

# Coronavirus Relief Funds

CARES Act Requirements and Treasury Guidance  
Finance Process Overview



# Objectives

- Overview of Federal CARES Act Requirements for Coronavirus Relief Funds (CRF)
- Certification and Allocation Timelines
- Eligible Expenditures - US Treasury Guidance
- Compliance with State Public Health Requirements
- Reporting and Records Retention
- Questions and Answers

# CARES Act Requirements

- Necessary expenditures incurred due to the COVID-19 public health emergency.
  - Direct response
  - Second order effects such as economic support
- Not accounted for in the most recently approved budget, **except** COVID-related supplemental appropriations or budget adjustments
- Expenses incurred between March 1, 2020 and December 30, 2020.



# CARES Act Limitations

- Funds **cannot** be used to backfill lost revenue
- Cannot be used as non-federal share of Medicaid
- Payroll or benefits for employee duties not “substantially dedicated”
- Workforce bonuses
- Damages covered by insurance
- Assistance to owners to pay property taxes
- Items disallowed in US Treasury FAQs
  - Continue to receive updates (Last one 7/8/20)

# State Responsibilities for CRF

- As the direct recipient of CRF, any disallowances will initially be recouped from the State
- Required to gather information and report to the federal government on use of funds
- Required to perform subrecipient monitoring, including audits
- Certification, reporting, and Control Section 11.90 established to share that risk with local government and other recipients of CRF and comply with these federal requirements



# Six Expenditure Categories

## **1 - Medical Expenses**

- Treatment of COVID-19 and related expenses in public hospitals or clinics
- Temporary medical facilities
- Testing, including serological/anti-body testing
- Emergency medical response, including emergency medical transportation
- Establishing and operating public telemedicine capabilities

# Six Expenditure Categories

## 2 – Public Health Expenses

- Communication/enforcement-public health orders
- Acquisition and distribution of medical and protective supplies (PPE/cleaning supplies) for various public health and safety staff
- Disinfection of public areas and other facilities
- Technical assistance on mitigation
- Public safety measures in response to COVID-19
- Quarantining individuals



# Six Expenditure Categories

## 3 – Substantially Dedicated Payroll Expenses

- Includes: public safety, public health, health care, human services, and similar employees
- Public health and public safety are **presumed** to be “substantially dedicated”
  - Provide ready funding to address unforeseen financial needs and risks created by COVID-19
  - For employees in these area “administrative convenience” that underlying assumption that they are all deemed “substantially dedicated”



# Substantially Dedicated

**Let's explore this a bit more:**

- Less documentation of the work being performed if public health and public safety staff
- CARES Act does not allow backfill of lost revenue – the “administrative convenience” provides a tool to assume that these staff could be paid for by the CRF, potentially freeing up general purpose funds (or offsetting lower receipts)
- Full payroll and benefits can be paid by CRF

# Substantially Dedicated

**Let's explore this a bit more – other staff:**

- This can also include staff that were “repurposed” to previously “unbudgeted” function instead of laid off
- Could include overtime if those additional hours are outside normal/historical duties
- There is no percent threshold – some discretion, with appropriate documentation, like time keeping system or rationale for change in duties/functions
- Can use the CRF to other funds that may have incurred the initial expense



# Substantially Dedicated

## **Examples at the state level:**

- Staff stopped our program reviews to track federal funds related to COVID-19.
- Staff who could not telework were redeployed to help with UI program and set up for medical surge
- Staff at all state agencies being trained and redirected to support contact tracing
- IT staff that were directed to support COVID-19 tracking, reporting, and new online services previously requiring in person visits

# Six Expenditure Categories

## **4 – Comply with Public Health Measures and Mitigate the Effects of COVID-19:**

- Food delivery to seniors and vulnerable populations
- Telework capabilities for public employees
- Providing paid sick, paid family and medical leave to public employees
- Maintaining local jails such as sanitation and improvement of social distancing measures
- Caring for homeless



# Six Expenditure Categories

## 5 – Economic Support

- Grants to small businesses for costs of business interruption
- Grant or financial assistance – payment of overdue rent/mortgage to avoid eviction or funeral expense
- Payroll support program
- Unemployment insurance (UI) costs if those costs are not reimbursed by federal government – generally applies to local governments using “reimbursement method” to finance UI

# Six Expenditure Categories

## 6 – Other

- Any other COVID-19 expenses “reasonably necessary” to the function of government that satisfies the broader eligibility criteria:
  - Hazard pay and overtime if substantially dedicated
  - Increased workers compensation costs due to COVID
  - Leases renewed solely to respond to COVID-19
  - Public health emergency recovery planning
  - Support for private hospitals (grant/short-term loan)
  - Enrollment in government benefit programs



# Costs Incurred (3/1 – 12/30/20)

- Initial guidance required funds to be “spent” by December 30, 2020 (not just obligated)
- Recent revision (6/30/2020) allows for a liquidation period (generally 90 days)
  - Performance/delivery **must** be during the covered period
  - Bulk purchases can be used beyond December if portion is used during the covered period
  - Recognizes supply chain disruptions may result in delays beyond recipient’s control
- Grants and loans must be during this window

# Unspent Funds

- Unspent funds must be returned to the US Treasury
- Subrecipients are also bound by this requirement – that means all expenses must be incurred during the covered period
- An obligation or award is not considered spent
- The direct recipient of the funds (state) is ultimately responsible for compliance with this limitation on the use of the funds
- Unspent funds may be reallocated by the state – based on September 1 expenditure reports



# Stafford Act – Match for FEMA

- Most recent Treasury guidance notes that CRF may be used to meet the non-federal Stafford Act match
- Applicants for FEMA Public Assistance (PA) have flexibility to determine the federal fund source that best meets response needs
- FEMA may decide to not pay for certain costs and may direct entities to another agency/fund source
- FEMA has determined that contract tracing is more appropriately paid from either CRF or CDC funding.
- Coordinate closely with CalOES to use CRF as a PA match – both CRF and FEMA eligibility must be met

# Process and Timeline (CS11.90)

- All cities completed certification by 7/10/20
  - Use funds consistent with federal CARES Act
  - Adhere to state EOs and California Department of Public Health orders, directives, and guidance
  - Report on expenditures and summarize regional collaboration and non-duplication of efforts by September 1, 2020
  - Return unspent funds by October 30, 2020 unless extended by Finance based on reported expenditures
  - Repay any costs disallowed after federal review
  - Retain records (5 years) to support reported expenditures and participate in state and federal audits



# Process and Timeline

## **Adherence to Public Health Orders**

- Finance will coordinate with CDPH and CalOES to verify compliance before each allocation process
- State may withhold (and redirect) funds if not in compliance
- State officials will collaborate with local leaders to encourage compliance
- No city ordinances or resolutions inconsistent with state's stay-at-home orders

# Process and Timeline

## **Public Health Conditions – Counties Must Meet**

- Meeting current requirements for county variance:
  - At least 15 staff per 100,000 people trained and available for contract tracing
  - Ability to isolate positive cases (quarantine contacts)
  - Ability to shelter at least 15 percent of residents who are experiencing homelessness
  - Ability to test 1.5 per 1,000 residents daily
  - Testing sites close to where most residents live
  - Evidence of a plan to contain the virus



# Process and Timeline

## **Public Health Conditions – Counties Must Meet**

- Actively participate in County Data Monitoring Program:
  - Currently required commitment to participate
  - Undertaking efforts advised by the state if on the County Data Monitoring List
    - Source of disease transmission
    - Action plan and timelines
  - Ready to reinstitute non-pharmaceutical interventions [NPIs] (e.g. closure of indoor spaces) as needed

# Process and Timeline

- Initial Payment – 1/6 of overall amount (\$80M)
  - Prepare schedule and notification this week
  - Given size of payment both the Controller and Treasurer have been notified to speed up processing
  - Controller should allocate in 10-14 days
- Additional 1/6 of overall amount to cities that remain in compliance on August 1 and September 1
- Balance of Funds (\$250M) will be paid after report and summary from cities in compliance with health orders and federal laws – likely before October 1



# Reporting Process

- Report to the State by September 1, 2020 per CS11.90
- Will cover expenditures from March 1, 2020 through June 30, 2020 – assuming CRF will reimburse
  - Will need this for detailed federal report due 9/21
- Also report expended or obligated since July 1
- Project expenditures through December 30, 2020
  - Demonstrate a realistic plan for spending by the end of the year to avoid reallocation
- Majority of funds expected to be spent early on
- Summary: regional collaboration/unduplicated costs

# Reporting Process

- State (other direct recipients) must report on CRF expenditures between March 1 and June 30, 2020
- For the interim report (due July 17) the state would report on amount identified for local governments

<u>Category of spending</u>	<u>Amount</u>
Transferred to other governments	\$0.00
Payroll for public health and safety employees	\$0.00
Budgeted personnel and services diverted to a substantially different use	\$0.00
Improvements to telework capabilities of public employees	\$0.00
Medical expenses	\$0.00
Public health expenses	\$0.00
Distance learning	\$0.00
Economic support	\$0.00
Expenses associated with the issuance of tax anticipation notes	\$0.00
All items not listed above	\$0.00
	Total
	\$0.00



# Quarterly Reporting Process

- By September 21, 2020 state must submit detailed quarterly report (3/1/20 – 6/30/20)
- Next quarterly report (7/1/20 – 9/30/20) due to federal government by October 13, 2020
- Current guidance requires reporting on funds expended or obligated for each project or activity
- Detailed list (Name/Description) projects/activities
- Detailed list of loans issued; contracts and grants awarded; transfers to other government entities; and direct payments made by **recipient** over \$50K

# Records Retention

- Retain records 5 years after final payment is made; make available on request for audits
- All documents and financial records sufficient to establish compliance: (1) Necessary, (2) Not in recent budget, (3) Incurred 3/1/20 – 12/30/20
  - General ledger, subsidiary ledger
  - Budget records 2019 and 2020
  - Payroll and time keeping records
  - Receipts of purchases
  - Contracts and subcontracts, including any performance outcomes
  - Documentation of reports, audits, monitoring of recipients
  - All CRF internal and external e-mail/electronic communications



# Other CRF Information

- CFDA Number: 21.019
- Funds can be in interest bearing accounts; interest proceeds must be used for same purposes
- Assets purchased may be retained (e.g. homeless)
- Funds are subject to the Single Audit Act
- Must follow Uniform Guidance regarding subrecipient monitoring
- Funds may be used to cover expense related to audit conducted under the Single Audit Act
- Competitive bidding is not required

# Questions/Follow-Up

Local Government Unit:

[CRFApplications@dof.ca.gov](mailto:CRFApplications@dof.ca.gov)

Federal Reporting/Research Unit:

[COVIDFederalTracking@dof.ca.gov](mailto:COVIDFederalTracking@dof.ca.gov)

US Treasury/OIG CRF Information:

<https://home.treasury.gov/policy-issues/cares/state-and-local-governments>