

Corona Virus Response Update
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This is our fourth memo on the CV crisis. Developments at the Federal level in response to the CV crisis occur daily. We are trying our best to keep you informed on matters that affect or will affect our Alaska clients.

Given the interest in Federal education relief after the Governor's recent veto of the school bond debt reimbursement, this memo provides more detail on the education funding included in the CARES Act. We also discuss new developments to provide further relief to State and local governments, including targeted relief directly to smaller local governments. Lastly, it is worth noting that while much funding is in place and more resources will be coming in Phase IV (CARES Act 2), or an interim bill to provide further funding for the small business Payroll Protection Program (PPP), the biggest challenges are now in ensuring the administrative processes can operate in a timely and efficient manner to get the funds into the hands they are intended for. There have been problems and delays, particularly with the rollout of the PPP, but we believe over time many of these challenges will be addressed. Federal funds will eventually get to where they are supposed to go but a patient but persistent effort will be required.

Education

From the CARES Act Education funding (total \$30.8 billion), each Governor will have at his disposal an Emergency Education Relief Fund. The amount per State is formula-derived based on the relative number of kids aged 5 to 24 (60 percent) and relative number of kids counted under the Elementary and Secondary Education Act (ESEA) (40 percent). The total for ALL states is about \$3 billion, with the Department of Education yet to announce final allocations. The Fund is to be used as follows –

- Provide emergency support through grants to local educational agencies that the State educational agency deems have been most significantly impacted by coronavirus;
- Provide emergency support through grants to institutions of higher education serving students within the State that the Governor determines have been most significantly impacted by coronavirus; and,
- Provide support to any other institution of higher education, local educational agency, or education related entity within the State that the Governor deems essential for carrying out emergency educational services. These services may include child care and early childhood education, social and emotional support, and the protection of education-related jobs.

Under the CARES Act, State education agencies will get \$13.5 billion. Each State education agency will get its formula ratio under the ESEA, with 90 percent of that amount then flowing to each local education agency. The uses of the money are primarily subscribed for CV-related teaching and learning expenses although the Act also says it can be used for “any activity authorized by the ESEA.” These uses include –

- Coordination of preparedness and response efforts of local educational agencies with State, local, and Tribal public health departments;
- Providing principals and others school leaders with the resources necessary to address the needs of their individual schools;

- Activities to address the needs of low-income students, children with disabilities, English learners, racial and ethnic minorities, homeless, and foster care youth;
- Training and professional development for staff of the local educational agency on sanitation and minimizing the spread of infectious diseases, including the purchase of sanitizing and cleaning supplies;
- Purchase and deployment of education technology;
- Planning for and coordinating during long-term closures, including for how to provide meals to eligible students;
- Providing mental health services; and,
- Planning and implementing activities related to summer learning and supplemental after-school programs, including providing classroom instruction or online learning during the summer months.

Elsewhere in the CARES Act, there are selective waivers from ESEA requirements that can be granted by the Department of Education at a State or local educational agency's request. The open question is whether the bond reimbursement could qualify for funding under the existing ESEA funding stream, or through the new waiver process. This question is better addressed by asking the Alaska Department of Education directly.

The remaining \$14.2 billion is for higher education relief. \$6 billion was approved late last week by the U.S. Dept of Education for individual student loan relief to be administered by their university or college.

The CARES Act directs the Department to announce funding application procedures by late April and accept and make decisions on applications by the end of May.

Smaller Government Relief

As noted in our previous memo, smaller governments (<500,000 population) were excluded from the \$150 billion in the State and local government stabilization fund included in the CARES Act. There have been efforts to correct that oversight, with proposals made in the House and Senate to provide \$250 billion and \$53 billion respectively. Separately, the National Governors Association is calling for an additional \$500 billion in funding to State governments.

Unfortunately, the House and Senate proposals so far are entirely population-weighted and smaller rural governments would fare poorly relative to mid-size and larger counties and municipalities. We have conveyed this concern to the Delegation and urged that a significant percentage be set aside for smaller communities in the most rural states. The CARES Act established a similar set aside for States as part of the stabilization fund (just over 40 percent was set aside equally divided amount all States, with the remaining funding awarded based on population).

We have also echoed NACO and AML's call for long-term reauthorization of PILT and Secure Rural Schools programs as well as suggested a one-time increase in payments from both programs this year.

Late last week, the Federal Reserve released its proposal to provide low-cost debt financing of \$500 billion to State governments and large municipalities/counties through debt purchases via a Special Purchase Vehicle (SPV). The State of Alaska would qualify but no local government meets the population threshold for a direct transaction with the SPV. However, as an eligible issuer, the State may

use the proceeds of any debt purchased by the SPV “to purchase similar notes issued by, or otherwise to assist, political subdivisions.” A fact sheet of the new program is at the link.

<https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200409a3.pdf>

We will continue to update you as new developments occur.