

# Coronavirus Aid, Relief, and Economic Security (CARES) Act – COVID 3

## U.S. Congress Program Summary

### Overview

The Coronavirus Aid, Relief, and Economic Security (CARES) Act (H.R. 748) is the third piece of legislation considered by Congress responding to the COVID-19 pandemic. It was signed into law on Friday, March 27, 2020. It is expected to cost approximately \$2.2 trillion.

### Provisions

This document primarily focuses on funding distributed through state and some local government programs. Our very preliminary estimate is that the state will receive \$4.2 billion. For a complete summary of all the programs in the CARES Act and a link to the text of the Act, see this [NCSL publication](#).

The state estimates will be updated as more information becomes available. In general, Arizona's share of funding was estimated based on previous program allocations (for existing federal programs) or based on Arizona's share of the national population. (See *Table 1 for a summary of Arizona's share of funding from the CARES Act.*)

#### Coronavirus Relief Fund

A total of \$150 billion in federal funding is distributed to state and local governments. Each state is allocated funding based on its share of population, with each state guaranteed a minimum funding amount of \$1.25 billion. Based on this formula, Arizona's total allocation from the Coronavirus Relief Fund (CRF) would be \$2.82 billion for both its state and local governments combined.

The bill states that monies from the CRF may only be used for costs that are: 1) necessary expenditures incurred due to the public health emergency; 2) not accounted for in the state/local government's budget most recently approved as of the date of the federal bill's enactment; and 3) incurred from March 1, 2020, to December 30, 2020. At the time of this writing, the state budget has not been signed into law by the Governor.

The bill language leaves open the issue of whether these funds may be deposited in the state or local government's General Fund to offset revenue shortfalls. We are seeking further clarification of this issue.

- Of Arizona's total allocation, the state will receive at least 55%, or \$1.55 billion of the \$2.82 billion.
- Local governments (counties, cities, and towns) with populations over 500,000 may receive direct payments up to 45%, or \$1.27 billion of the \$2.82 billion. The eligible local governments in Arizona are Maricopa County, City of Phoenix, Pima County, City of Tucson, and City of Mesa. We are seeking further clarification on the distribution formula among these jurisdictions, as the bill language is not clear. It also appears that any unused local distribution amounts are reallocated to the state.

#### Treasury Support

The Treasury Secretary will oversee a \$500 billion fund to make loans, loan guarantees, and other investments in support of businesses, states, and municipalities. For government participants, the program "provides liquidity to the financial system that supports lending to states and municipalities." Application procedures will be provided within 10 days of enactment of the bill.

#### Unemployment Insurance

- Benefits will increase by \$600 per week, in addition to what the enrollee would otherwise receive. For most Arizona enrollees, weekly UI benefits would increase from \$240 under current law to \$840. The \$600 increase would be 100% federally-funded. The increase applies to enrollees from the date of enactment of the CARES Act through July 31, 2020.
- Individuals that have already exhausted their regular 26 weeks of UI benefits will receive an extra 13 weeks of UI benefits. Benefits would be the same as the enhanced regular UI benefit (in Arizona, \$840 weekly). The additional 13 weeks would be 100% federally-funded and would be effective through December 31, 2020.

- Eligibility for UI will be expanded to self-employed individuals and other individuals at the option of states for those who lack access to unemployment insurance or other private paid leave and are not able or available to work due to COVID-19. Benefits for these individuals would be 100% federally-funded.
- For more information, see the Program Summary on [Unemployment Insurance Program Changes](#).

#### Direct Payments

- Taxpayers below certain income thresholds will receive one-time direct payments from the federal government.
- Single filers with an adjusted gross income (AGI) of less than \$75,000 on TY 2019 filings will receive a one-time payment of \$1,200. Joint filers with AGI of less than \$150,000 on TY 2019 filings will receive a one-time check of \$2,400 plus an additional \$500 per dependent child.
- For each \$100 in income over these limits, payments are reduced by \$5. As a result, there would be no payments for single filers with AGI above \$99,000 and joint filers with AGI above \$198,000.

**For the remaining program descriptions, the amounts indicated below in parentheses represent estimates of Arizona's share of funding.**

#### Education

The Education Stabilization Fund (ESF) allocates \$30.75 billion to states, school districts/charter schools, and higher education institutions. The bill does not contain "supplement-not-supplant" language, but the state must meet maintenance-of-effort (MOE) requirements to receive ESF funds for the Governor's Fund and K-12 Education Fund. Based on an initial reading of the MOE language, the state must keep its General Fund spending for K-12 and higher education at or above the average level of spending in FY 2017-FY 2019.

- Governor's Emergency Education Relief Fund (\$68 million): In our preliminary calculations, we estimate that Arizona may receive \$68 million of the \$3 billion available. Funding is allocated to states based on the relative proportion of 5- to 24-year-olds (60%) and 5- to 17-year-olds (40%). These funds may be allocated at the governor's discretion to local education agencies, higher education institutions, or other education-related entities. Monies not allocated within 1 year of receipt will be reallocated to other states.
- Elementary and Secondary School Emergency Relief Fund (\$286 million): Grants are allocated in the same proportion as ESEA Title I-A grants. Based on that proportion, we estimate that Arizona will receive \$286 million of the \$13.2 billion in federal funds. School districts and charter schools will receive at least 90% of the state allocation, or \$257 million, in proportion to the amount of Title I-A funding received. The state may retain up to 0.5%, or \$1 million, for administrative costs and up to 9.5%, or \$27 million, to address coronavirus-related emergency needs, as determined by ADE.
- Higher Education Emergency Relief Fund (\$280 million): The \$14 billion available in federal funding is distributed to institutions of higher education (universities and community colleges) according to a complex formula, including the number of Pell Grant recipients, the number of low-income and minority students, and coronavirus burden. While we are attempting to learn more about the formula, we have based an initial estimate on Arizona's proportion of the national population. Under that simplified calculation, we estimate that institutions of higher education in Arizona would receive \$280 million. At least 50% of monies must be used for student grants.

#### Emergency Relief

- Emergency Management Performance Grants (\$2 million): ADOA and DEMA are eligible to apply to the Federal Emergency Management Agency (FEMA) for these grants, which support coordination of communications and logistics among state, local, and tribal governments.
- Emergency Food and Shelter Program (\$6 million): Grants are given to jurisdictions to provide food, lodging in a mass shelter or hotel, one month's rent or mortgage payment, one month's utility bill, or equipment necessary to feed or shelter people with up to a \$300 limit per item for individuals or families in economic crisis.
- CDC Public Health Emergency Preparedness Grants (\$12 million): Out of \$1.5 billion in federal funding, every state will receive at least 100% of the FY 2019 grant amount received. In FY 2019, Arizona received \$12 million. Funding may be used for lab capacity, infection control, and other preparedness and response activities. Tribal governments may also receive funding.

- National Guard: The bill provides \$1.4 billion nationwide to support deployment of 20,000 members of the National Guard for 6 months. State governments pay 25% of the cost of operating the National Guard, while the federal government provides the remaining 75%. Under U.S.C. Title 32, the 25% state match may be waived. The state match has been waived in only 3 states (California, New York, and Washington) so far.

<b>Table 1</b>	
<b>Arizona's Share of Funding from CARES Act <sup>1/</sup></b>	
<b>(\$ in millions)</b>	
Coronavirus Relief Fund	
State	\$ 1,552
Local Governments	1,270
Treasury Loans	N/A
Education Stabilization Fund	
Governor Emergency Education	68
K-12	286
Higher Education	280
Emergency Management Performance Grants	2
Emergency Food and Shelter Program	6
Public Health Emergency Preparedness Grants	12
Child Care Development Fund	85
Children and Family Services Programs	22
Byrne Justice Assistance Grants	18
Elections	8
Transit Infrastructure Grants	550
Older Americans Act	18
Low Income Home Energy Assistance Program	7
Community Development Block Grants	6
<b>Total <sup>2/</sup></b>	<b>4,190</b>
<sup>1/</sup> Represents primarily funding distributed through state and local governments. These funding amounts are preliminary calculations based on Arizona's share of previous program allocations or Arizona's share of the national population.	
<sup>2/</sup> This table is not a comprehensive list of funding sources in the CARES Act.	

Other

- Child Care Development Fund (\$85 million): Funding would assist child care providers and provide child care subsidies for essential employees.
- Children and Family Services Programs (\$22 million), including:
  - Community Services Block Grants (\$8 million): Federal law requires 90% of these monies to be passed through to local entities, and DES would also receive monies for various programs related to poverty.
  - Head Start (\$12 million)
  - Title IV-B child welfare services (\$1 million): DCS uses Title IV-B monies primarily to fund caseworkers and other DCS staff.
  - Family Violence Prevention and Services formula grants (\$0.9 million)
  - Runaway and Homeless Youth Act (\$0.5 million)

- Byrne Justice Assistance Grants (\$18 million): Funding supports a range of program areas, including law enforcement, prosecution, indigent defense, courts, crime prevention and education, corrections and community corrections and drug treatment and enforcement. These monies are allocated among the state and local governments by the Arizona Criminal Justice Commission.
- Elections (\$8 million): These election security grants are to prevent, prepare for, and respond to coronavirus in the 2020 federal election cycle. Monies not used by December 31, 2020, would revert back to the Treasury.
- Transit Infrastructure Grants (\$550 million): Arizona would receive Urbanized Grant, Rural Grant, Tribal Grant, and State of Good Repairs formula funding.
- Older Americans Act (\$18 million): This provides funding for home meals and congregate meals, in-home support services, and family caregiver services. The \$18 million amount is in addition to the \$5 million that Arizona will receive from the Families First Coronavirus Response Act.
- Low Income Home Energy Assistance Program (\$7 million): Arizona and its tribal governments would receive additional funding to provide energy assistance to low-income residents.
- Community Development Block Grants (\$6 million): 40% of the overall funding provided by the legislation is distributed based on a CDBG formula, which would allocate approximately \$6 million to the state and \$27 million to local governments. The remaining 60% of funding will be distributed based on public health needs.

Other Points of Interest

- The Real ID deadline for states is extended from October 1, 2020, to September 30, 2021.
- Of the \$150 billion total nationwide funding provided for the Coronavirus Relief Fund (CRF), \$8 billion is allocated to provide emergency relief to tribal governments and offset expenditures incurred by Indian Tribes due to the public health emergency. This amount will be allocated by the Secretary of Interior and at this time it is unclear how much funding Indian Tribes located in Arizona will receive.

*Prepared by Lydia Chew, with contributions from Jack Brown, Morgan Dorcheus, Jordan Johnston, Patrick Moran, Alexis Pagel, Maggie Rocker, and Stefan Shepherd*