

OFFICE OF THE NEW YORK STATE COMPTROLLER

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To: Chief Executive Officers
From: Division of Local Government and School Accountability
Subject: Coronavirus Aid, Relief and Economic Security (CARES) Act Information

Please provide copies of this document to others who would benefit from this information.

Background

The Federal Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020 to help address the economic effects of the coronavirus pandemic (pandemic). The purpose of the CARES Act is to provide financial aid to individuals; small businesses; large corporations; hospitals and public health; state and local governments; and education. With respect to local governments and school districts, the CARES Act is primarily focused on helping these entities fund unanticipated expenditures incurred due to the pandemic. CARES Act funds are not intended to bridge budget gaps that may result from a decrease in expected revenues (such as a reduction in State Aid in school districts) as a result of the pandemic.

This guidance document discusses the importance of proper fiscal oversight by local and school district officials during these unprecedented times. It also identifies various revenues¹ available under the CARES Act to local governments and school districts in New York State (NYS). Lastly, it addresses how CARES Act revenues and pandemic-related expenditures should be accounted for by local government and school district officials.

Proper Fiscal Oversight

Under normal operations, governing boards should be receiving and reviewing timely financial information to make informed decisions. The receipt and review of this information is even more crucial now that financial information is rapidly changing, and governing boards are being forced to make expedited, and sometimes difficult, decisions in an effort to ensure that government operations continue and that necessary services are still provided to constituents. Internal financial reports, such as budgetary status reports, trend analysis and forecasting, can be used by officials to identify potential current budget problems, financially plan for the future and ensure their local governments comply with legal and contractual obligations.

When uncertainty exists regarding previously anticipated revenues and unforeseen expenditures arise, budgetary status reports, trend analysis and forecasting can help governing boards understand their entity's current and future financial position. If budgetary status reports indicate

¹ The revenues discussed in this document are some examples of the funds available as of the date of this publication. The ever-changing financial environment may result in additional types of funds becoming available.

significant unfavorable variances or trend analysis and forecasting identify problem areas, governing boards should be taking timely action. Waiting until the end of the fiscal year, for example, to make necessary budget adjustments is not fiscally prudent and may lead to more serious conditions.

If budgetary appropriations are projected to be insufficient, governing boards have available options. The most common option is a budgetary amendment, whereby an increase (amendment) to a line-item budget appropriation may be accomplished, as authorized by law, by transferring between available appropriations, appropriating available fund balance, or appropriating certain revenues not included in the original budget (i.e., grants in aid, insurance recoveries and gifts). For more information on this option, as well as other potential options, please see the Correcting Identified Budgetary Problems section in our *Local Government Management Guide* entitled [Fiscal Oversight Responsibilities of the Governing Board](#). Additionally, more information on monitoring budgets can be found in the Monitoring the Budget section in our *Local Government Management Guide* entitled [Understanding the Budget Process](#).

Lastly, proper fiscal oversight is not complete without communication. Specifically, the governing board needs to be communicating regularly not only with each other, but also with the Chief Executive Officer, the Chief Financial Officer and management (such as department heads). This communication is key in helping ensure that those charged with making decisions and in management positions have all the necessary and relevant information they need to be able to fulfill their official responsibilities.

CARES Act Revenues

Local governments and school districts may receive various revenues as a result of the CARES Act. Some of these revenues may come from the additional funding of pre-existing programs, while other revenues may come from new programs.

The following departments received additional funding for pre-existing programs with the intent that these monies be distributed to local governments:

- [The Office of Community Planning and Development](#) – [Community Development Block Grant \(CDBG\) program](#)
- [The Department of Justice](#) – [Edward Byrne Memorial Justice Assistance Grant \(JAG\) program](#)
- [The Department of Health and Human Services](#) – [Public Health Emergency Preparedness \(PHEP\) Cooperative Agreement](#) and [Epidemiology and Laboratory Capacity for Prevention and Control of Emerging Infectious Diseases \(ELC\) Cooperative Agreement](#).

If funds are received from any of the above programs or any other pre-existing programs, the accounting for such revenues would not change. For example, funding received from the Community Development Block Grant program should still be recorded in pre-existing revenue code 4910 – Federal Aid, Community Development Act. For more specifics on revenue codes, please see the Revenue Account Codes section in our [Accounting and Reporting Manual](#).

New federal funding is also available to local governments and school districts under the CARES Act. Three of the largest new funding sources are the Coronavirus Relief Fund, the Provider Relief Fund and the Education Stabilization Fund.

- [Coronavirus Relief Fund](#) – Local governments are eligible to receive direct aid from this fund if they have a population over 500,000 and if they filed a certification with the

Secretary of the Treasury affirming their proposed use of any funds received will be consistent with the eligible uses of the funds.²

Currently, there are only six local governments³ in NYS that are eligible to receive this direct aid. The six NYS local governments are:

- Erie County
- Monroe County
- Nassau County
- Suffolk County
- Westchester County
- Town of Hempstead

The Inspector General of the Department of the Treasury is responsible for overseeing the receipt, disbursement and use of these funds. Any questions about these funds should be directed to the [Office of Inspector General of the U.S. Department of the Treasury](#). It should be noted that the federal government plans to recoup any amount spent outside of the eligible use of the funds. Therefore, local governments should maintain detailed records of what the funds were used for and how they fit within the eligible use criteria.

These local governments should use existing revenue code 4489 – Federal Aid, Other Health and specify in the additional description field that the funds are from the Coronavirus Relief Fund when filing their annual update documents (AUD) with the Office of the New York State Comptroller.

- [Provider Relief Fund](#) – Local governments may be eligible for this funding if they operate a hospital or Emergency Medical Services (EMS) department that received Medicare fee-for-service reimbursements⁴ in 2019. There will also be additional targeted funding for COVID-19 high-impact areas and rural areas.

Local governments should use existing revenue code 4489 – Federal Aid, Other Health in the fund in which they record hospital or EMS revenues and specify in the additional description field that the funds are from the Provider Relief Fund when filing their AUD.

- [Education Stabilization Fund \(ESF\)](#) – Funds will be distributed to states, schools and higher education institutions to help offset expenditures incurred due to the pandemic. The ESF is comprised primarily of three funds:
 - [Governor’s Emergency Education Relief \(GEER\) Fund](#);
 - [Elementary and Secondary School Emergency Relief \(ESSER\) Fund](#); and
 - [Higher Education Emergency Relief Fund](#).

² Funds may only be spent by local governments to cover costs that are necessary expenditures incurred due to the COVID-19 public health emergency, were not accounted for in the budget most recently approved as of the date of enactment of this section (March 27, 2020), and were incurred during the period beginning March 1, 2020 and ending December 30, 2020.

³ Excluding New York City and the counties within.

⁴ Hospitals and EMS departments (providers) are reimbursed through Medicare’s fee-for-service payment model in which services are unbundled and paid for separately based on pre-determined fee schedules.

Each fund has specific restrictions on what expenditures the revenues may be used for. Any questions about these three funds and their restrictions should be directed to the [U.S. Department of Education](#).

The NYS Department of Education issued [preliminary guidance](#) for the ESF, which includes background and State budget information as it pertains to the GEER and ESSER funds, as well as information about the application process for district officials.

New general fund revenue code 4286 – Federal Aid, CARES Act Education Stabilization Fund should be used to account for revenues from these three funds.

Pandemic-Related Expenditures

When recording pandemic-related expenditures, local governments and school districts should continue to record expenditures using existing expenditure codes. Local governments should consult the Revenue and Expenditure Account Codes sections in our [Accounting and Reporting Manual](#). School districts should consult the School District Account Codes section in our [School District Accounting and Reporting Manual](#). Local governments and school districts should keep in mind that some CARES Act monies are restricted to specific purposes related to responding to the pandemic, while other monies may have more broad spending purposes. Local governments and school districts should consult with their attorneys, as applicable, to ensure monies are being spent in accordance with the intended purposes.

Additionally, if local governments and school districts wish to track expenditures relating to pandemic expenditures in more detail, several options are available:

- Expand the object of the expenditure code by adding additional digits. For example, you could use code 3010.41 – Public Safety Administration, to account for contractual public safety administration expenditures relating to the pandemic. For AUD reporting purposes, however, it should be noted that this amount would be rolled up into account 3010.4 – Public Safety Administration.
- Run a date filter on expenditure codes to find only expenditures between certain dates.
- Use a separate spreadsheet outside of the accounting system to track pandemic expenditures in greater detail, while still updating and maintaining the accounting system.

Additional Information

For additional information relating to the pandemic and the CARES Act, please visit our [Updates and Resources Related to COVID-19 Public Health Crisis](#) web page. Additionally, please see:

- [COVID-19 Financial Survival Toolkit for New Yorkers](#)
- [U.S. Department of Treasury](#)
- [U.S. Department of Education – COVID-19 Information and Resources for Schools](#)
- [NYS Department of Education – COVID-19 Guidance for P-12 Schools](#)

For guidance documents on various local government management topics, please see our [Local Government Management Guides](#).

If you have questions pertaining to the information in this document, please contact the State Comptroller's [regional office that serves your local government or school district](#).