

State and Municipal Assistance for Recovery and Transition (SMART) Act

Senator Bill Cassidy, M.D. (R-La.); Senator Robert Menendez (D-N.J.); Senator Cindy Hyde-Smith (R-MS); Senator Joe Manchin (D-WV); Senator Susan Collins (R-ME); Senator Cory Booker (D-NJ)

As our nation grapples with the COVID-19 pandemic, state, county and municipal governments have been on the frontlines, taking the lead role in responding to this crisis. As a result, they've been squeezed on both sides of the ledger, spending billions of dollars in unforeseen costs on emergency response, while watching as revenues dry up due to necessary "stay-at-home" orders and the closure of non-essential businesses. The \$150 billion Coronavirus Relief Fund (CRF) 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 infuse our states and local communities with the resources they need to both combat the coronavirus and protect the public, as well as deal with the resulting catastrophic impact it is having on their economies and budgets. And while calls from Washington for states to "reopen" continue, without robust federal funding support, state and local leaders will be forced to make catastrophic cuts to services, which will put public safety at risk and further delay the reopening of the economy.

This proposal responds to the bipartisan calls of our governors, mayors and county leaders by providing robust, flexible funding that prioritizes dollars to the hardest hit states, using a common-sense formula that considers state population, infection rates, and revenue loss. We cut the red tape that restricted the use of funds in the CRF and give states and communities the flexibility to meet their local needs.

Specifically, the SMART Act would provide \$500 billion to state, local, and tribal governments in order to avoid massive layoffs, steep tax hikes, and a breakdown of essential services. After a 3 percent set aside for Native American tribal governments, the remaining funding would be allocated amongst states through three equally divided tranches:

- 1. One-Third Based on Population Size.** This tranche of funding will be allocated to all 50 states, D.C. and U.S. territories in proportion to each respective state or territory's percentage of the U.S. population. Counties and municipalities will each receive one-sixth of their state's allocation for a combined total of one-third of their state's allocation from this tranche. Funding will be distributed to counties and municipalities based on each county or municipality's proportion of the state's population for this tranche.
- 2. One-Third 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. Counties and municipalities will each receive one-sixth of their state's allocation for a combined total of one-third of their state's allocation from this tranche. Funding will be distributed to counties and municipalities based on each county or municipality's proportion of the state's population for this tranche.

- 3. One-Third 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 January 1, 2020 through December 31, 2020. States that took strong actions to curb the spread of the coronavirus should not face additional budget shortfalls as a result of taking responsible action. Counties and municipalities will each receive one-sixth of their state's allocation for a combined total of one-third of their state's allocation from this tranche. Funding will be distributed to counties and municipalities based on each county or municipality's revenue loss from January 1, 2020 to December 31, 2020 in proportion to the combined revenue loss for all counties and municipalities in the state over this period. This is designed to ensure that adequate funding flows to counties and municipalities that are disproportionately affected relative to their population.

Direct Funding to All Counties and Municipalities

After receiving valuable feedback from local stakeholders, the SMART Act will not impose a population threshold for counties and municipalities to receive direct funding. As a result, every county and municipality in the country will receive direct funding.

Flexible Use of Funds

Funding can be used by state and local governments for COVID-19 response, including the local cost share for FEMA Public Assistance grants; operational expenses; and to make up for lost revenue. This flexibility is also applied retroactively to the Coronavirus Relief Fund included in the CARES Act.

Small State Minimum

All States shall receive a combined minimum of \$2 billion from the first two tranches in addition to their allocation from the third tranche.

Prohibition on Pension Contribution

No state may use funds made available under this Act or an amendment made by this Act for deposit into any state or state affiliated pension fund.