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# **General State and Local Fiscal Assistance and COVID-19: Background and Available Data**

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## General State and Local Fiscal Assistance and COVID-19: Background and Available Data

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The sudden decline in economic output following the Coronavirus Disease 2019 (COVID-19) outbreak has significantly altered the fiscal outlook for state and local governments. A sizable share of economic output derives from state and local government activity. These governments are generally required to balance their operating budgets every one or two years. Available evidence suggests that the COVID-19 economic shock will have a notable impact on state and local budgets. This report summarizes the general fiscal assistance provided to state and local governments during the COVID-19 crisis.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act; P.L. 116-136), signed into law in March 2020, created the Coronavirus Relief Fund (CRF), which provided \$150 billion in general assistance for domestic governments. Of the \$150 billion provided to the CRF through the CARES Act, (1) \$139 billion was allocated to governments in the 50 states, with allocations based on their populations and with no state receiving less than \$1.25 billion; (2) \$8 billion was set aside for governments in tribal areas; and (3) \$3 billion was allotted to governments in territories, including the District of Columbia (DC) and Puerto Rico. The deadline for spending CRF funds provided through the CARES Act was initially December 30, 2020, but was extended through December 31, 2021, by the Consolidated Appropriations Act, 2021 (P.L. 116-260).

CRF assistance provided through the CARES Act was generally transferred to state governments. Local governments serving a population of at least 500,000 had the option to receive assistance directly from Treasury. Such direct local assistance allocations reduced the allocation that was made to the state government (keeping the state allocation constant), and equaled the product of (1) the state or territory allocation amount, (2) the share of the state or territory population served by the local government, and (3) 45%. As of September 30, 2020, \$78 billion in CRF payments had been awarded to projects by state, territorial, tribal, and local governments.

## **Contents**

Background.....	1
Eligible Purposes.....	2
Allocations Across States, Territories, and Tribal Areas .....	2
Allocations to Governments Within States and Territories .....	5
Award Information.....	6

## **Tables**

Table 1. Total CRF CARES Act Allocations by State and Government Type.....	3
Table 2. Total CRF CARES Act Allocations by Territory.....	5
Table 3. Recipient Awards as a Share of Total Allocations, by State and Government Type.....	6

## **Contacts**

Author Information .....	8
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The sudden decline in economic output following the Coronavirus Disease 2019 (COVID-19) outbreak has significantly altered the fiscal outlook for state and local governments. This report briefly summarizes the background, purpose, and allocation of general fiscal assistance provided to state and local governments during the COVID-19 crisis. Information on more targeted, policy-specific assistance during the COVID-19 outbreak can be found in other CRS products.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act; P.L. 116-136), signed into law on March 27, 2020, created the Coronavirus Relief Fund (CRF), which provided \$150 billion in direct assistance for state and local governments.

**Table 1** provides total CRF allocations for the 50 states, and **Table 2** provides allocations for the territories. A total of \$149.5 billion was allocated to eligible governments as of February 4, 2021.<sup>1</sup> As of September 30, 2020, \$78.4 billion in CRF payments had been awarded to projects by state, territorial, tribal, and local governments.<sup>2</sup> CRF award data by state and government type are provided in **Table 3**.

## Background

A sizable share of economic output derives from state and local government activity. State and local governments spent \$3.8 trillion in 2018, 19% of gross domestic product (GDP), with 55% of combined expenditures from state governments and 45% from local governments.<sup>3</sup> These governments are generally required to balance their operating budgets every one or two years. For more on how economic shocks affect state and local government activity, see CRS Insight IN11258, *State and Local Fiscal Conditions and Economic Shocks*.

Available evidence suggests that the COVID-19 economic shock will have a notable impact on state and local budgets. Consumption declines following nonessential business closures and social distancing efforts are likely to produce a sharp drop in sales tax revenues (35% of state and local tax revenues in 2018). Spikes in unemployment and decreased firm profitability are expected to have a similar effect on individual and corporate income tax receipts (27% of tax revenues).<sup>4</sup> Use of state and local spending programs is likely to increase, particularly for public welfare programs (19% of 2018 expenditures) as well as hospital and health expenses (8% of 2018 expenditures).

The CRF, established through Section 5001 of the CARES Act, offers a means of assistance for state and local governments. The CARES Act provided a total of \$150 billion in federal fiscal support for state and local governments through the CRF, with eligibility dependent upon the location, level of government, and use of potential funds. A similar fund, the State Fiscal Stabilization Fund, was created during the 2007-2009 recession by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5). The State Fiscal Stabilization Fund provided \$54 billion to state and local governments, most of which was targeted to certain types of spending for

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<sup>1</sup> U.S. Treasury, “Daily Treasury Statement for February 4, 2021,” available at <https://fsapps.fiscal.treasury.gov/dts/files/21020400.pdf>.

<sup>2</sup> Pandemic Oversight, “Coronavirus Relief Fund,” data downloaded on February 7, 2021, available at <https://www.pandemicoversight.gov/track-the-money/funding-charts-graphs/coronavirus-relief-fund>. Of the \$150 billion total, \$148.1 billion was provided to recipients required to report quarterly payments.

<sup>3</sup> All state and local government finance data used in this report draw from U.S. Census Bureau, “2018 Survey of State & Local Government Finances,” October 2020, available at <https://www.census.gov/programs-surveys/gov-finances.html>.

<sup>4</sup> There are no indications as yet of a comparable effect on the base for property taxes (31% of 2018 tax revenues), which are predominantly collected by local governments.

education programs.<sup>5</sup> Separately, Section 4003 of the CARES Act authorized use of Federal Reserve capacity to support up to \$454 billion in debt issued by state governments, local governments, and eligible businesses.

## Eligible Purposes

CRF payments received through the CARES Act allow state and local governments to make payments for programs that

- (1) are necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19);
- (2) were not accounted for in the budget most recently approved as of the date of enactment [March 27, 2020] of this section for the State or government; and
- (3) were incurred during the period that begins on March 1, 2020 and ends on December 31, 2021.<sup>6</sup>

Per Section 5001(f) of the CARES Act, the Inspector General of the Department of the Treasury determines whether CRF payments are used for eligible purposes. Fund payments that are deemed for ineligible purposes are treated as a debt owed by the implementing government to Treasury.

As clarified in Treasury guidance, CRF payments may not be used to *directly* account for revenue shortfalls related to the COVID-19 outbreak.<sup>7</sup> Such funds, however, may *indirectly* assist with revenue shortfalls in cases where expenses paid for by the CRF would otherwise widen the gap between government outlays and receipts. For example, if \$3 billion in CRF assistance is sent to a government with revenues that are \$10 billion lower than expected and \$5 billion in new COVID-19-related expenses, that assistance will reduce the fiscal gap (from \$15 billion to \$12 billion) by the same amount regardless of whether it applies to revenues or spending. Only in cases where governments have revenue shortfalls and less related spending than the program provides are governments limited by the eligible purpose restrictions. For instance, in that same example but with no new COVID-19-related expenses, the government could not use CRF assistance despite its decrease in revenues.

## Allocations Across States, Territories, and Tribal Areas

The CARES Act stipulates that the \$150 billion provided to the CRF is allocated to governments in states, territories, and tribal areas as follows:<sup>8</sup>

- \$139 billion is allocated for governments in the 50 states based on their populations (as measured by the U.S. Census Bureau in 2019), with no state receiving less than \$1.25 billion.

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<sup>5</sup> For more information about this program, see U.S. Department of Education, “State Fiscal Stabilization Fund,” March 7, 2009, available at <https://www2.ed.gov/policy/gen/leg/recovery/factsheet/stabilization-fund.html>.

<sup>6</sup> The Coronavirus Relief Fund was also used by the Consolidated Appropriations Act, 2021 to allocate \$25 billion in payments to state and local governments for emergency rental assistance. Those more targeted allocations are not explored further in this report.

<sup>7</sup> U.S. Treasury, “Coronavirus Relief Fund Guidance as published in the Federal Register on January 15, 2021,” January 15, 2021, available at <https://home.treasury.gov/policy-issues/cares/state-and-local-governments>.

<sup>8</sup> This allocation methodology differs from what was implemented by the American Recovery and Reinvestment Act of 2009 for the State Fiscal Stabilization Fund, which treated the 50 states, the District of Columbia, and Puerto Rico uniformly when implementing allocation procedures.

- \$8 billion is set aside for governments in tribal areas, with each tribal area’s allocation based on its share of aggregate tribal expenditures in FY2019, as determined by the Secretary of the Treasury in consultation with the Secretary of the Interior.
- \$3 billion is allocated to the territories of the District of Columbia (DC), Puerto Rico, U.S. Virgin Islands, Guam, Northern Mariana Islands, and American Samoa, with each territory receiving an amount based on its share of the total population across all territories, with populations determined by the Secretary of the Treasury.

**Table 1** shows state allocations for CRF payments made through the CARES Act. Due to the \$1.25 billion minimum allocation for states, every state with an allocation greater than the minimum amount receives a smaller allocation share (excluding amounts provided to tribal areas) than its share of the population. Most states with a minimum allocation amount, in contrast, have a larger allocation share than their population share. Treasury has allocated all amounts designated for nontribal governments.<sup>9</sup>

**Table 1. Total CRF CARES Act Allocations by State and Government Type**  
(combined amounts to all direct recipients, in billions of dollars)

State	State Allocation	Local Allocation	Tribal Allocation	Total Allocation
Alabama	1.786	0.115	0.057	1.958
Alaska	1.250	-	0.845	2.095
Arizona	1.857	0.965	1.266	4.088
Arkansas	1.250	-	-	1.250
California	9.526	5.795	0.776	16.097
Colorado	1.674	0.560	0.028	2.262
Connecticut	1.382	-	0.121	1.503
Delaware	0.927	0.323	-	1.250
Florida	5.856	2.473	0.158	8.487
Georgia	3.503	0.614	-	4.117
Hawaii	0.863	0.387	-	1.250
Idaho	1.250	-	0.056	1.306
Illinois	3.519	1.395	-	4.914
Indiana	2.442	0.168	-	2.610
Iowa	1.250	-	0.011	1.261
Kansas	1.034	0.216	0.018	1.268
Kentucky	1.599	0.133	-	1.732
Louisiana	1.803	-	0.040	1.843
Maine	1.250	-	0.025	1.275
Maryland	1.653	0.691	-	2.344

<sup>9</sup> U.S. Treasury, “Payments to States and Eligible Units of Local Government,” May 11, 2020, available at <https://home.treasury.gov/policy-issues/cares/state-and-local-governments>.

State	State Allocation	Local Allocation	Tribal Allocation	Total Allocation
Massachusetts	2.461	0.212	0.009	2.682
Michigan	3.081	0.792	0.242	4.115
Minnesota	1.870	0.317	0.267	2.454
Mississippi	1.250	-	0.062	1.312
Missouri	2.084	0.296	-	2.380
Montana	1.250	-	0.219	1.469
Nebraska	1.084	0.166	0.066	1.316
Nevada	0.836	0.414	0.122	1.372
New Hampshire	1.250	-	-	1.250
New Jersey	2.394	1.050	-	3.444
New Mexico	1.068	0.182	0.253	1.503
New York	5.136	2.408	0.114	7.658
North Carolina	3.585	0.482	0.063	4.130
North Dakota	1.250	-	0.146	1.396
Ohio	3.754	0.779	-	4.533
Oklahoma	1.259	0.275	1.647	3.181
Oregon	1.389	0.247	0.201	1.837
Pennsylvania	3.935	1.029	-	4.964
Rhode Island	1.250	-	0.006	1.256
South Carolina	1.905	0.091	0.022	2.018
South Dakota	1.250	-	0.201	1.451
Tennessee	2.363	0.285	-	2.648
Texas	8.038	3.205	0.054	11.297
Utah	0.935	0.315	0.030	1.280
Vermont	1.250	-	-	1.250
Virginia	3.110	0.200	0.019	3.329
Washington	2.167	0.786	0.565	3.518
West Virginia	1.250	-	-	1.250
Wisconsin	1.997	0.260	0.251	2.508
Wyoming	1.250	-	0.039	1.289
<b>Total</b>	<b>111.375</b>	<b>27.625</b>	<b>8.00</b>	<b>147.000</b>

**Source:** Pandemic Oversight, “Coronavirus Relief Fund,” data downloaded on February 8, 2021, available at <https://www.pandemicoversight.gov/track-the-money/funding-charts-graphs/coronavirus-relief-fund>.

**Note:** Alaska tribal allocation total includes \$0.5 billion intended for Alaska Native Corporations that are currently withheld by the federal government due to ongoing litigation. Amounts may not sum to totals due to rounding.

The CARES Act provided a total of \$8 billion to be distributed to tribal governments through the CRF. The CARES Act further stipulated that fund allocations to individual tribal governments were to be based on increases in government expenditures from FY2019 to FY2020, through a

process established by the Department of the Treasury and Department of the Interior.<sup>10</sup> That process resulted in two rounds of payments.<sup>11</sup> The first round of payments distributed 60% of the tribal total, with allocations based on tribal population data. The second-round payments were distributed based on tribal employment and expenditure data after such data were provided. Treasury has provided all fund allocations to tribal governments except those designated for governments of Alaska Native Corporations, whose participation is the subject of ongoing litigation.<sup>12</sup>

**Table 2** provides estimated CRF allocations made through the CARES Act to areas designated for fund purposes as territories, including the District of Columbia. Territory allocations are made in direct proportion to the relevant population estimate, with no minimum amount provided. Allocation shares for all territories except Puerto Rico are smaller than the state minimum amount. Treasury has allocated all amounts designated for territorial governments.<sup>13</sup>

**Table 2. Total CRF CARES Act Allocations by Territory**

<b>Territory</b>	<b>Allocation (\$ Billions)</b>
American Samoa	0.035
District of Columbia	0.495
Guam	0.118
Northern Mariana Islands	0.036
Puerto Rico	2.241
U.S. Virgin Islands	0.075
<b>Total</b>	<b>3.000</b>

**Source:** Pandemic Oversight, “Coronavirus Relief Fund,” data downloaded on February 8, 2021, available at <https://www.pandemicoversight.gov/track-the-money/funding-charts-graphs/coronavirus-relief-fund>.

**Note:** Territorial allocations were provided exclusively to territorial governments.

## Allocations to Governments Within States and Territories

CRF assistance is generally provided to state governments. Local governments serving a population of at least 500,000 (as measured in the most recent census data), however, may elect to receive assistance directly from Treasury. Such direct local assistance allocations reduce the allocation made to the state government (keeping the state allocation constant) and are equal to the product of

- the state or territory allocation amount;

<sup>10</sup> Section 5001(c)(7) of the CARES Act.

<sup>11</sup> U.S. Treasury, “Coronavirus Relief Fund Tribal Allocation Methodology,” August 11, 2020, available at <https://home.treasury.gov/policy-issues/cares/state-and-local-governments>.

<sup>12</sup> U.S. Treasury, “Tribal Allocation Methodology for Second Distribution,” June 17, 2020, available at <https://home.treasury.gov/policy-issues/cares/state-and-local-governments>.

<sup>13</sup> U.S. Treasury, “Interim Report of Costs Incurred by the District of Columbia and Territories through June 30, 2020,” August 24, 2020, available at <https://home.treasury.gov/policy-issues/cares/state-and-local-governments>.



- the percentage of the state or territory population attributed to the local government; and
- 45%.<sup>14</sup>

The CARES Act does not explicitly prevent local governments (regardless of their eligibility for direct assistance) from receiving CRF payments from state governments, so long as the funds are used for eligible purposes. State governments transferred \$543 billion to local governments in 2018, or 27% of all local government revenues.

In many cases, populations are served by more than one local government that is eligible for direct assistance from the CRF (e.g., a city with a population of 700,000 located in a county with 200,000 other people, and thus with a county population of 900,000). Guidance from the Secretary of the Treasury clarified that in such cases, all overlapping governments are eligible for assistance. However, direct assistance payments to larger localities will be calculated using only their unique population, or will be reduced by any amounts also attributable to smaller localities receiving assistance (i.e., in the above example the county government only uses a population of 200,000 for its direct payment calculation).

## Award Information

**Table 3** shows the percentage of the total allocation that has been awarded to projects for each state and type of government as of September 30, 2020. Just over half of all CRF Funds (\$78.4 billion, or 52%) have been awarded to projects. State and territorial governments (\$62.9 billion, or 55%) have awarded a slightly higher percentage of their allocations to projects than local governments (\$12.6 billion, 46%) and tribal governments (\$2.9 billion, 36%), with the delayed and withheld transmission of funding one possible explanation for the lower tribal government total.<sup>15</sup>

**Table 3. Recipient Awards as a Share of Total Allocations, by State and Government Type**  
(Award Data as of September 30, 2020)

State	State or Territory	Local	Tribal	Total
Alabama	41%	18%	<1%	39%
Alaska	80%	-	7%	51%
American Samoa	51%	-	-	51%
Arizona	48%	80%	31%	50%
Arkansas	62%	-	-	62%
California	91%	55%	58%	77%
Colorado	74%	43%	43%	66%
Connecticut	36%	-	44%	37%
Delaware	18%	11%	-	17%
District of Columbia	56%	-	-	56%

<sup>14</sup> Section 5001(c)(5) of the CARES Act.

<sup>15</sup> U.S. Treasury, "Tribal Allocation Methodology for Second Distribution," June 17, 2020, available at <https://home.treasury.gov/policy-issues/cares/state-and-local-governments>.

<b>State</b>	<b>State or Territory</b>	<b>Local</b>	<b>Tribal</b>	<b>Total</b>
Florida	86%	49%	44%	75%
Georgia	29%	42%	-	31%
Guam	>99%	-	-	>99%
Hawaii	10%	17%	-	12%
Idaho	27%	-	29%	27%
Illinois	23%	55%	-	32%
Indiana	57%	48%	-	56%
Iowa	60%	-	55%	60%
Kansas	51%	25%	56%	47%
Kentucky	32%	13%	-	30%
Louisiana	77%	-	55%	76%
Maine	43%	-	20%	42%
Maryland	>99%	30%	-	88%
Massachusetts	54%	12%	78%	51%
Michigan	74%	33%	84%	66%
Minnesota	67%	56%	46%	63%
Mississippi	57%	-	48%	56%
Missouri	43%	29%	-	42%
Montana	36%	-	32%	36%
Nebraska	57%	33%	11%	52%
Nevada	65%	55%	12%	57%
New Hampshire	63%	-	-	63%
New Jersey	2%	33%	-	11%
New Mexico	76%	61%	39%	68%
New York	56%	57%	39%	56%
North Carolina	76%	34%	70%	71%
North Dakota	46%	-	18%	43%
Northern Mariana Islands	<1%	-	-	<1%
Ohio	43%	59%	-	46%
Oklahoma	56%	33%	32%	41%
Oregon	46%	49%	42%	46%
Pennsylvania	58%	32%	-	52%
Puerto Rico	43%	-	-	43%
Rhode Island	29%	-	33%	29%
South Carolina	31%	1%	5%	30%
South Dakota	22%	-	22%	22%

State	State or Territory	Local	Tribal	Total
Tennessee	73%	43%	-	70%
Texas	45%	41%	15%	44%
U.S. Virgin Islands	48%	-	-	48%
Utah	54%	26%	63%	47%
Vermont	51%	-	-	51%
Virginia	28%	39%	11%	29%
Washington	69%	27%	40%	55%
West Virginia	52%	-	-	52%
Wisconsin	42%	30%	63%	43%
Wyoming	41%	-	69%	42%
<b>Total</b>	<b>55%</b>	<b>46%</b>	<b>36%</b>	<b>52%</b>

**Source:** Pandemic Oversight, “Coronavirus Relief Fund,” available at <https://www.pandemicoversight.gov/track-the-money/funding-charts-graphs/coronavirus-relief-fund>. CRS calculations.

**Notes:** Calculations do not account for \$1.9 billion in payments to governments without quarterly reporting requirements, which are not identifiable by state and government level. Alaska tribal allocation total includes \$0.5 billion intended for Alaska Native Corporations that are currently withheld by the federal government due to ongoing litigation. Recipients may choose to transfer funds to governments within their jurisdiction, but are not obligated to do so. The data includes activity from such transfers.

There are several reasons why governments facing budgetary pressures may not have immediately incurred costs equal to their fund allocations. There is typically a lag between when new, unexpected funds are distributed to state and local governments (which in this case generally occurred in April 2020) and when that money can be spent, as state and local governments need time to plan and approve use of the new budget authority. A subsequent lag can occur between the issuance of such authority and when costs are incurred. Governments may also be responding to evolving federal guidance on eligible fund programs, with the latest Treasury update provided in August 2020.<sup>16</sup> Following enactment of the CARES Act, there have been multiple proposals to expand the eligible uses of CRF payments, including two pieces of legislation that passed the House in 2020 (H.R. 6800 and H.R. 925, both of which were titled “The Heroes Act”), which may have also influenced state and local budgetary planning.

## Author Information

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<sup>16</sup> U.S. Treasury, “Coronavirus Relief Fund Frequently Asked Questions,” August 10, 2020.

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