



State and local governments can leverage federal funds to provide direct cash relief

As Congress continues to debate its next COVID relief package, state and local policymakers are critical to ensuring the needs of their communities are being met. Through federal funding and public-private partnerships, state and local governments have an array of options for providing emergency money to the people in their communities and supporting a robust and equitable recovery.

STATE AND LOCAL EFFORTS ARE CRUCIAL TO AN EQUITABLE RECOVERY

State, local, and tribal governments are critical to keeping people physically safe and financially secure during this crisis.

Despite leaders at every level working to get the COVID pandemic under control, many Americans are still in harm's way, [especially](#) people of color. At the same time, families across the country are facing historic job losses and rising costs, and still trying to make ends meet. While the federal government is leveraging its considerable resources to provide broad relief, state and local leaders can build on that relief to tailor policies that work best in their communities.

State and local leaders can help their communities through direct cash payments to households. Giving people money can boost financial security, reduce pressure on social services, and help drive the recovery, especially when money is given to [low- and moderate-income families](#). Cash programs also generate local economic activity. [Studies](#) of cash programs like the Earned Income Tax Credit (EITC) or unemployment insurance find that every \$1 sent into communities through recipients generates between [\\$1.50](#) and [\\$2.50](#) in economic activity.

STATE AND LOCAL LEADERS HAVE A MENU OF OPTIONS TO PROVIDE MORE MONEY TO STRUGGLING HOUSEHOLDS

Current and future federal funding can help stretch state and local budgets. The CARES Act included a [\\$150 billion](#) Coronavirus Relief Fund to help state, local, and tribal governments respond to the public health crisis. These funds [can be used](#) to cover costs incurred from March 1 to the end of the year that “are necessary expenditures incurred due to the public health emergency.” They can’t be used to cover expenses budgeted before the CARES Act passed on March 27. State and local governments [can use](#) CARES funds to provide emergency financial assistance to people facing income loss or economic hardship due to the coronavirus, so long as the expenditures are determined to be necessary – with permissible uses ranging from unforeseen emergencies and funeral costs to help with housing and utilities.

With many essential relief programs running out this summer, Congress is expected to pass another package soon. The HEROES Act, which has been passed by the House, would provide another [\\$875 billion](#) in more flexible state and local aid.

State and local governments can maximize their efforts with new, progressive revenue and public-private partnerships. State and local revenues are plummeting at the same time that pressure on public services is increasing. It's absolutely critical for state and local leaders to consider new, progressive revenue, such as increasing taxes on large corporations and those who can most afford it. Where possible, they should also look to the philanthropic sector to help meet the needs of their communities.

SEVERAL EFFORTS TO PROVIDE EMERGENCY MONEY ARE UNDERWAY

There are various policy levers state and local policymakers can use to provide direct financial assistance to their constituents, including:

- △ **Mechanism.** Money can be provided through direct cash payments to households that mirror the federal CARES Act's Economic Impact Payments, or by boosting and expanding refundable tax credits like state EITCs.
- △ **Population.** Payments can be broadly distributed or targeted to populations hit the hardest, such as family caregivers, immigrants, young adults, adults with disabilities, or others left behind in previous relief efforts.
- △ **Level of government.** Many of these pathways can be accomplished at either the state or local level.

Following are examples of states and municipalities that have already begun efforts to move cash into the hands of residents:

- △ **California** is providing [\\$75 million](#) in state funds, matched by \$50 million in philanthropic dollars, for payments of \$500 per adult. The state will also now include filers with an Individual Taxpayer Identification Number (ITIN) who have young children in CalEITC and the Young Child Tax Credit.
- △ **Colorado** [recently expanded](#) its state EITC to immigrants who file with an ITIN.
- △ **Illinois** passed a [budget](#) dedicating \$20 million to direct cash payments to immigrant families, and a one-time \$500 boost to families receiving TANF.
- △ **Austin, TX** is sending up to [\\$7.5 million](#) in prepaid debit or credit cards to households, prioritizing those facing financial hardship, left out of other relief, and those who have or are at high risk of contracting COVID-19.
- △ **Jacksonville, FL** is [providing](#) \$1,000 to 40,000 residents who make less than \$75,000 a year and have lost at least 25% of their income due to the COVID-19 health crisis. Jacksonville received \$160 million from the CARES Act and city leaders plan to use \$40 million of it on this stimulus payment.
- △ **Montgomery County, MD** has [dedicated](#) \$10 million to direct cash payments to residents facing hardship who were left out of other relief efforts.
- △ **Washington, DC** is [delivering](#) \$5 million in direct cash to undocumented immigrants, who are excluded from unemployment benefits.