

THE BOND BUYER

Senate Finance Chairman Introduces Bill to Extend CARES Act Spending Deadline

By

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State and local governments would get more time to spend federal dollars in coronavirus aid under bipartisan legislation to extend by one year the deadline to use it.



*Senate Finance Committee Chairman Chuck Grassley, R-Iowa introduced the State and Local Coronavirus Relief Fund Extension Act on Tuesday. **Bloomberg News***

Senate Finance Committee Chairman Chuck Grassley, R-Iowa and Sen. Maggie Hassan, D-N.H., introduced the State and Local Coronavirus Relief Fund

Extension Act on Tuesday to lengthen CARES Act funding for municipalities by one year to the end of 2021. The deadline to use COVID-19 funding is by the end of 2020.

“As part of the CARES Act, Congress approved \$150 billion in aid funding to state and local governments,” Grassley said in a press release. “This money has helped meet the needs of health care providers, schools and other institutions across the country. Our bill extends the end-of-year deadline so states and local governments can continue to utilize this help, especially for more significant projects like improving broadband, which has proved a critical asset while we all rely more on telework, remote learning and even telemedicine.”

There is not a House companion bill.

The CARES Act, enacted in March established a \$150 billion Coronavirus Relief Fund to disburse \$8 billion to tribal governments, \$3 billion to territories and the District of Columbia and the remaining \$139 billion to states as well as counties and cities with populations of over 500,000. Those funds can only be used to cover COVID-19 related expenses.

Hassan said one of the important uses of federal funding is to expand broadband access so people can use telehealth services, work remotely and participate in online learning.

“That’s why it’s particularly critical that states can use existing funding – or any future federal funding – for broadband construction and other projects that are essential to responding to the pandemic, but will not be completed before the end of the year,” Hassan said in the press release.

David Erdman, capital finance director for the state of Wisconsin, called it a good first step, but said more flexibility in using the CRF is needed and more direct aid will be needed if the program is extended.

“That’ll be helpful to address the expenditure side, if we have a longer time period, we’re going to have more expenditures,” Erdman said. “It’s a good first step, but there is more needed.”

Current CARES Act funding may not be enough to cover an extended period until the end of 2021, Erdman added.

Lawmakers are divided on whether states and localities should get more funding in the next relief bill, with skeptics pointing out that much of the CARES Act funding appears to have been unspent.

The U.S. Treasury Department recently released a report from the department's Office of Inspector General, indicating that much of the CRF had not yet been spent as of June 30.

Erdman said a lot of the CRF has been used, it just hasn't been recorded as governments determine what expenditures are eligible and uncertainty about what is deemed as COVID-19 related expenses.

Kenton Tsoodle, assistant city manager for Oklahoma City, said the two biggest asks from municipalities have been to extend the CRF deadline and provide the flexibility so that they can use those funds to replace lost revenue. Municipalities have wanted the CRF to be used to replace lost revenue due to the pandemic.

"There are certainly expenses that we're having to respond to COVID-19, but the other side of that coin is that so much revenue is lost and right now you're prohibited from using those funds for things that were already in your budget," Tsoodle said.

"Lost revenues remain the biggest COVID-19-related fiscal challenge for states," said National Association of State Treasurers Executive Director Shaun Snyder. "We have been championing flexibility for states to use Coronavirus Relief Fund payments for revenue replacement and to extend the period of time under which they have to use CRF money. We welcome any forward movement on either of these fronts. Added flexibility alone, however, will not offset the need for additional aid for states and local governments."

Though the National League of Cities supported lawmakers' efforts to provide more timing flexibility, it also says that isn't enough.

"Flexibility is not enough for America's cities, towns and villages," said Irma Esparza Diggs, NLC's director of federal advocacy. "What is needed is direct aid. So far, only 10% of monies provided to states has made its way to communities that did not meet the 500,000 population threshold, according to NLC data. For many cities, towns and villages, direct aid is a needed lifeline to ensure that they will not become an economic drag on the economy."

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