

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	<u>\$0.00</u>
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:

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Federal Reporting/Research Unit:

COVIDFederalTracking@dof.ca.gov

US Treasury/OIG CRF Information:

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