

Back to business: Finding best uses of Iowa relief funds

Over 18,000 Iowans have been sickened with the coronavirus. Over 313,000 Iowans — nearly 1 in 5 workers — have applied for unemployment since the middle of March. Many small businesses have closed or are operating at only limited capacity and suffering drastic losses.

While the misery is widespread, low-wage workers and persons of color have disproportionately felt the health and the economic consequences of the crisis. Both groups are more likely to be exposed to the virus — because they are more likely to be “essential workers” — and more likely to experience health and social disadvantages associated with poverty and racism that increase the odds of serious effects when exposed.¹

Congress on March 27 passed the Coronavirus Aid, Relief and Economic Security Act, known as the CARES Act, which created the Coronavirus Relief Fund (CRF) to cover expenses of state and local governments related to the COVID-19 health and economic emergency. Of \$139 billion for states, Iowa’s share is \$1.25 billion. Because we have no cities with a population over 500,000, no funding went directly to local governments, but the state is free to allocate funds to localities.

Quick and effective use of these funds is important not just to help the thousands of Iowans suffering from the effects of this crisis, but also to boost the state economy. It has been shown that the most effective way of stimulating economic activity is to get more money in the hands of lower and middle income households, who can be counted on to spend in the local economy and support Iowa’s businesses. That in turn will boost state sales tax and income tax revenues, moderating the state’s fiscal problems.

Iowa lawmakers should prioritize protecting state and local finances and meeting the needs of Iowans who have borne the brunt of the virus.

How can the state use CRF funds, and what are the best uses?

CRF money must go for expenditures necessitated by the coronavirus emergency through December 30, 2020.² Congress made it explicit that these funds are for unforeseen and necessary additional expenditures, not to replace revenue lost because of the falloff in economic activity.³ Still, the range of allowable uses is quite broad.⁴ Eligible expenditures include not only direct expenses for public health needs but also expenses “incurred to respond to second order effects of the emergency, such as providing economic support to those suffering from employment or business interruptions due to COVID-19 related business closures.”⁵

As of this writing, Iowa plans to spend \$100 million of the \$1.25 billion, all to the Small Business Relief Program.⁶ The Governor also will use \$20 million to fund a new rental and mortgage assistance program. Lawmakers should use the remaining \$1.13 billion to prioritize protecting state and local finances — key to long-term recovery — and meet the needs of low-wage workers and people of color who have borne the brunt of the virus.

Here are ways legislators should allocate CRF funds or adjust state priorities when they reconvene June 3:

- **Pay salaries and benefits of state government employees who have been diverted from their usual activities** to respond to the current emergency. By using CRF for some state payroll costs, Iowa would face a smaller budget shortfall from the expected precipitous drop in state revenues.
- **Transfer funds to cities and counties to cover additional costs** associated with the emergency, including payroll. Cities and counties face sizable costs for emergency management, purchase of personal protective equipment, sanitizing of facilities, technology needed for staff to work remotely, overtime for public safety workers, and elections costs with greater use of voting by mail.⁷
- **Transfer funds to school districts**, which face added costs to divert education staff to online learning programs, facility cleaning, and ensuring that all students have access to educational programs while schools remain closed. Funds provided directly to schools by the CARES Act represent just 1 percent of school district budgets and are unlikely to cover all of these costs.
- **Bolster the federal Low-Income Home Energy Assistance Program (LIHEAP)** with state funds and create a parallel program to prevent water shutoffs.
- **Strengthen the state's Child Care Assistance program** by increasing the maximum family income eligibility level and raising provider reimbursement rates. These boosts will support essential workers unable to afford the full cost of child care, help stabilize the child care industry by bringing new families into the system and improve its underlying financial structure.
- **Expand cash assistance** under the Family Investment Program to help families meet basic needs and avert serious hardship.
- **Expand food assistance** by increasing income eligibility for the Supplemental Nutrition Assistance Program (SNAP) to 200 percent of the federal poverty level, easing access with broad-based categorical eligibility and initiating a Disaster SNAP (D-SNAP) program to reach currently excluded Iowans. SNAP puts food on the table and is an important way to stimulate local economies.
- **Hire more staff at Iowa Workforce Development to facilitate** applications for unemployment benefits, and create a network of navigators to help individuals apply for various forms of public assistance needed now by those affected by the crisis, particularly those with language barriers.
- **Provide additional funds to counties for general cash assistance** to individuals in emergency situations and those left out of traditional assistance programs.
- **Expand internet access** for remote work and education, access to TestIowa and online commerce.
- **Assess the need for financial support to hospitals** beyond the \$691 million in "provider relief funds" to Iowa health care providers already included in the CARES Act. Hospitals are seeing revenues drop as people avoid seeking care for fear of contracting the virus, a trend that could well continue even after hospitals reopen for elective procedures.

¹ Harvard Center on the Developing Child, "Thinking About Racial Disparities in COVID-19 Impacts Through a Science-Informed, Early Childhood Lens." <https://developingchild.harvard.edu/thinking-about-racial-disparities-in-covid-19-impacts-through-a-science-informed-early-childhood-lens/>

² Legislative Services Agency, Fiscal Update, March 31, 2020. "H.R. 748 Coronavirus Aid, Relief, And Economic Security Act Appropriations."

³ The CARES Act states: "Coronavirus Relief Fund payments may not be used to directly account for revenue shortfalls related to the COVID-19 outbreak."

⁴ U.S. Department of the Treasury: "Coronavirus Relief Fund: Frequently Asked Questions," updated as of May 4, 2020. A summary of allowable expenses described in this document can be found in the IFP report: "Iowa will need more fiscal relief than Congress has given." <https://bit.ly/2WKMp4o>

⁵ Legislative Services Agency, Fiscal Update, May 15, 2020, "COVID-19 – Iowa Coronavirus Relief Fund."

⁶ Legislative Services Agency, Fiscal Update, May 15, 2020, "COVID-19 – Iowa Coronavirus Relief Fund" and Legislative Services Agency, Fiscal Update, May 12, 2020, "COVID-19 — Iowa Small Business Relief Program Update."

⁷ An Iowa State Association of Counties found \$5.8 million in additional spending required in 11 counties, the majority for emergency management, public safety, public health, courthouse expenses and IT. <https://www.iowacounties.org/wp-content/uploads/2020/05/ISAC-COVID-Financial-Impacts-on-Iowa-Counties-Report.pdf> The League of Cities is in the process of surveying members, <https://bit.ly/2yvMQ9m>