

# How Much Would Each State Receive Through the Coronavirus State Fiscal Relief Fund in the Heroes Act?



State revenues have plummeted due to COVID-19. On May 15, the House of Representatives passed economic stimulus legislation — known as the Heroes Act — that includes significant new resources to help states avoid mass layoffs of teachers, health care workers, first responders, and others, as well as desperately needed fiscal relief for tribes and U.S. territories. The Heroes Act’s primary form of fiscal aid for states is a Coronavirus State Fiscal Relief Fund, which provides \$540 billion in grants to states, tribes, and territories to counteract the virus’ impact on state and tribal finances, and avoid mass layoffs, extended furloughs, and other harmful cuts that would make a bad economy even worse.

## States Face Extreme Shortfalls

States depend primarily on sales and income tax revenues to fund schools, health care, and other services. The COVID-19 pandemic has caused these revenues to collapse, since businesses are closed and many people have been laid off. Further, the economic crisis is expected to last long after the health crisis ends. The Congressional Budget Office projects the national unemployment rate will remain quite high — 8.6 percent — in the last quarter of 2021.

As a result, states face massive budget shortfalls of about \$765 billion for the current fiscal year (which ends June 30 in most states) and the next two. Even after subtracting flexible federal aid provided so far and the entire amount in state rainy day funds, states still face shortfalls of about \$600 billion. Further, these shortfall estimates do not include increased state costs due to the pandemic, such as increased costs for public hospitals, first responders, domestic abuse agencies, mental health departments, and others (though the federal government has provided funds that will cover at least a portion of these costs through December 30, 2020).

## Heroes Act Would Help States Close Budget Holes, Prevent Harmful Cuts

Under the Heroes Act, states would receive \$500 billion; another \$20 billion would go to tribes and another \$20 billion to the territories. The state funds would be distributed in two equal parts: \$250 billion to be distributed within 30 days of the bill’s enactment and the remaining \$250 billion by May 3, 2021. The funds for tribes and territories would be distributed in full within 30 days of enactment, an appropriate approach since, for example, the pandemic has hit Puerto Rico in the aftermath of two devastating hurricanes, an earthquake, and a severe financial crisis. Tribes are also uniquely vulnerable to the pandemic and its economic impacts since tribal businesses that have been deeply affected by the virus and downturn, such as casinos, often generate vital government revenue for tribes to run programs such as public health and child care.

The amount each state would receive from the Coronavirus State Fiscal Relief Fund varies significantly based on its shares of the national population, COVID cases, and unemployed individuals. Because each state would receive \$2 billion plus its share of the rest of the allocation, states with small populations would receive the most per capita. California would receive about \$49 billion, the most of any state, but California’s per capita amount is among the smallest at roughly \$1,250 per person. By contrast, Wyoming would receive over \$4,500 per person. (See table.)

The bill specifies that states, tribes, and territories may use these funds to avoid layoffs and other harmful spending cuts that otherwise would result from revenue declines caused by the pandemic. The bill also specifies that states may use federal funds provided under the CARES Act for these purposes, a necessary fix because Treasury Department guidance prevents states from using those funds to make up for lost revenues.

State allocations of the Heroes Act’s Coronavirus State Fiscal Relief Fund would be determined as follows:

### Distribution of \$250 billion within 30 days of enactment:

- \$1 billion for each state and the District of Columbia.
- \$150 billion distributed based on each state’s share of the national population.

- \$49 billion distributed based on each state's share of COVID cases, as reported by the Centers for Disease Control and Prevention.

#### Distribution of \$250 billion by May 3, 2021:

- \$1 billion for each state and the District of Columbia.
- \$199 billion distributed based on each state's share of unemployed individuals in the United States on average over the first three months of 2021.

## **Heroes Act Provides Other Important Fiscal Relief**

---

The Heroes Act also includes other types of fiscal relief. For example, the Act:

- **Increases the share of Medicaid costs that the federal government will pay.** That's a direct savings to states that they can use directly to address their massive budget shortfalls. This increase in federal payments for Medicaid would build on and extend a smaller, temporary increase included in the Families First Act of March. It's also crucially important because it would bar states from restricting Medicaid eligibility.
- **Provides fiscal relief for local governments,** whose finances the pandemic has also weakened. This relief would help municipalities and counties avoid layoffs and other damaging cuts that would further worsen the already bad economy. As with the state funds, the fiscal relief for localities would be distributed partly this year and partly next spring, with two-thirds of the funding distributed within the first 30 days after enactment and the remainder distributed between April 15 and May 3, 2021.
- **Includes funding to support local school districts and higher education institutions.** Education accounts for about 41 percent of state budgets. The Heroes Act funds would flow to local school districts through the formula that states use to distribute funds for the federal Title I program, the major federal assistance program for high-poverty school districts, and to colleges and universities based on their share of the state's students receiving financial assistance through federal Pell Grants.

## Heroes Act Coronavirus State Fiscal Relief Fund, by State (in billions)

State	Year 1 allocation	Year 2 allocation <sup>a</sup>	Total	Per capita total
<b>Total, States</b>	\$250.0	\$250.0	\$500.0	\$1,523
Alabama	\$3.6	\$3.1	\$6.7	\$1,373
Alaska	\$1.3	\$1.6	\$3.0	\$4,082
Arizona	\$4.8	\$6.5	\$11.3	\$1,547
Arkansas	\$2.5	\$2.7	\$5.2	\$1,737
California	\$21.6	\$27.8	\$49.4	\$1,249
Colorado	\$4.4	\$4.2	\$8.5	\$1,484
Connecticut	\$3.9	\$3.3	\$7.2	\$2,007
Delaware	\$1.7	\$1.7	\$3.4	\$3,458
District of Columbia	\$1.6	\$1.7	\$3.3	\$4,643
Florida	\$12.3	\$11.8	\$24.2	\$1,124
Georgia	\$7.1	\$6.7	\$13.8	\$1,297
Hawaii	\$1.7	\$1.6	\$3.2	\$2,280
Idaho	\$1.9	\$1.8	\$3.7	\$2,045
Illinois	\$9.8	\$8.8	\$18.7	\$1,472
Indiana	\$5.0	\$4.3	\$9.3	\$1,386
Iowa	\$2.9	\$2.7	\$5.6	\$1,786
Kansas	\$2.6	\$2.5	\$5.1	\$1,741
Kentucky	\$3.3	\$4.1	\$7.4	\$1,661
Louisiana	\$4.3	\$4.9	\$9.2	\$1,980
Maine	\$1.7	\$1.7	\$3.4	\$2,500
Maryland	\$5.0	\$4.4	\$9.5	\$1,567
Massachusetts	\$7.0	\$4.4	\$11.4	\$1,654
Michigan	\$7.3	\$7.0	\$14.3	\$1,431
Minnesota	\$4.1	\$4.1	\$8.1	\$1,443
Mississippi	\$2.7	\$3.2	\$5.9	\$1,985
Missouri	\$4.2	\$4.8	\$9.0	\$1,460
Montana	\$1.5	\$1.6	\$3.1	\$2,897
Nebraska	\$2.2	\$2.1	\$4.3	\$2,232
Nevada	\$2.6	\$3.2	\$5.9	\$1,903
New Hampshire	\$1.7	\$1.6	\$3.4	\$2,477
New Jersey	\$10.0	\$6.5	\$16.5	\$1,860
New Mexico	\$2.1	\$2.6	\$4.7	\$2,255
New York	\$21.7	\$13.1	\$34.8	\$1,791
North Carolina	\$6.4	\$7.2	\$13.5	\$1,292
North Dakota	\$1.4	\$1.3	\$2.7	\$3,535
Ohio	\$7.3	\$9.4	\$16.6	\$1,423
Oklahoma	\$3.0	\$2.9	\$5.8	\$1,473
Oregon	\$3.0	\$3.2	\$6.2	\$1,481
Pennsylvania	\$8.9	\$11.7	\$20.6	\$1,609
Rhode Island	\$1.9	\$1.7	\$3.6	\$3,378

## Heroes Act Coronavirus State Fiscal Relief Fund, by State (in billions)

State	Year 1 allocation	Year 2 allocation <sup>a</sup>	Total	Per capita total
South Carolina	\$3.6	\$2.9	\$6.5	\$1,264
South Dakota	\$1.5	\$1.5	\$3.0	\$3,425
Tennessee	\$4.7	\$4.6	\$9.3	\$1,366
Texas	\$15.8	\$18.4	\$34.2	\$1,180
Utah	\$2.7	\$2.5	\$5.2	\$1,611
Vermont	\$1.3	\$1.3	\$2.6	\$4,180
Virginia	\$5.9	\$5.0	\$10.9	\$1,281
Washington	\$5.1	\$6.3	\$11.4	\$1,501
West Virginia	\$1.9	\$2.4	\$4.2	\$2,366
Wisconsin	\$4.1	\$4.4	\$8.5	\$1,456
Wyoming	\$1.3	\$1.3	\$2.6	\$4,551
<b>Puerto Rico <sup>b</sup></b>	<b>\$10.9</b>	<b>\$0</b>	<b>\$10.9</b>	<b>\$3,428</b>

<sup>a</sup> Year 2 allocations would be distributed based on each state's share of the total number of unemployed individuals in the first quarter of 2021. We estimate the distribution based on each state's share in the first quarter of 2020. Our method results in a somewhat different distribution than one produced by the Congressional Research Service (CRS) and posted on Speaker Pelosi's website. CRS modeled an identical per-capita increase in each state's share of unemployment such that national unemployment would be 10.1 percent in the first quarter of 2021, which the Congressional Budget Office was projecting at the time.

<sup>b</sup> The U.S. territories of Puerto Rico, Guam, the Virgin Islands, the Northern Mariana Islands, and American Samoa would split a \$20 billion allocation. Half of these funds would be distributed equally to the five territories, so each receives \$2 billion. The other half would be distributed based on each territory's share of the total population of the five territories combined. Because Puerto Rico is much more populous than the others, it would receive most of these funds.

Source: CBPP estimates using Census population data for 2019, COVID case data from CDC as of May 15, and data on average unemployed individuals in the first quarter of 2020 from the Bureau of Labor Statistics