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## How Should States, Localities Spend CARES Act's Coronavirus Relief Fund?

The CARES Act includes a $150 billion Coronavirus Relief Fund (CRF) to help states, populous cities and counties, tribal governments, and U.S. territories cover unanticipated costs from the COVID-19 pandemic and its economic effects. Working from Treasury Department guidance and an associated "Frequently Asked Questions" document on the CRF's permissible uses, the fund's recipients should maximize its impact to help meet the extraordinary fiscal challenges they face.

Unfortunately, Treasury's guidance forbids using the funds to offset revenue losses due to the pandemic. That's a serious problem since state, local, and tribal revenues have dropped precipitously and federal relief to date (including the CRF) is far less than needed. States alone face an astonishing $765 billion in shortfalls through June 2022, and revenues for localities, tribes, and Puerto Rico and other territories are also way down. Policymakers should quickly approve much more fiscal relief and rescind the CRF restrictions.

That said, states, localities, tribal nations, and territories should make the most of the CRF to meet the immediate crisis. As with all spending choices, states and other fund recipients should consider, in responding to the crisis, how to build anti-racist, equitable, and inclusive communities and an economic recovery whose gains are broadly shared. Fund recipients should:

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**Center for Budget and Policy Priorities**

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