



June 5, 2020

Kate Brown  
Governor  
State of Oregon

Peter Courtney  
President of the Senate  
State of Oregon

Tina Kotek  
Speaker of the House  
State of Oregon

Dear Governor Brown, President Courtney, and Speaker Kotek,

In accordance with your letter dated May 26, 2020, we formed a stakeholder work group of legislators and local government representatives for the purpose of developing a framework for distribution of CARES Act funds to “cities, counties and special districts that includes all eligible expenses in accordance with Treasury Guidelines.” Your letter directed that we report back to you with a plan by June 5, 2020, which is the purpose of this report.

### **Brief Background**

Title V of the [CARES Act](#) provided the State of Oregon with roughly \$1.6 billion. The State has allocated \$200 million for reimbursement of local government public health expenses related to addressing the COVID-19 pandemic. The first phase of reimbursements covered the period of March 1 through May 15, 2020. Approximately \$50 million in reimbursements have been sought.

As explained in a one-page [logic model](#) dated May 22, 2020, the Association of Oregon Counties (AOC) and the League of Oregon Cities (LOC) sought access to additional CARES Act funds for all purposes allowed by the Act and US Treasury [Guidance](#) and an [FAQ](#), including expenses associated with the provision of economic support for small businesses.

### **Framework**

#### **1. \$200 million**

On May 15, 2020 the E-board approved \$200 million in funding for the State to reimburse local government public health expenses. Based on claims submitted by local governments for the period of March 1 through May 15, 2020, local governments are incurring approximately \$18.5 million in direct expenses per month. If that rate continues, nearly all of the \$200 million will be used by the end of this calendar year for just a response to the public health needs, let alone the eligible economic costs, when unused CARES Act funds must be returned to the federal government.

## ***Recommendation:***

### Special Districts

Retain \$20 million for future reimbursement for special districts. Those funds will be used for COVID-19 expense relief allowed by the CARES Act and guidance from US Treasury and the State. However, payroll expense, including public safety payroll expenses, would not be reimbursable unless the expense is specifically identified as an increased cost associated with COVID-19 response. Special districts would also not be eligible for reimbursement of economic assistance funds. Instead, cities and counties that have port districts within their jurisdictions would be required to consult with their port districts about the economic needs of private businesses within the ports before distribution of economic assistance funds. Special districts within the boundaries of Washington and Multnomah Counties are only eligible for funds that are distributed from their counties.

### Cities and Counties

Distribute the balance (*i.e.*, after the deduction of \$20 million for special districts and approximately \$50 - 60 million to be used for public health cost reimbursements for applications submitted by May 15) to cities and counties as follows: Split 60 percent to counties and 40 percent to cities, with distribution based on population, with a minimum allocation of \$250,000 to each county and \$50,000 to each city greater than 750 population, \$25,000 to each city less than 750 population. Those funds could be used for any purpose allowed by the CARES Act and guidance from US Treasury and the State. However, payroll expense, including public safety payroll expenses, cannot be funded unless the expense is specifically identified as an increased cost associated with COVID-19 response. Each city and county would be required to execute an intergovernmental agreement (IGA) with the State requiring use of CARES Act funds be in accordance with the Act and guidance from the US Treasury and the State, as well as a claw back provision in the event that any of those funds are not used in that manner. To achieve parity, the city portion of the fund will use statewide per-capita distribution formula with cities who have not received a direct CRF fund.

## **2. Additional Needs Going Forward**

Your letter dated May 26, 2020, also did not address the specific request contained in the previously mentioned one-page logic model dated May 22, 2020, namely a new allocation of CARES Act funding for direct distribution to cities and counties for the primary purpose of providing economic relief to small businesses. As noted in that logic model, during the course of the [revenue forecast hearing](#) on May 20, 2020, the State economists repeatedly emphasized that the biggest risk of permanent damage to the Oregon economy is firm closures - businesses that go out of business permanently, and keeping firms afloat during the pandemic is vital. Oregon has over 440,000 citizens who have filed unemployment claims. Thus far, the State has only allocated \$10 million in small business assistance, and it is important to address the significant impacts of COVID-19 on Oregon's small business.

**Recommendation:**

The work group recognizes that additional resources will be needed to meet the public health response and economic impacts of the pandemic. To address this, the work group is proposing additional time to assess needs and evaluate additional distribution models that can address the variable impacts of the pandemic on a community public health needs and economic impact.

**Other considerations:**

- AOC-LOC-SDAO will work with DAS to identify a claw back date in the fall to ensure all allocated funds will be spent by December 30, 2020.
- AOC-LOC-SDAO commit to work with DAS to provide additional clarity going forward to make sure funds being distributed and being reimbursed follow Treasury guidance. We also commit to educating and training our members on compliance with the Treasury guidance with the assistance of DAS.
- In future conversations, the work group will explore more collaborative processes alternatives that provide more meaningful involvement with local government leaders.

**Respectfully submitted by:**



Senator Jeff Golden  
Senate District 3



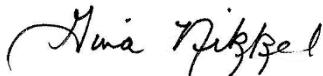
Senator Bill Hansell  
Senate District 29



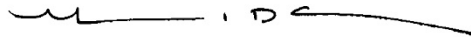
Representative Karin Power  
House District 41



Representative Rick Lewis  
House District 18



Gina Nikkel  
AOC Executive Director



Mike Cully  
LOC Executive Director



Frank Stratton  
SDAO Executive Director

## **ADDENDUM**

The local government partners represented by the Association of Oregon Counties, League of Oregon Cities, and Special Districts Association of Oregon have brought forward this framework for the work group to address the needs of their collective membership. We are in constant communications with our members on an almost daily basis to provide information, updates, and policy feedback in response to the challenges of the pandemic and the framework being considered. This communication extends to our boards, committees, and other partners who are part of a broader local government coalition. The elements of this framework have been part of that communication and within the decision space our organizations are responsible for.

It's important to articulate that each organization represents a range of interests that have a broad spectrum of service delivery to their communities. The decision making that is reflected in a city, county or special district is a very deliberative process and has been taking place on a daily basis under the pandemic, but more importantly for decades going back to the formal incorporation of political boundaries and formation of special districts. We are supportive of our members' ability to make their own decisions that match what their community priorities are.

Going forward with the proposed framework, our members will use the Treasury guidance as it pertains to eligible expenses along with their own unique ownership of decision making that will provide the most positive impact in their communities and for the most people. We understand public health remains critically important in the local government response to the pandemic, but also recognize the importance of providing additional economic stability in our communities and prioritizing the most critical needs for our respective members and the communities they represent.