October 9, 2020

Governor Andy Beshear
Office of the Governor
700 Capitol Avenue, Suite 100
Frankfort, KY 40601

Re: Priorities for Use of Remaining Coronavirus Relief Fund Monies

Dear Governor Beshear:

Thank you for your leadership and actions to save lives and limit the harm of the COVID-19 pandemic across Kentucky. As part of those efforts, we appreciate your focus thus far in using Coronavirus Relief Fund (CRF) monies from the CARES Act to directly fight the virus, provide some relief to struggling individuals and families and shore up the budget to the extent allowable under the act.

With another round of vital aid from Congress now unlikely until after the election or perhaps until early next year, and without further flexibility in use of CRF dollars, it is that much more important for remaining CRF monies ($769 million as of September 9th, which must be used between now and the end of the year) to be put to their highest and best use.

We are writing as a coalition of community and labor organizations, state advocates and experts on the issues and conditions arising from the pandemic to urge you to prioritize allocation of the scarce remaining CRF funds for the following needs:

1. Combatting the virus
   As is appropriate, you have allocated a significant amount of CRF dollars to fight the virus, including monies for PPE, testing, contact tracing, support for local health departments and more. And as you are intimately aware, COVID-19 cases are rising again and remain dangerously high. The more we contain the pandemic, the more lives will be saved and the better our economy will fare over time. Significant concerns remain regarding safety in schools, universities, prisons and jails, nursing homes and group living facilities, and other workplaces, and we know that additional dollars will be required to fight the virus through the end of the year.

2. Meeting the needs of the most vulnerable Kentuckians facing unprecedented hardship
   Thank you for your decisions to begin using CRF dollars to help families pushed to the brink in this crisis, including $15 million for eviction prevention and diversion programs, $40 million for $100 weekly supplemental unemployment benefits for 5-6 weeks, monies to address unemployment backlogs from our state’s outdated technology, $5 million for senior meals and $8 million for broadband access.

   Hardship is deep and widespread across the commonwealth. According to Census data, over 40% of Kentucky adults report a loss of household employment income in the crisis. Much more than previous recessions, low wage workers have been hit hardest. The conditions are also worse for Black and Latinx Kentuckians, who because of historical, structural barriers were more likely to be laid off in the midst of the crisis and less likely to be hired back since.

   Now 12% of Kentucky adults say their household didn’t have enough to eat last month, and 13% of adults with children in the household say lack of affordability meant kids weren’t eating enough. Approximately
1 in 4 Kentucky renters report they are behind on rent payments, and the Kentucky Public Service Commission projects $150 million is needed through 2020 to prevent utility disconnections.

A true recovery for our economy is nowhere in sight. Despite some return to work the last few months, the state’s joblessness remains at levels exceeding the worst point in the Great Recession. Temporary layoffs are becoming permanent and the economy faces new weaknesses.

To the maximum extent possible with dollars remaining, we urge you to expand efforts to support the most vulnerable Kentuckians through the end of the year. Areas of need include, but are not limited to:

- Expanded emergency cash assistance (to supplement Team Kentucky donations) for people facing crises, including those who receive no or inadequate unemployment benefits or face extraordinary medical, funeral or other costs;
- Increased food assistance, which could include grants to the state’s network of food banks, funding to schools and nonprofits providing child nutrition programs, funds for food assistance programs for low-income university and community college students, and continued senior food aid;
- Additional funding for rental assistance for those facing potential eviction as well as mortgage assistance for people facing possible foreclosure, for homelessness services across the state, and for help paying utility costs.
- Continued supplemental unemployment benefits beyond the 5-6 week period now being provided, and emergency unemployment benefits for those laid-off workers whose benefits run out entirely starting in October;
- Financial assistance to struggling childcare centers and/or to families to support childcare costs;
- Expanded outreach to ensure all eligible Kentuckians are signed up for programs like Medicaid and SNAP;
- Additional support for low-income and disadvantaged students lacking broadband internet access and facing higher degrees of learning loss due to closed or hybrid schools;
- Additional funding for increased behavioral health services in schools and communities to respond to the negative impact of COVID-19 on the mental health of Kentucky adults and children.

3. Doing what is possible to protect critical public services from harmful budget cuts

The more the budget is protected by covering certain payroll expenses through CRF monies, the less we will face harmful budget cuts that will reduce the health and well-being in our communities and drag the economy down further. We appreciate that significant CRF dollars have been used within the guidelines Treasury has laid out to cover payroll at eligible agencies and to support local governments as well. And we are grateful that Budget Director John Hicks has already indicated CRF monies are reserved for state agency reimbursements through December. The state budget is a critical tool in supporting families and holding communities together in a crisis. Everything possible must be done to protect it.

Thank you for your continued leadership in addressing the crisis of a lifetime in our commonwealth. The below organizations are happy to provide more information on specific needs across the state. An attached research brief from the Kentucky Center for Economic Policy provides more details and context on the choices in front of Kentucky with remaining CRF monies.

We offer our cooperation as you create and implement a plan for the remaining CRF funds that minimizes the harm to Kentuckians in the face of the extraordinary challenges of the coming months.

Sincerely,
Advocacy Action Network
Appalachian Citizens’ Law Center
BAC local 18
Homeless and Housing Coalition of Kentucky
IATSE Local 17
International Brotherhood of Electrical Workers
IUE-CWA Local 83761
Kentucky Alliance for Retired Americans
Kentucky AFL-CIO
Kentucky Center for Economic Policy
Kentucky Equal Justice Center
Kentucky Voices for Health
LIUNA-Kentucky Laborers District Council
Machinists Local Lodge 804
Mental Health America of Kentucky
Northern Kentucky Labor Council
Teamsters Local 89
The Women’s Network
United Food and Commercial Workers Local 227
USW, District 8

CC: State Budget Director John Hicks

How Kentucky Should Spend Remaining Coronavirus Relief Fund Monies

The federal government provided $1.6 billion in Coronavirus Relief Fund (CRF) monies to the state of Kentucky as part of the CARES Act that passed Congress on March 27th. As of September 9th, the state had spent or committed 52% of those monies, leaving a balance of $769 million.[1] Given doubt about additional aid from Congress in 2020, it is critical that Kentucky makes careful choices about allocating these scarce remaining dollars. The main priorities must be to: 1) combat the virus; 2) meet the needs of the most vulnerable Kentuckians facing unprecedented hardship; and 3) do what’s possible to protect critical public services from harmful budget cuts. The focus of these limited dollars should not be on an expensive and poorly targeted unemployment business tax break.

CRF monies can be used to respond to the pandemic, but are limited

The CARES Act lays out how states are allowed to allocate CRF funds. The monies may be used to cover costs that: 1) are necessary expenditures incurred due to the COVID-19 public health emergency; 2) were not accounted for in public budgets approved before the passage of the CARES Act; and 3) are incurred between March 1st and December 30th, 2020.

In guidance, the Treasury Department defines COVID-19 necessary expenditures as “actions taken to respond to the public health emergency.”[2] That includes “addressing medical or public health needs, as well as expenditures incurred to respond to the second-order effects of the emergency, such as by providing economic support to those suffering from employment or business interruptions due to COVID-19-related business closures.”

Examples of specific potential uses identified by Treasury include the cost of medical expenses like testing and treatment; public health expenses such as personal protective equipment (PPE) and tracing and quarantining; expenses due to compliance with public health measures such as distance learning at schools, sanitation and social distancing at prisons and jails, and meal delivery for senior citizens; and economic support. The guidance makes clear that CRF dollars cannot be used to replace tax revenue shortfalls caused by the recession. However, the monies can be used for “payroll expenses for public safety, public health, healthcare, human services and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.”
The severity of the pandemic, depth of the resulting recession and restrictions on CRF spending mean there are many needs across the commonwealth that far outstrip the funds available through the CRF. States desperately need additional dollars to deal with budget shortfalls and fully address the crisis, but Congress is currently at a standstill on that issue and an additional round of aid is doubtful for the remainder of 2020. Given limited dollars and tremendous needs, the state must carefully prioritize the use of remaining CRF monies.

**Funds should address immediate crises, including the need to combat COVID-19 and help the most vulnerable Kentuckians harmed by the recession and closures**

At the top of the priority list must continue to be expenses involved in directly fighting the ongoing public health crisis of COVID-19. The more we contain the pandemic, the more lives will be saved and the better our economy will fare over time.

To date, the state has spent $91 million of CRF money directly on PPE, medical supplies, testing and emergency management costs.\[3\] It has also provided $159 million to the Department of Public Health to support local health departments; fund contact tracing; provide testing and support for long-term care facilities; and conduct a communications campaign to support mask wearing. And the state has provided local governments with $301.5 million to reimburse them for expenses related to COVID-19, including PPE, testing and cleaning equipment, and payroll expenses of eligible employees.

As case levels remain consistently and dangerously high, the state is likely to face ongoing costs associated with fighting the virus that will require CRF monies. Additional areas of concern include more adequate testing and inspections in prisons and jails, nursing homes and other group-living quarters, and problematic workplaces like meat processing plants.\[4\] Adequate funds are necessary for schools and universities to ensure any in-person classes or hybrid models can be implemented safely (including proper ventilation and sufficient safety equipment) and in ways that prevent spread of the disease to students, faculty and staff. The Department of Treasury allows states to allocate up to $500 per elementary and secondary student from CRF to cover costs associated with meeting Centers for Disease Control guidelines for in-school learning and/or distance learning without requiring specific documentation.

Another top priority must be to help individuals and families facing increased hardship due to the recession and closures. According to Census data, over 40% of Kentucky adults report a loss of household employment income in the crisis; 12% say their household didn’t have enough to eat last month; and 13% of adults with children in the household say lack of affordability meant kids weren’t eating enough.\[5\] Approximately 1 in 4 Kentucky adults report they are behind on rent payments, and the Public Service Commission projects $150 million is needed through 2020 to prevent utility disconnections.\[6\]
Despite some return to work, the state’s joblessness remains at levels exceeding the worst point in the Great Recession even while temporary layoffs are becoming permanent and the economy faces new weaknesses.[7] The conditions are worse for Black Kentuckians, who because of historical, structural barriers were more likely to be laid off in the midst of the crisis and less likely to be hired back since.[8]

Kentucky has begun allocating some CRF monies toward addressing those hardships. The state has spent or reserved for future use $29 million to deal with backlogs in the state’s antiquated unemployment insurance system. Kentucky also allocated $40 million to provide $100 a week in supplemental unemployment benefits on top of the $300 a week the Trump administration is providing for a limited period of time. And the state has assigned $15 million for eviction prevention and diversion programs and $5 million for meals for senior citizens.

Yet severe hardship continues across the commonwealth, and there are many critical needs that require more CRF dollars — especially with Congress so far failing to provide more relief for individuals and families in 2020.[9] Potential uses of CRF funds to help struggling Kentuckians include:

- Provide emergency cash assistance (to supplement Team Kentucky donations, which are first-come, first serve and limited) for people facing crises, including those who receive no or inadequate unemployment benefits or face extraordinary medical, funeral or other costs. [10]
- Provide additional funding to address the hunger faced by more Kentuckians during this pandemic.[11] Potential uses include grants to the state’s network of food banks, funding to schools and non-profits providing child nutrition programs, and funds for food assistance programs for low-income university and community college students.[12]
- Provide additional funding for rental and mortgage assistance for those facing potential eviction and foreclosure, for homelessness services across the state and for help paying utility costs to the extent and in the form allowable under Treasury guidance.[13]
- Continue supplemental unemployment benefits beyond the 5-6 week period provided by the Trump and Beshear administrations, and provide emergency unemployment benefits for those whose benefits are exhausted. Without supplemental benefits, the historically high number of unemployed Kentuckians receive only $283 a week on average. In addition, if Congress fails to extend eligible weeks of benefits (as was provided in the Great Recession), starting in October a growing number of unemployed workers will be left without any unemployment support even as jobs remain extremely scarce.[14]
• Provide financial assistance for struggling childcare centers and/or to families to support childcare costs. Because of a cut in assistance in 2013, Kentucky has lost half of the 4,400 licensed childcare providers it had at that time. The remaining 2,200 centers had to close temporarily during the pandemic, and only two-thirds of them have since reopened.[15]

• Expand outreach and provide additional assistance to ensure all eligible Kentuckians are signed up for programs like Medicaid and SNAP, including support for the Beshear administration’s goal of 100% coverage for Black and Latino Kentuckians in light of health inequities demonstrated by racially disproportionate rates of COVID-19.[16]

• Support low-income and disadvantaged students lacking broadband internet access and facing higher degrees of learning loss due to closed or hybrid schools. The state has allocated $8 million thus far from the CRF for K-12 student internet connectivity.

**State should do what’s possible with CRF funds to protect public services from more cuts that will weaken communities and drag the economy down further**

The basic services government provides are more important than ever in a crisis. When we cut funding to schools, universities, health and human services, infrastructure, public safety and other areas in a recession, we create new problems in our communities and drag the economy down further through public sector layoffs. State services are already stretched and limited by the 20 rounds of budget cuts the state has experienced since 2008.[17]

The uses of CRF monies to shore up the budget are restricted by CARES Act rules, which Congress should have adjusted to provide greater flexibility. But the state can still use CRF dollars to cover payroll expenses for “public safety, public health, healthcare, human services and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.” Funding these services through CRF monies helps support state and local budgets, and the state should use CRF monies to the extent allowable for these purposes through the December 30 deadline.

**Expensive, poorly targeted business tax break should not be focus of scarce dollars needed to address crisis**

Given the limited availability of CRF dollars, the state must prioritize the use of these funds to address the immediate and essential needs described above. However, one proposal that has received some attention is to dedicate up to all remaining CRF dollars to pay off the federal loan the state has taken out to pay for state unemployment insurance (UI) benefits after Kentucky’s unemployment insurance fund was depleted.[18] But using CRF monies for this purpose at the expense of more pressing needs won’t deliver effective relief, and is also premature.
State Senate leaders have proposed using some or all remaining CRF monies to pay back the $865 million the state is authorized to borrow for UI benefits (to date, the state has borrowed $393 million of that total). In paying that money back now, the proposal would provide a very small tax break to businesses that is unlikely to translate into broader benefits for the commonwealth — especially compared to the impact of using these resources to address the immediate needs described above.

Because the state’s unemployment trust fund was used up, there is an adjustment in the unemployment tax starting in January. However, that increase adds up to only 0.32% of total wages on average and approximately 0.05% of business sales on average, as shown in the graph below.
Unemployment Tax Adjustment Starting January is Very Small

Average increase as a percent of wages paid and as a percent of business sales in Kentucky

As a percent of wages (0.32%)

As a percent of sales (0.05%)

This increase is very small, and Kentucky’s unemployment tax rate is already lower than it has ever been since 1974 (as far back as the federal government reports the data on its website). The average rate after the adjustment will remain below where it has been approximately 80% of the time over those 46 years.[21] Kentucky unemployment taxes are modest in part because of cuts to benefits in the past and very restrictive access for workers, and because by state law the tax only applies currently to the first $10,800 of employee wages (adjusting $300 per year until it reaches $12,000).[22] A total of 35 states
apply the tax to a larger base, including 18 states in which businesses pay the tax on more than $25,000 in wages per employee. A very small tax rate adjustment to an already low tax should not be expected to have a meaningful impact on employment or business viability in the commonwealth.

It is also premature to use scarce CRF dollars to pay back the federal loan. The federal government may still take actions to address unemployment fund shortfalls, and interest payments and repayment of principal (which will require very small additional adjustments) are not due immediately. Congress suspended interest payments on the loan through the end of 2020, and the first interest payment will not be due until September of 2021. A reduction in the federal unemployment tax credit for employers to begin paying back the loan principal will not begin until November of 2022. Even those dates are uncertain, as additional aid on loans still may be part of future relief packages, in 2021 if not in 2020. The HEROES Act that passed the House proposes extending the interest-free period on loans by six months. With 15 states having received federal loans so far, and additional ones expected to take out loans as the crisis continues, Kentucky and other states have time to advocate to Congress on potential options and terms for repayment.

Very real and pressing needs are mounting in the ongoing public health and economic COVID-19 crisis. We should not take limited dollars needed to protect health and education, safeguard families and shore up the economy in order to prepay a loan for which interest is not yet due and to provide a tiny, poorly-targeted business tax break. If there were enough relief monies to make further assistance to businesses possible, it would make more sense to provide targeted aid to small and vulnerable locally-owned businesses than an across-the-board tax break for all companies. The latter includes corporations like Amazon — one of Kentucky’s largest employers and therefore one of the biggest beneficiaries of the proposed tax break — whose profits doubled during the pandemic. The state’s priority instead must be to protect lives, help Kentuckians weather this crisis and boost the economy by getting scarce dollars out where they are most needed.


As of September 2, 2020, the Coronavirus Relief Fund (CRF) was provided as part of the CARES Act. This fund was intended to support states and local governments in responding to the COVID-19 pandemic. The CRF was designed to address urgent public health needs and other essential services impacted by the pandemic.

While this brief focuses on CRF, there are other CARES Act funding streams that partially support some of the needs mentioned.


Unemployment Insurance is a joint state/federal program funded by federal and state assessments against employers. During recessions, when state trust fund balances run low, states are authorized to borrow funds from the federal government to ensure that unemployment insurance benefit payments will continue. Kentucky and 35 other states also borrowed funds during the Great Recession. Wayne Vroman, “Unemployment Insurance and the Great Recession,” Urban Institute, December 2011, https://www.urban.org/sites/default/files/publication/26766/412462-Unemployment-Insurance-and-the-Great-Recession.PDF.


to the Economic Census, payroll costs as a share of receipts average 15% in Kentucky, including 3% in wholesale trade, 9% in retail, 10% in manufacturing, 20% in construction, 29% in accommodation and food services and 38% in healthcare and social assistance.

[21] Quarterly data from the Department of Labor shows the average rolling 12-month tax rate since 1974 as a share of total wages is 0.94%. Kentucky’s average tax rate in 2020 thus far is 0.39% of total wages to which an addition of 0.32% would equal 0.71%. The rate has been lower than 0.71% in only 19% of the time periods since 1974. Department of Labor, Unemployment Insurance Data, https://oui.doleta.gov/unemploy/data_summary/DataSum.asp. Rate in 2020 is from email correspondence with Edward Dullaghan, economist with U. S. Department of Labor, September 25, 2020.


[23] Interest payments on UI loans from the federal government must be made from sources other than the UI trust fund. Kentucky law (KRS 341.614) provides for an additional assessment against employers to make these payments if amounts included in a state fund for that purpose are insufficient. Based on the language in the statute, the maximum assessment per employee would be approximately $21 per year, and the assessment would continue until the loans are paid off. If Congress does not extend payment of interest, that added cost equals approximately 0.05% of total wages and 0.01% of total business sales, on average.
