Sponsored by: Senator Robert Menendez and Senator Bill Cassidy, M.D.

As our nation grapples with the COVID-19 pandemic, state and local governments are on the frontlines, taking the lead role in responding to this crisis. They have been squeezed on both sides of the ledger, spending billions of dollars in unforeseen costs on emergency response, all the while seeing revenue drop at record levels due to "stay-at-home" orders and the closure of non-essential businesses. The $150 billion Coronavirus Relief Fund included in the CARES Act for state and local governments was a good down payment, but it is inadequate both in scope and in prioritizing hardest hit areas. We must do more to ensure our communities have the funds they need to combat the coronavirus and protect the public without facing bankruptcy or having to resort to massive tax hikes.

The ***legislation*** would answer the bipartisan calls of the National Governors Association to address these shortfalls by allocating $500 billion to state and local governments in all U.S. states and territories. It would prioritize funding to the hardest hit states, using a formula that considers state population, infection rates, and revenue loss and it would increase the flexible use of funding so it can be spent to plug unforeseen revenue gaps. Cities and counties with populations above 50,000 will be able to receive direct funding to address their specific, local needs.

Unlike the traditional natural disasters such as, hurricanes, floods, wildfires, and earthquakes, the challenge we are facing today is not confined to a single state or even region. But while the virus may not know state borders, it has certainly hit some states and regions harder than others. Senator Menendez and Senator Cassidy believe our federal government should respond like it does for any major natural disaster. The hardest hit states that need the most help should receive the most assistance. In addition, states that took proactive actions to slow the spread of the virus should not be penalized by an allocation formula that fails to consider the impact that "stay-at-home" and other restrictive orders have had on state economies and revenues.

The legislation would allocate the $500 billion fund based on the following formula:

- $166.66 Billion Based on Population Size. Similar to the $150 billion fund created by the CARES Act, this tranche of funding will be allocated to states, D.C. and U.S. territories in proportion to their percentage of the U.S. population. All states and D.C. will receive at least $1.25 billion from this fund. A 45% carveout is provided in this tranche for cities and counties with populations above 50,000, which will receive 45% of their share of the state's population.

- $166.66 Billion Based on Infection Rates. This tranche of funding will be allocated based on each state's relative share of the nation's infection rate. States that have disproportionately high infection rates will incur significantly higher expenses and will likely need to continue stay-at-home orders for longer periods of time, leading to larger revenue losses.

- $166.66 Billion Based on Revenue Losses. This tranche of funding will be allocated based on each state's revenue loss in proportion to the combined revenue loss of all the states from February 1, 2020 through December 31, 2020. States that took aggressive actions to curb the spread of the coronavirus should not be face additional budget shortfalls as a result of taking responsible action.

States and local governments will be afforded full flexibility in utilizing these funds, including, but not limited to making up for lost revenue caused by economic shutdowns. This flexibility will also be extended to the $150B fund created by the CARES Act.