



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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July 22, 2020

Honorable Vicki Kraft, Paul Harris and Larry Hoff
Honorable Lynda Wilson
Washington State Legislature
P.O. Box 40600
Olympia, WA 98504-0600

Dear Representatives Kraft, Harris, and Hoff and Senator Wilson:

Thank you for writing on behalf of Clark County and its cities to request equitable and expedient distribution of federal CARES Act funding. Governor Inslee appreciates all of the hard work local jurisdictions are doing to help fight the pandemic. They are making a difference. Many have asked about when and if the state will share more Coronavirus Relief Fund (CRF) funding and extend the October 31, 2020 contract end date.

The Trump administration released CRF dollars to eligible state and local governments in April 2020. At that time, the U.S. Treasury Department declined to establish guidelines or requirements for making subgrants to local jurisdictions with populations under 500,000. Neither Congress nor the administration took an explicit position on such subgrants. According to supporting materials provided by Congress:

“The bill reserves 45 percent of the state’s total allotment for localities of 500,000 or more. These localities may apply directly to the Treasury for their relative share by population of this amount. It would not be administratively feasible for every locality to apply to the Treasury directly for funds, although localities can work with their states to access funding.”

The U.S. Treasury Department’s methodology adopted this standard for eligibility. At the time of distribution, the Trump administration stated that a local government “must have a population in excess of 500,000 to provide a certification for payment.”

To the extent that Congress provided any direction on this matter, the text of the CARES Act stipulates that local governments may receive 45 percent of a state’s total share of CRF funding under the law. In the case of Washington state, which was allocated a total of \$2.95 billion, local governments could expect to receive about \$1.32 billion in CRF funds. Unfortunately, only local governments with populations above 500,000 were explicitly provided allocations from this amount, and members of Congress have since [acknowledged](#) that the bill excluded funding for local governments below that threshold.

Local government distributions

Upon receiving CARES Act funds, my staff immediately started working with local government associations to develop a formula to distribute subgrants to local governments with populations below 500,000. Despite a lack of federal guidance and significant flexibility to retain funds at the state level, We understand that cities and counties are on the front line of fighting this pandemic, and took decisive action to help local partners across Washington meet the needs of their communities.

These efforts resulted in an initial allocation of nearly \$300 million to local governments in population-based grants. Washington was one of the first states to allocate funds directly to local governments, and the distributions were [supported](#) by the Association of Washington Cities and the Washington State Association of Counties. The state, in consultation with the Legislature, also agreed to hold an additional \$240 million for local governments to address future needs and emerging problems.

Through these two distributions, local governments with populations under 500,000 will receive \$537 million in discretionary CRF money alone. Combined with the \$786 million in direct distribution, local governments in Washington will ultimately receive over \$1.32 billion — or approximately 45 percent of the state's total funding under the CARES Act.

Although the law itself is ambiguous, Washington is ensuring that local governments receive the same proportion of funds that Congress intended: roughly 45 percent.

These allocations are in addition to hundreds of millions of dollars in distributions from other parts of the CARES Act, and other coronavirus-related aid from state funds. The state has continued to work with local governments and state agencies to make additional investments as needed. For example, additional funds are going to the Yakima Health District to help battle the outbreak in that county, and millions of dollars' worth of personal protective equipment has been provided to local jurisdictions for free.

Local utilization of funds to date

The Office of Financial Management entered into an interagency agreement with the Department of Commerce to manage contracts with local governments for their CRF allocations. Because the state is accountable for the use of these funds, the contracts are reimbursable to make sure the CARES Act funds are consistent with the law and guidelines.

Commerce began the contracting process with local governments in the middle of May. As of July 15:

- 125 contracts have been signed
- 117 are in process
- 70 have not been started
- three have declined.

As of July 1, 2020, no jurisdiction that is party to a signed contract with the state has exhausted its share of the nearly \$300 million distribution in population-based grants. I have asked my staff to begin releasing additional funds through the contracts with the Department of Commerce.

We are also open to extending the timeframe of the contracts, and at the same time, the Legislature and I want to make sure all of the \$2.95 billion is expended by December 31, 2020.

Sincerely,



David Schumacher
Director

cc: Honorable Jay Inslee
Lisa Brown, Director, Department of Commerce