



## Equitable Spending of States' CARES Act Money

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### PROBLEM

COVID-19 has unmasked long-standing, pre-existing racial and economic inequalities. The same communities that have been overlooked for meaningful investment and been subject to policies that extract wealth are now the same ones bearing the disproportionate burden of COVID's public health and economic consequences. This is true for the country as a whole, and particularly the Deep South, where six months into the pandemic, the virus is still raging. Rural communities, including communities of color, had few financial resources to be prepared for the crisis prior to its arrival. Now, they are strained – from hospitals to small businesses – in ensuring their residents and institutions can survive the crisis. Making sure that communities hardest hit by the crisis have what they need now is critical to shortening the road to recovery.

Compounding these challenges is the mismatch of the billions of dollars of relief aid bypassing those who need it most. In March 2020, Congress passed an unprecedented amount of economic resources through the Coronavirus Aid, Relief, and Economic Security (CARES Act). The CARES Act included numerous funding streams to support federal, state, and local COVID-19 responses. As just one example of the inequitable distribution of CARES Act money, the federal Paycheck Protection Program (PPP) was designed to help businesses keep employees paid as much of the country shut down in hopes of curbing COVID's spread. More than \$525 billion flowed through PPP to businesses, but largely benefited white-owned businesses which had a 17% decline compared to a 41% decline among Black-owned business. These racial inequities in the federal CARES Act are not limited to small business relief, but are also found in hospital funding, mortgage relief, and student loan debt relief.

A lesser known, but equally important source of CARES Act funding is the Coronavirus Relief Fund. Through this Fund, the U.S. Treasury provided \$150 billion to tribal, state, and local governments to address unexpected expenses related to COVID-19. The money must be spent by December 31, 2020. The Fund is unique among funding streams given the fairly high level of flexibility and discretion governments have in spending the money. It can be used for things like personal protective equipment, rental assistance, funding to local governments, paid sick leave, contact tracing, small business relief, and funding for internet access, among other things.

**There is real opportunity for this Fund to be deployed to help close existing gaps in access to aid.**

The Hope Policy Institute has focused on two areas in particular: small business relief and local government funding. The Hope Policy Institute has been reviewing outcomes of the more than \$1.1 billion small business relief in Alabama, Arkansas, Louisiana, Mississippi, and Tennessee.

As just one example, the formula underlying Tennessee’s \$285 million small business program – based on a business’s annual gross sales – will primarily benefit white businesses.<sup>1</sup> On local government funding, many states are providing this money on a reimbursement basis only: This means that those with money to spend for things can access it, while those without, cannot. Local governments in places like the Mississippi Delta and Alabama’s Black Belt are facing barriers to access these funds that wealthier communities are not.<sup>2</sup>

**Without adequate attention, these state-level CARES Act dollars—particularly in the Deep South—are at risk of repeating the same inequities that existed pre-COVID.** Focus on these efforts by local community leaders is key. Each state has a different decision-making process, different manner of distributing the funds, and different levels of transparency in reporting how the funds are spent. Each tribal, state, or local government will have its own unique set of challenges related to the equitable use of state-level CARES Act money.

## KEY DATA

Each state’s Coronavirus Relief Fund allocation is available from the U.S. Treasury’s resource hub for the Fund. Tribal governments and cities over 500,000 people received a direct payment and the allocations are available on the website as well. These amounts are available here: <https://home.treasury.gov/policy-issues/cares/state-and-local-governments>

Many states and local governments are also developing public dashboards to track their spending under this fund. These may be available in your own area, depending on the agency or agencies allocating the fund. For example, Tennessee’s Division of Finance and Administration hosts its dashboard,<sup>3</sup> Alabama set up a stand-alone site,<sup>4</sup> and in Mississippi, there are two: one through Transparency MS<sup>5</sup> and the other through the State Auditor.<sup>6</sup>

Organizations can use these data to help hold state and local governments accountable, as several Southern organizations have begun to do.<sup>7</sup>

## SOLUTIONS

To ensure state-level CARES Act money, particularly the Coronavirus Relief Fund, is used to support a more equitable recovery, states should:

- Account for and address existing racial and economic disparities to ensure its CARES Act dollars are reaching the communities most in need of resources to survive the crisis.
- Engage community groups and leaders in communities hardest hit by the crisis to both understand what is needed and to help ensure effective deployment of CARES Act dollars.

- Provide robust transparency and accountability regarding expenditures, including race, gender, and geographic location of beneficiaries, and where applicable the names of entities receiving CARES Act money, either as contracts or grant awards. One good example of this is the way Arkansas reported the outcomes of its small business relief program.<sup>8</sup>
- For small business relief in particular, do not base award amounts on annual gross sales, but rather use more equitable means such as flat base payment amount or the opportunity to seek funding based on the depth of COVID’s economic impact. State-level programs should be targeted to small businesses and ensure the program is accessible to them. One good example is Pennsylvania’s small business relief program, a \$225 million allocation, which included \$100 million reserved for historically underserved businesses, and is administered by the state’s network of community development financial institutions.<sup>9</sup>
- For resources to local governments, states should allow greater flexibility beyond a reimbursement-only structure to ensure communities hardest hit by the crisis are able to access it. For example, Georgia made 30% of each local government’s allocation available as an advance.<sup>10</sup>

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<sup>1</sup> Hope Policy Institute, “[Deep South States Provide over \\$1.1 Billion in Small Business Relief: Who Benefits, Who is Left Behind?](#),” August 2020

<sup>2</sup> See for example, “Alabama Foundations Help Communities Get CARES Act Funding,” (noting, “Before the 97 cities and county governments in the Black Belt can get the \$18.8 million the state allocated to the region, they have to buy the equipment they need first. Only then—after submitting receipts—can they get the cash”) <https://www.barrons.com/articles/alabama-foundations-help-communities-get-cares-act-funding-01597939103>

<sup>3</sup> Tennessee Stimulus Fund Dashboard, <https://www.tn.gov/content/tn/finance/looking-for/cares-act-awards-.html>

<sup>4</sup> State of Alabama, Coronavirus Relief Fund: Expenses, <https://crf.alabama.gov/default.aspx>

<sup>5</sup> Transparency MS, <http://www.transparency.mississippi.gov/caresAct/caresact.aspx>

<sup>6</sup> Mississippi Office of the State Auditor, <https://www.osa.ms.gov/covid19/>

<sup>7</sup> See for example, Mandy Pellegrin, Sycamore Institute, “Federal Coronavirus Funding for Tennessee: Who, Why, and How Much?,” July 23, 2020, <https://www.sycamoreinstitutetn.org/federal-coronavirus-aid-tn/>; and Texas Housers, “Rental relief programs in major cities and counties in Texas,” July 27, 2020, <https://texashousers.org/wp-content/uploads/2020/07/Rental-relief-recommendations-v4.0-wo-es.pdf>, and Hope Policy Institute, “[Mississippi Small Business Relief: Gaps and Opportunities](#),” August 2020.

<sup>8</sup> Arkansas Economic Development Commission, Ready for Business Grant, <https://www.arkansasedc.com/covid19resources/business-resources/ready-for-business-grant-program>.

<sup>9</sup> Pennsylvania, CDFI Network, “COVID-19 Relief PA Statewide Small Business Relief,” <https://pabusinesgrants.com/>

<sup>10</sup> Georgia Office of the Governor, Press Release, July 20, 2020 “Gov. Kemp Issues Guidance on CARES Act Funding to Georgia Communities,” <https://gov.georgia.gov/press-releases/2020-06-29/gov-kemp-issues-guidance-cares-act-funding-georgia-communities>