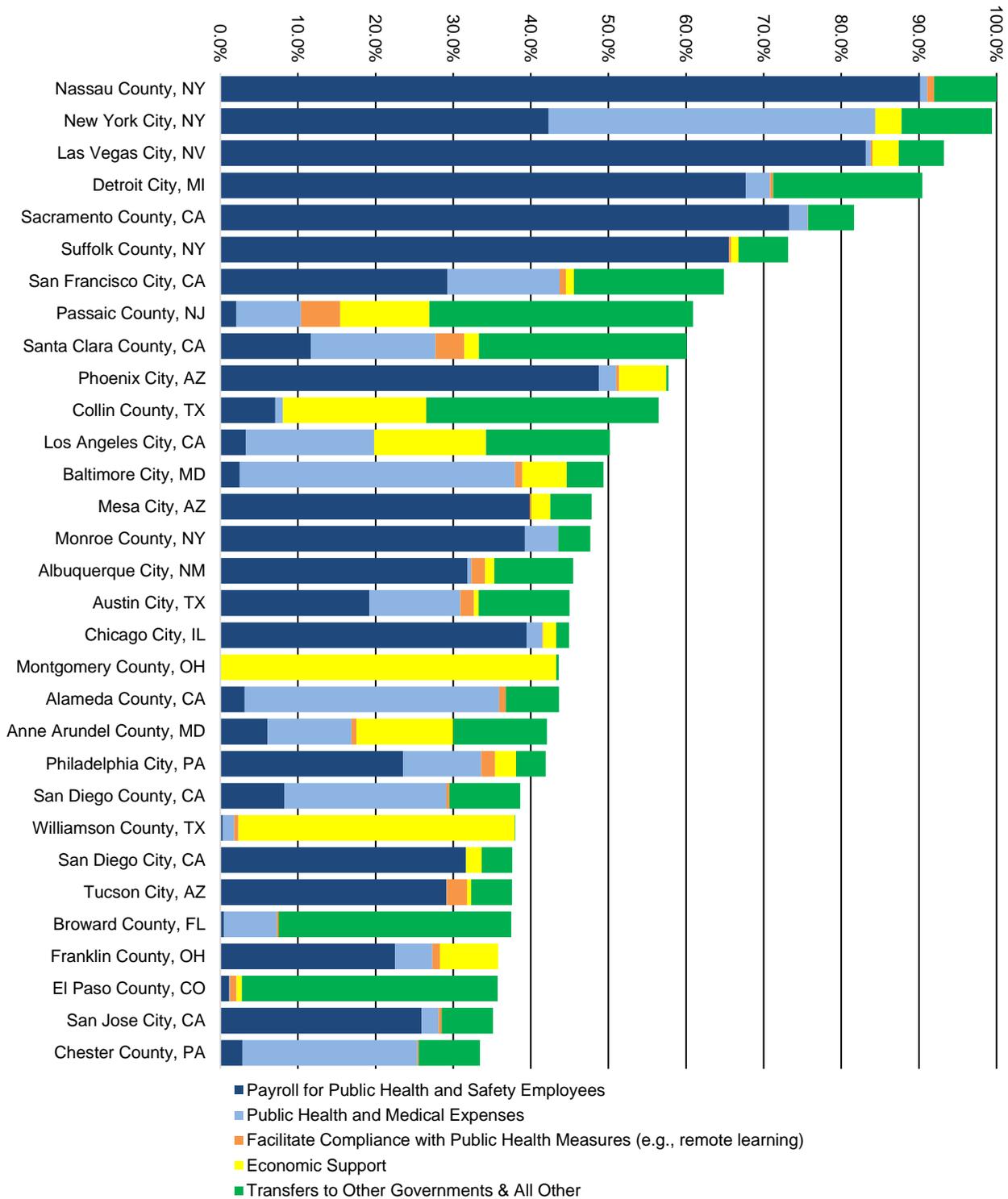
Our analysis suggests that, given the purpose of the relief fund, resources could have been better targeted to the localities that suffered the most severe impacts from the novel coronavirus and spent towards public health accordingly. For instance, if the \$27.6 billion paid to local governments nationwide had been distributed among the local governments based on their shares of confirmed COVID-19 cases as of August 24, 2020, New York City would have received an additional \$579 million and 46 other localities across the U.S. would have received additional funding totaling nearly \$4 billion (see Appendix B for more detail). Funding for New York City would have been still larger (\$9.4 billion) if based on confirmed cases at the time of the legislation becoming law.

Given the dramatic impact of COVID-19 on state and local revenues in New York and elsewhere, significant additional federal relief is essential. As Congress considers specific forms of relief, including permitting CRF funding to be used to offset revenue losses, particular attention and meaningful relief should go to the localities most adversely impacted by the pandemic.

Appendix A

Utilization Rates of Selected Local Governments by Spending Category

(As of June 30, 2020; excludes localities with utilization rates of less than 33 percent)

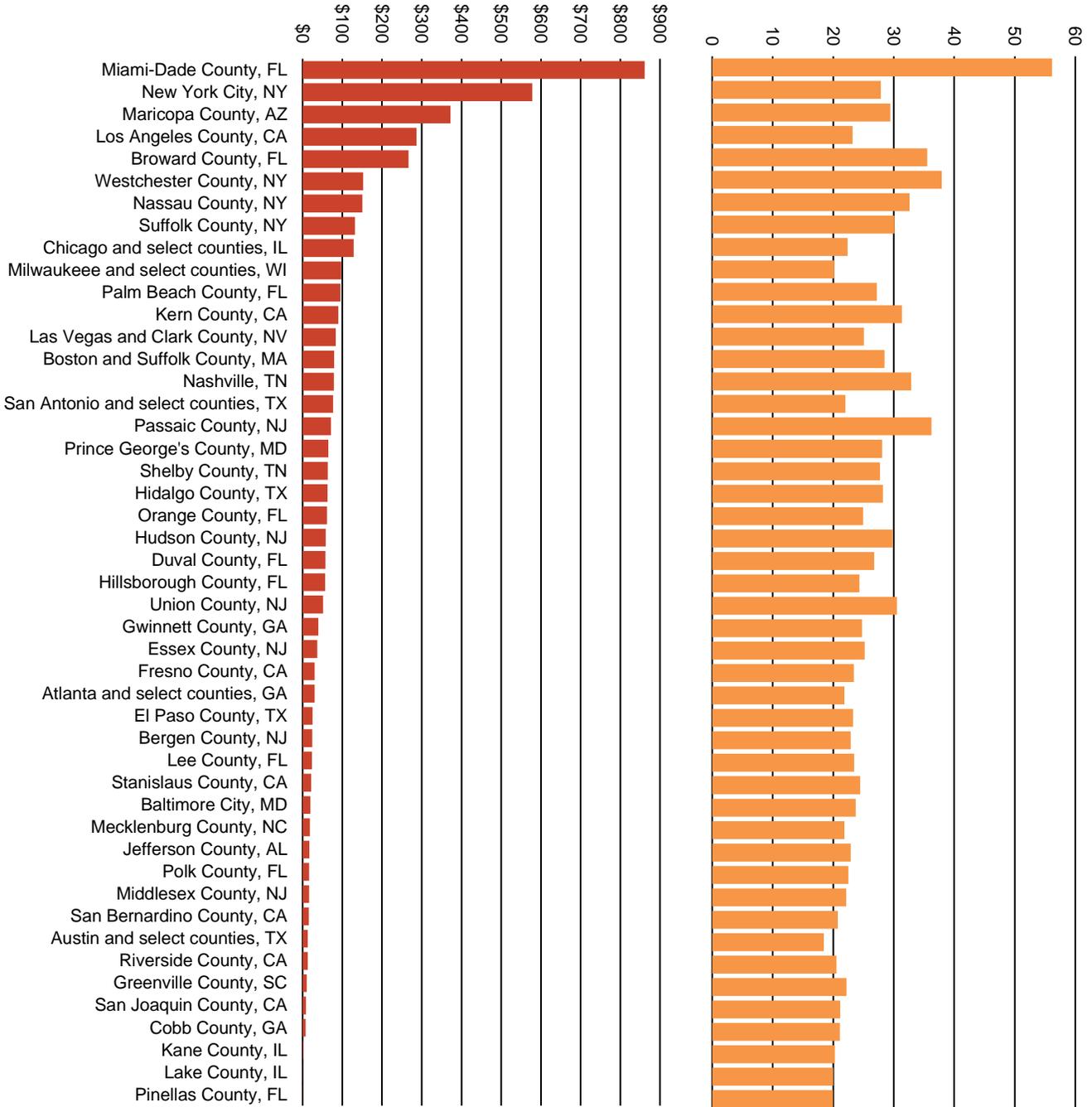


Sources: U.S. Treasury; OSC analysis

Appendix B

Estimated Funding Shortfall - Based on Confirmed Cases as of August 24, 2020 (in millions)

Confirmed Cases per 1,000 Residents (National average is 17)



Note: Certain cities and towns that received CRF payments are included in the combined counties listed above for comparability with the health data on confirmed COVID-19 cases.

Sources: U.S. Treasury; USAFacts.Org; OSC analysis

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