

Bond Case Briefs

Municipal Finance Law Since 1971

States and Cities Plead for More Time to Spend Federal Covid Aid.

Local governments are using stimulus funds for safety-net needs like rental and food aid. With demand surging, they're scrambling to spend it before the deadline.

States and municipalities are calling for an extension of a year-end deadline to spend federal pandemic aid as demand surges for government assistance amid the worsening pandemic.

As part of the Cares Act in March, Congress sent \$150 billion to states, large cities and counties for unbudgeted costs related to the pandemic. Those funds must be used for expenses incurred by Dec. 30, according to the Treasury Department. But state and local officials are lobbying for an extension to give government agencies and nonprofits that received the money more time to spend it, a step they say is crucial with the outlook for additional aid uncertain.

An extension would ease pressure on organizations like the Miami Valley Community Action Partnership, a Dayton, Ohio-based non-profit, which received 76 applications for assistance in a single morning this week. It's already paid out close to \$6 million in rental aid in 2020, compared with \$138,000 in 2019, and its 130-member staff is working nonstop to process claims and dole out the group's share of Ohio's federal stimulus aid in the next four weeks, said CEO Lisa Stempler.

"We're really terrified," Stempler said, adding that the Miami Valley partnership saw its budget more than double to \$22 million this year thanks to the Cares Act. "We know we're going to be looking at an eviction crisis if this money is not extended. That's our biggest fear. Somebody sitting in our queue waiting for assistance and they get evicted before we can do anything to help them."

A coalition of attorneys general from 43 states, Washington, D.C. and five U.S. territories, sent a letter this week to congressional leaders urging an extension of the deadline to at least Dec. 31, 2021. Setting up standards and procedures to distribute the money takes time and the need for such aid has only grown, the attorneys said. When the deadline was set in March, the outlook for the pandemic looked much different than it does today, the attorneys argued.

"The pandemic will continue to challenge communities well beyond December 30, 2020 — a deadline that now seems unreasonable," according to the letter dated Nov. 30 and signed by Democratic and Republican attorneys general across the country. The National Association of Attorneys General, which sent the letter, said it hadn't yet received a response from congressional leadership.

The request comes as a bipartisan group of lawmakers from the House and Senate proposed a \$908 billion package this week. State and local aid has been a major point of contention between Republicans and Democrats during the negotiations over Covid-19 relief.

A full accounting of how much of the state and local aid has been spent won't be publicly available until January, according to a newly created U.S. Department of Treasury tracker. Despite the bill's March passage, the U.S. Department of Treasury did not clarify guidelines on spending until late April, and smaller governments did not receive direct payments at all, leaving them waiting for pass-

through allocations from states.

In Alaska, \$1.04 billion of the total \$1.25 billion the state received from the Cares Act has been distributed, but not all of those funds have been spent, according to Neil Steininger, director of the state's Office of Management and Budget.

Grant programs like rental assistance, food assistance and others had to be created to give out some of the funds, and the smaller municipalities facing budget pressure couldn't plan programs until the funds were received from the state, said Nils Andreassen, the executive director of the Alaska Municipal League.

"The pressure is on for sure," Andreassen said. "Everybody would have liked to have more time. An extra six or 12 months would've lent itself to a more measured approach."

In Iowa, about \$325 million of the state's \$1.25 billion Cares Act allocation hasn't been spent yet, though some of those funds have been allocated to agencies, according to a summary provided by Iowa Attorney General Tom Miller's office. Another \$75 million remains unallocated. Miller signed the letter requesting an extension. A spokesperson for Governor Kim Reynolds, who has called for more aid, said the funds will be spent by the deadline.

Like Iowa, municipalities that still have funds to use will find a way to spend the funds before the deadline, said Emily Swenson Brock, director of the federal liaison center at the Government Finance Officers Association.

The need for aid has not abated. The U.S. posted an all-time daily high in reported Covid-19 deaths of 2,836 on Wednesday, according to Johns Hopkins University. As cases climb, governors and mayors are enacting restrictions and economic shutdowns again. State and local governments' finances face \$480 billion to \$620 billion in shortfalls through fiscal 2022, according to the Center on Budget and Policy Priorities.

But federal stimulus money from the Cares Act can't be used for budget holes, another reason that governors and local officials are asking Congress for more aid in 2021.

Wisconsin will need at least \$466 million in the first quarter of 2021 to pay for ongoing expenses related to the Covid-19 pandemic, money the state doesn't have, Governor Tony Evers said Thursday.

Evers, a Democrat, sent a letter Thursday to his state's congressional delegation, urging its members to push for an additional federal Covid-19 relief bill. Evers said his state simply doesn't have the money to pay for the ongoing disruptions to the state's economy caused by the pandemic after Dec. 31.

Wisconsin received \$2.26 billion in Cares Act funds, which it has used for grants to farmers, small businesses and for rental and mortgage assistance. Additional Cares Act money will be spent on grants to 663 hospitality operators, Evers said.

"Having aid that helps states and localities fight the virus end when the virus is spreading is a terrible idea," said Michael Leachman, vice president for state fiscal policy at the CBPP. "It's kind of a no-brainer to help states and localities avoid the additional layoffs and cuts that would make that double dip recession more likely."

Bloomberg CityLab

By Fola Akinnibi

December 4, 2020, 8:51 AM PST

— *With assistance by Stephen Joyce*

Copyright © 2025 Bond Case Briefs | bondcasebriefs.com