



ALABAMA LEAGUE OF MUNICIPALITIES

P.O. Box 1270 • MONTGOMERY, ALABAMA 36102 • 535 ADAMS AVENUE
334-262-2566 • FAX 334-263-0200
WWW.ALALM.ORG

KEN SMITH
Executive Director

MAYOR RONNIE MARKS, ATHENS
President

TO: Mayors, Councilmembers, City Clerks
FROM: Alabama League of Municipalities
Date: April 27, 2020
Re: Treasury Guidance – CARES Act

On Wednesday, April 22, 2020, the U.S. Department of the Treasury (Treasury) issued guidance on allowable expenses for the aid provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. While the guidance provides a reasonably flexible interpretation of permissible uses of payments from the funds, the money cannot be used to recoup any revenue shortfalls. The funds can be used, however, to recoup local government expenses of providing paid sick and paid family and medical leave to public employees to enable compliance with COVID-19 public health precautions. In addition, the funds can be used to cover any unemployment insurance costs related to the COVID-19 public health emergency if such costs will not be reimbursed by the federal government pursuant to the CARES Act or otherwise.

Under the CARES Act, the state of Alabama is slated to receive approximately \$1.9 billion in direct funding for the state and local governments. Of that distribution, 55 percent will be allocated to the state. The remaining 45 percent will also be allocated to the state for Governor Kay Ivey and her administration to determine the best use as it pertains to the needs of Alabama's local governments. **The League continues to work with the Governor's office to determine the best approach for making these funds available to local governments. In the meantime, we encourage all municipalities to document their COVID19 expenses carefully based on the guidance provided by Treasury.**

The language of the CARES Act imposes three conditions on the use of payments from the fund. These payments may only be used to cover costs that:

1. Are necessary expenditures incurred due to the COVID-19 pandemic;
2. Were not accounted for in the budget most recently approved as of enactment of the CARES Act (March 27); and
3. Are incurred between March and December of 2020.

Treasury has provided the following examples of what can and cannot be claimed as eligible expenditures:

Nonexclusive Examples of Eligible Expenditures

Eligible expenditures include, but are not limited to, payment for:

1. Medical expenses such as:
 - a. COVID-19-related expenses of public hospitals, clinics, and similar facilities.
 - b. Expenses of establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs.
 - c. Costs of providing COVID-19 testing, including serological testing.
 - d. Emergency medical response expenses, including emergency medical transportation, related to COVID-19.
 - e. Expenses for establishing and operating public telemedicine capabilities for COVID-19- related treatment.

2. Public health expenses such as:
 - a. Expenses for communication and enforcement of public health orders related to COVID-19.
 - b. Expenses for acquisition and distribution of medical and protective supplies, including sanitizing products and personal protective equipment.
 - c. Expenses for disinfection of public areas and facilities.
 - d. Expenses for technical assistance to local authorities or other entities on mitigation of COVID-19-related threats to public health and safety.
 - e. Expenses for public safety measures undertaken in response to COVID-19.
 - f. Expenses for quarantining individuals.
3. Payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID19 public health emergency.
4. Expenses of actions to facilitate compliance with COVID-19-related public health measures, such as:
 - a. Expenses for food delivery to residents, including, for example, senior citizens and other vulnerable populations, to enable compliance with COVID-19 public health precautions.
 - b. Expenses to facilitate distance learning, including technological improvements, in connection with school closings to enable compliance with COVID-19 precautions.
 - c. Expenses to improve telework capabilities for public employees to enable compliance with COVID-19 public health precautions.
 - d. Expenses of providing paid sick and paid family and medical leave to public employees to enable compliance with COVID-19 public health precautions.
 - e. COVID-19-related expenses of maintaining jails, including as relates to sanitation and improvement of social distancing measures, to enable compliance with COVID-19 public health precautions.
 - f. Expenses for care for homeless populations provided to mitigate COVID-19 effects and enable compliance with COVID-19 public health precautions.
5. Expenses associated with the provision of economic support in connection with the COVID-19 public health emergency, such as:
 - a. Expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures.
 - b. Expenditures related to a State, territorial, local, or Tribal government payroll support program.
 - c. Unemployment insurance costs related to the COVID-19 public health emergency if such costs will not be reimbursed by the federal government pursuant to the CARES Act or otherwise.
6. Any other COVID-19-related expenses reasonably necessary to the function of government that satisfy the Fund's eligibility criteria.

Nonexclusive Examples of *Ineligible* Expenditures

The following is a list of examples of costs that **would not be eligible** expenditures of payments from the Fund.

1. Expenses for the State share of Medicaid.
2. Damages covered by insurance.
3. Payroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.
4. Expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by States to State unemployment funds.
5. Reimbursement to donors for donated items or services.
6. Workforce bonuses other than hazard pay or overtime.
7. Severance pay.
8. Legal settlements.