

USE OF FEDERAL STIMULUS FUNDS FOR STATE & LOCAL GOVERNMENTS

NCSL spoke to representatives from the U.S. Treasury Department to get clarification on the use of federal stimulus funds for state and local governments. The guidance NCSL received is outlined below. Please keep in mind, this is all still in development and subject to change.

- The biggest question everyone has: Can the funds be used to backfill lost revenues? The answer is no. The law is clear in that it does not address revenue losses, only unanticipated expenses due to COVID-19. Supplemental budgets are allowable expenditures to the extent they are for COVID-19 expenses.
- While Stimulus 3 funds can only be used for expenditures related to COVID-19, states may have some flexibility with the 6.2 percent FMAP increase in Stimulus 2, the Families First Coronavirus Response Act.
- States that had budgets enacted prior to March 27, 2020, can use stimulus funds for unanticipated COVID-19 expenditures.
- The current plan is to transfer a state's portion of the \$150 billion in direct aid into a state's general funds. Payments are likely to be made around April 24.
- If a state has few or no units of local government that exceed 500,000 in population then the state would receive more or potentially the full allotment for their state. Treasury assumes that some of the funds provided to the state would go to local governments; however, Treasury made it clear that it would be at a state's discretion.