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BUDGET AND PROGRAM PLANNING
STATE OF MONTANA



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TO: Local Government Representatives and Other Interested Parties

FROM: Ryan Evans, Assistant Budget Director

DATE: November 30, 2020

RE: Guidelines for Cycle 5 of the Local Government CARES Reimbursement Program

This memo accompanies new guidance for local governments on requirements for the final round of reimbursements under the Coronavirus Relief Fund (CRF) as funding nears its end on December 30, 2020. Crucially, CRF funds will continue to cover all public health related reimbursements submitted by local government. However, certain expenses that local governments have already budgeted for—and without a direct or substantial nexus to COVID-19 relief—will not be eligible for reimbursement in the final round.

By way of background, in March 2020 the State of Montana received \$1.25 billion through the Governor's Coronavirus Relief Fund via the CARES Act. The Montana Association of Counties and the Montana League of Cities and Towns actively participated in the Governor's Coronavirus Relief Fund Advisory Council, which provided recommendations on how to allocate federal relief money. One of the earliest acknowledgements that emerged from the Council process is that while \$1.25 billion is a large sum of money, it would never be enough to offset any and all financial losses by every person, business, nonprofit, or government unit in the State of Montana.

Predictably, the pandemic-related financial impacts in Montana have been great enough to exhaust the entire Coronavirus Relief Fund. This was the fund's purpose. As a result of increased demand and the federal government's December 30, 2020 deadline to expend all funds, reimbursement requirements for the final round of expenditures are different from prior reimbursement rounds.

The reimbursement requirements for the final cycle will still cover local public health and safety costs, as well as costs associated with the enforcement of health ordinances. These costs have a clear nexus to responding to COVID-19 impacts and were not accounted for by local governments in their most recent budgets. The final reimbursement cycle for local government will not cover presumptively eligible and substantially dedicated personnel costs, because these costs were already budgeted-for in local government budgets.

As a result, in the final reimbursement cycle, local governments will still be "made-whole" or close to it for new expenses, but will no longer receive any funds for already-budgeted expenses. Regrettably, the federal government has not allowed CRF funds to be used for revenue replacement for local governments. Local governments have also reported costs less than

anticipated at the beginning of the planning stage for CRF funds. Accordingly, the total amount allocated to local governments will be less than the original \$300 million anticipated earlier in the year. Local governments will still receive about three to four times more reimbursement than state government and number among the top recipients of CRF funds. The difference between the anticipated allocation and final expenditure has gone directly to Montana citizens and businesses suffering from the impacts of the pandemic.

The real, increased costs and personal impacts associated with responding to the COVID-19 pandemic will not simply go away when the current use of the Coronavirus Relief funds expire on December 30. Now, approaching nearly a year since the beginning of the pandemic's impact stateside and nearly 9 months since passage of CRF funding, we are concluding spending federal funds that we knew would eventually run out. This underscores the importance of further Congressional action to assist individuals, businesses and governments across the country since existing funding is now expiring and has been exhausted, whereas the impacts from COVID-19 have no known horizon for expiration.

Accompanying this memo, is a set of guidelines for the Cycle 5 reimbursement addressing what will be eligible and what will not. The guidance also includes contact information if your local government has a specific question regarding expenditure eligibility. We stand ready to continue the partnership with local governments as we all weather the impacts of this storm.

We appreciate the continued work by local governments across the state – particularly in these uncertain times. We look forward to a continued partnership with local government in the coming months and beyond as we continue to find the best ways to pay for and provide services and stability to Montanans during these particularly uncertain and unprecedented times.