



BTC Brief

BUDGET & TAX CENTER

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MEDIA CONTACT:

SUZY KHACHATURYAN

919-861-2211

suzyk@ncjustice.org

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JUSTICE CENTER

P.O. Box 28068

Raleigh, NC 27611-8068

www.ncjustice.org

NC General Assembly has allocated some federal dollars, but more is available and is urgently needed

By SUZY KHACHATURYAN, BTC Public Policy Analyst

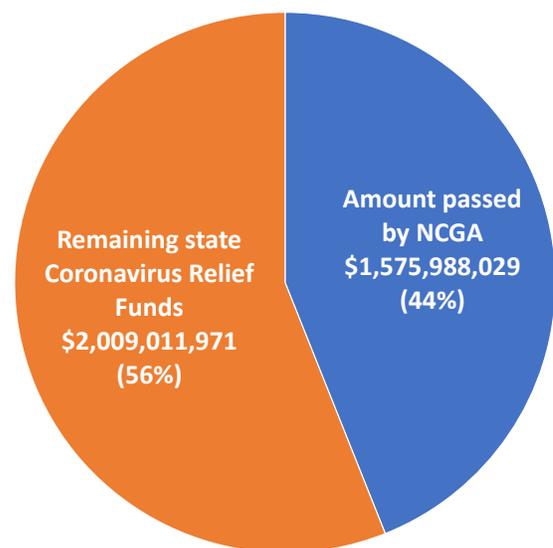
On May 4, [Gov. Roy Cooper signed into law](#) the first two pieces of legislation agreed upon by the state legislature after five days of committee and chamber meetings, both virtually and in Raleigh. Unfortunately, while this first step addresses some of the most immediate needs arising from the COVID-19 pandemic, it leaves most of the response work undone. As a result, lawmakers will need to move quickly to use the billions of dollars in available federal and state funds to combat the immediate effects of the crisis and prepare for recovery work.

The package approved by the Governor spends \$1.58 billion in fiscal relief to support nonprofits and hospitals in meeting the needs of rural and marginalized communities, as well as relief for transportation, “non-transportation” state agencies, local governments, remote K-12 education, and more.

What’s clear, however, is that [much more needs to be done to](#)

Figure 1: \$2 billion remains in N.C.’s Coronavirus Relief Fund

Coronavirus relief funds spent versus remaining

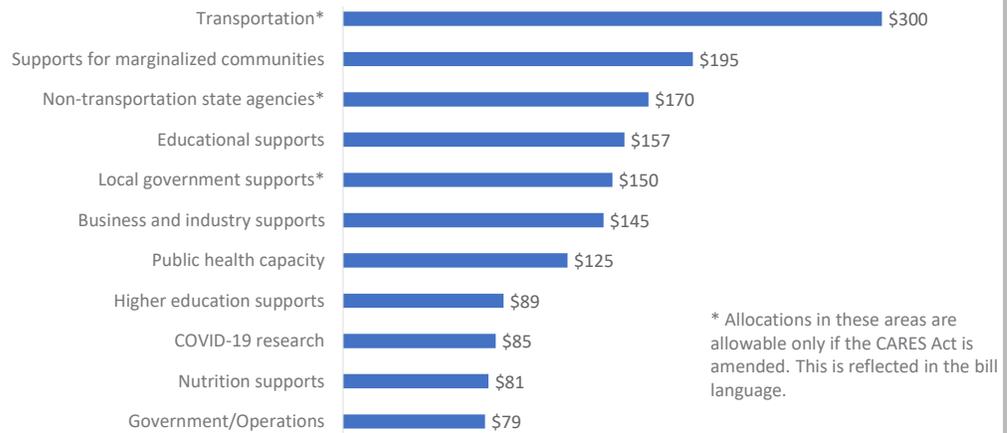


Source: NC Budget & Tax Center analysis of HB 1043

[meet growing needs from the COVID-19 pandemic](#), and [federal funds are available to meet many of them](#). The \$1.58 billion allocated from the Coronavirus Relief Fund (the major funding stream included in the federal CARES Act) amounts to just 44 percent of the \$3.5 billion made available to North Carolina by the federal government thus far. State leaders should not delay in making additional investments in local communities and across an array of state agencies to meet the needs across public health, education, unemployment insurance, and other critical public services.

Figure 2: General Assembly passes \$1.58 billion in first COVID-19 response bills

Allocations by funding category (in millions)



Source: NC Budget & Tax Center analysis of HB 1043.

Unfortunately, instead of making allocations sufficient for agencies to plan and continue operations for the remainder of the calendar year as was intended by the federal government, the General Assembly has decided to take a piecemeal approach by allocating smaller amounts that will likely be sufficient only until the end of the fiscal year in June. This will hinder a robust state response to the crisis.

Rather than piecemeal responses, [state agencies need dollars quickly](#) so that they can make the rapid investments in supplies, technology, and administration necessary to meet demand after years of under-investments that led to cuts in these areas.

Some of the limitations on how federal funds can be used are rooted in decisions made by the Trump Administration. [Guidance from the U.S. Treasury](#) placed restrictions on the use of dollars in the Coronavirus Relief Fund — including that the funds cannot be used in place of revenue shortfalls. This limitation in how agencies and local governments can use the money means that these dollars must be used to meet the needs that arise due to COVID-19, which were not previously accounted for in the budget.

However, there are ample and urgent [opportunities to use funds within this guidance](#), including hazard pay for essential workers and a multitude of other funding options to mitigate the harm of this crisis and make meaningful improvements in North Carolinians’ well-being.

The General Assembly and some state agencies have suggested that the guidance from the Treasury limits their ability to commit to certain critical needs. That is not the case. Other funding streams, [outlined here](#) and detailed in the bills passed, can and should be used for specific areas [in ways that prioritize equity, build resilient systems, and lift up public institutions](#).

In addition to federal funding availability, lawmakers should make use of the state's modest Rainy Day Fund — [totaling \\$1.17 billion](#) — if necessary to meet additional needs, particularly for allocations that would not be permitted under the Coronavirus Relief Fund. North Carolina legislators have put in place structural barriers to accessing these funds and are often reluctant to use them, but the unprecedented hardship caused by this public health and economic crisis makes this the exact time to use the Rainy Day Fund.

After all, this crisis has been made more challenging by poor policy choices that have depleted the state's public infrastructure and instead diverted dollars into the pockets of the wealthy and corporations. To mitigate the harm, lawmakers must act quickly to send more dollars to state agencies, nonprofits, and community-based organizations to respond to the COVID-19 crisis in ways that prioritize people's well-being and take seriously the urgency and the breadth of people's needs.