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The Coronavirus Relief Fund: What does it mean for local governments in Mississippi?

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Overview

On Friday, March 27, 2020 President Donald Trump signed Congress's \$2.2 trillion relief package known as the Coronavirus Aid, Relief, and Economic Security Act (CARES). The purpose of the act is to provide significant new resources to combat the massive and unprecedented health and economic challenges resulting from the COVID-19 pandemic.

For counties, cities, towns, and villages in Mississippi, one of the most critical pieces of this legislation (in terms of direct

allocation) is the \$150 billion Coronavirus Relief Fund provided to state and local governments for necessary expenditures incurred due to the public health emergency associated with COVID-19 pandemic. It should be noted that reserved within this amount is \$8 billion for Indian Tribes and \$3 Billion for DC and US Territories, making the total amount distributed between states and local units of government closer to \$139 billion.

How will the funding to state and local units of governments be allocated?

Based on the CARES Act, the distribution of the Coronavirus Relief Funds to states will be proportionally - based on each state's share of the U.S. population according to the latest annual data from the Bureau of the Census. However, no state shall receive less than \$1.25 billion. Based on this formula, more populated states such as California or Texas will receive a larger portion of the available funds; while less populated states such as Mississippi and Arkansas will receive the minimum. See Table 1 for an estimate of total state allocations for Mississippi and bordering southern states.

Of the funds allocated to each state through the Coronavirus Relief Fund, up to 45% will be set aside for local units of governments with populations that exceed 500,000. These eligible local governments can apply directly to the Secretary of the Treasury for funding. The amount of funding provided directly to these local governments will be deducted from the total award allocated to the state and any funding remaining once eligible local governments have applied will be awarded to the State.

Table 1: Allocation of Coronavirus Relief Fund

STATE	TOTAL DISTRIBUTION
Alabama	\$1,901,000,000
Arkansas	\$1,250,000,000
Louisiana	\$1,803,000,000
Mississippi	\$1,250,000,000
Tennessee	\$2,648,000,000

Data obtained from the National Conference of State Legislatures (NCSL.org)



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What does this mean for cities that do not have a population of 500,000?

Local units of government that do not have a population that exceeds 500,000 will not be eligible to apply directly to the Secretary of Treasury but will instead need to work with their state governments to access this funding.

In Mississippi, where there are no counties, cities, towns, or villages with a population that exceeds 500,000, all allocated

funds will be awarded to the State. The state government will receive the entire \$1.25 billion allocation and will determine if and how the funding is to be distributed to local governments. See Table 2 for an estimate of allocations showing local government share for Mississippi and surrounding southern states.

Table 2: Allocation of Coronavirus Relief Fund – State and Local Share

State	Distribution	Estimated share to state	Estimated share to local governments with over 500,000 people
Alabama	\$1,901,000,000	\$1,786,000,000	\$115,000,000
Arkansas	\$1,250,000,000	\$1,250,000,000	N/A
Louisiana	\$1,803,000,000	\$1,803,000,000	N/A
Mississippi	\$1,250,000,000	\$1,250,000,000	N/A
Tennessee	\$2,648,000,000	\$2,363,000,000	\$285,000,000

Data obtained from the National Conference of State Legislatures (NCSL.org)

What can state and eligible local units of government use the funds?

Even though counties, cities, towns, and villages in Mississippi are not eligible to directly access monies through the Coronavirus Relief Funds, it is important for local officials to be aware of how any of those potential funds could be used, should they become available through the state. According to the CARES Act, state and local governments may use Coronavirus Relief Funds to cover only those costs that are:

Necessary costs/expenditures that were incurred due to the public health emergency with respect to COVID-19

Costs/expenditures that were not accounted for in the most recently approved budget

Costs/expenditures that were incurred between March 1, 2020 and December 30, 2020

Conclusion

Given the current (and projected) lack of economic activity associated with the coronavirus and subsequent containment efforts, county, city, town, and village governments in Mississippi will need to be proactive when it comes to offsetting lower tax revenues. Due to the population requirement for local units of government to apply directly for federal funding, it is currently unclear how counties, cities, towns, and villages in Mississippi will access these funds. What does

seem to be clear at this point is that relying solely on economic relief through the current Coronavirus Relief Fund will not be sufficient for local governments to offset revenue shortfalls. Both additional federal and state support, along with identifying and implementing innovative economic development strategies that support and encourage local growth will be required.



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