

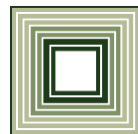
HOUSE SELECT COMMITTEE ON COVID-19 CONTINUITY OF STATE OPERATIONS WORKING GROUP

Federal Actions to Address COVID-19 and Implications for State Operations

Presented by,

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Federal Coronavirus Related Funding

(through March 27, 2020)

- The Coronavirus Preparedness and Response Supplemental Appropriations Act (P.L. 116-123), \$8.3 billion
- The Families First Coronavirus Response Act (P.L. 116-127), \$104 billion
- The Coronavirus Aid, Relief and Economic Security Act (CARES), \$2.2 trillion

The CARES Act

- H. R. 748 was signed into law on March 27, 2020
- Appropriates \$2.2 trillion
 - Assistance provided to individuals, state and local governments and companies in responding to the coronavirus epidemic.
- Provides various forms of tax relief
 - Some changes impact cash flow of General Fund revenues
 - Others changes may reduce General Fund revenues

The CARES Act

Key Elements for State and Local Governments

❑ The Coronavirus Relief Fund

- \$150.0 billion

❑ Targeted Funding

- Education Stabilization Fund
- Elections
- Additional Funding for Existing Grants

The CARES Act

Key Elements for State and Local Governments

☐ Coronavirus Relief Fund

- Assist states with eligible costs through Dec. 2020
- Population based allocations
- North Carolina's estimated share is \$4.07 billion¹
- State flexibility uncertain

The CARES Act

Key Elements for State and Local Governments

❑ Targeted Funding to States

- Education Stabilization Fund, \$31 billion
- Block Grants
(e.g. Child Care, Community Development & Community Services)
- Elections, \$400 million
- Byrne Justice Assistance Grant, \$850 million

COVID-19 State Fiscal Implications

☐ **Balanced Budget Requirement**

- Article III, Sec. 5(3) of the North Carolina Constitution
- Cash flow and revenue impacts must be considered

COVID-19 State Cash Flow Implications

❑ State Revenue

- Families First Coronavirus Response Act and the POTUS Emergency Declaration extended tax filing deadlines 90 days
- Secretary of Revenue has granted automatic extensions
 - Individual income tax
 - Corporate income and franchise tax
 - First quarter estimated income tax
- Shifts a substantial amount of revenue collections from FY2019-20 to FY2020-21
 - Potentially \$2+ billion
 - Working on revised consensus forecast

COVID-19 STATE GENERAL FUND IMPACT

- CARES Act provides various tax relief provisions for individuals and businesses
 - Recovery rebates for individuals
 - Expansion of the charitable contribution deduction
 - Loosens restrictions on deducting business losses
- General Assembly will have the option of conforming or decoupling from most of them
- If General Assembly chooses to conform, it will have substantial negative impact on revenue collections in FY2019-20 and FY2020-21