GFOA 2020 Priorities

- Funding for Local and State Governments
- Maintaining and Improving Federal Tax-Exempt Bond Provisions
- Health Care and Employment Matters
- Opposing Restrictive Regulations
- Public Pension Protections
Market Conditions and State and Local Governments
Corporate Bond Market experienced precipitous declines
Muni Bond Market same
Buyers not buying, but holding their cash
Investment returns uncertain

Market concentrating on direct aid, revenue/expense projections and federal aid impacts
Background and Context

- **ST**: Expenses increasing
- **MT**: Delayed or foregone revenue
- **LT**: Muni deals getting “shelved” waiting for volatility to subside

_GFOA Member Survey_: March 23, 2020
Legislation and Next Steps
Stimulus 2: Families First CRA

- Requires all public employers to provide 2 weeks of paid sick leave due to coronavirus related illnesses.

- Provides a refundable tax credit to private employers

- Prohibits public employers from eligibility of the tax credits
Stimulus 3: CARES Act

FEMA
- Public Assistance Grants
- FEMA COVID-19 Response Resource Packet
- FEMA Procurement Disaster Assistance Team Resources

Centers for Disease Control
- $1.5 billion for the Center for Disease Control’s (CDC) State and Local Preparedness Grants for state and local preparedness and response activities.
- $100 billion for the Public Health and Social Services Emergency Fund for necessary expenses to reimburse eligible health care providers

Federal Transit Administration
- $25 billion allocated using FY2020 program apportionments. All COVID-19 related operating and capital costs are eligible. Funds allocated using formula based on Census data
Federal Aviation Administration
- $9.9 billion in total available to commercial airports through the Airport Improvement Program (AIP).
- $9.4 billion for airports to prevent, prepare for, and respond to COVID-19

Department of Education
- Education Stabilization Fund
- Consists of $30.750 billion to be distributed among States, local schools, higher education institutes and other entities providing educational services

Department of Justice
- $850 million for the Coronavirus Emergency Supplemental Funding (CESF) grant program
Coronavirus Relief Fund:
- $150B Direct Aid to State and Local
- Local govts qualified to >500,000 population
- “COVID-related expenses”

- Guidance released April 22
- FAQs released May 4
Indiana and CRF

- Set aside $300M of the $2.4B of CRF Funds state received for Counties, Cities and Towns Funds allocated on pro rata basis of local population versus State Populations

- Detailed Reimbursement Form that will require supporting documentation for COVID19 Related Expenses Only

- State will maintain all documentation of future Inspector General Audit for uses of funds
CARES and the Muni Market

- Section 4003(b)(4): $454B
  - Federal government is authorized to make “loans, loan guarantees, and other investments” “related to losses due to coronavirus”
    - Purchase publicly issued securities as a direct loan (direct placement)
    - Purchase muni securities in the secondary market
    - Make loans secured by collateral

- $454B is total amount for corporate and state and local govt assistance
  - $35B dedicated for s/l govt borrowing (leveraged to $500B)
Proposed: SMART Act

- SMART Fund increases flexibility for states and local governments to use the funds to plug revenue losses due to the COVID-19 outbreak, and targets additional funding toward coronavirus hot zones to combat the pandemic head-on.

- One-third to eligible entities based on population size.
- One-third to eligible entities based upon the number of COVID-19 cases relative to the U.S. population.
- One-third to eligible entities based upon state revenue losses relative to pre-COVID-19 projections.
Stimulus 4: **HEROES Act**

- $915B for direct aid to state & local governments.
  - First $500B dispersed within 30 days of enactment to States, local governments, territories and tribes
  - Remaining $375B dispersed by May 2021
  - Allocated using formulas based on population size, COVID-19 cases, & unemployment
  - Municipalities with populations of at least 50K eligible
HEROES-CARES Adjustments

- Supporting State and Local Leaders Act
  - Introduced by Rep. Brad Schneider
  - Allows public employers access to Emergency Paid Leave Tax Credit

- SAFE Banking
- SALT Deductibility
- Expands Employee Retention Credit
Congressman Steve Stivers (OH-15)
Municipal Liquidity Facility

- States and cities > 250M, counties > 500M population can borrow up to 20% of their general fund revenue

- Eligible entities can borrow on behalf of instrumentalities (e.g. states for smaller size local govts)

- Can borrow only for 36 month term
  - potential uses include deferred or reductions of tax and other revenues or increases in expenses related to or resulting from the COVID-19 pandemic, and P&I on outstanding debt

### Appendix B

**Municipal Liquidity Facility - Pricing Appendix**

**Tax-Exempt Eligible Notes**: If interest on the Eligible Notes is excluded from gross income for federal income tax purposes, pricing will be at a fixed interest rate based on a comparable maturity overnight index swap (“OIS”) rate plus the applicable spread based on the long-term rating of the security for the Eligible Notes as follows:

<table>
<thead>
<tr>
<th>Rating*</th>
<th>Spread (bps)</th>
</tr>
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<tbody>
<tr>
<td>AAA/Aaa</td>
<td>150</td>
</tr>
<tr>
<td>AA+/Aa1</td>
<td>170</td>
</tr>
<tr>
<td>AA/Aa2</td>
<td>175</td>
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<tr>
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<td>380</td>
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<tr>
<td>Below Investment Grade</td>
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</tbody>
</table>

* To account for split ratings across different credit rating agencies, an average rating generally will be calculated.

**Taxable Eligible Notes**: If interest on the Eligible Notes is not excluded from gross income for federal income tax purposes, pricing will be at a fixed interest rate that is calculated by (i) first, adding the comparable
Connect with Your Delegation

- Having a relationship with your Senators and Representatives is important

- Provide them with information about what your entity needs from the federal government
  - ESPECIALLY COVID RELATED!

- Send us an email, we are happy to put you in touch -

[United States Senate logo]

[United States House of Representatives logo]
THANK YOU FOR ALL THAT YOU DO!!

Emily Brock, Director
Michael Belarmino, Senior Policy Advisor
Michael Thomas, Federal Policy Associate