

*Office of the Governor
State of North Carolina*

*Roy Cooper
Governor*



*20301 Mail Service Center
Raleigh, N.C. 27699-0301*

July 16, 2020

Dear Members of the North Carolina Congressional Delegation:

North Carolina, along with states across the country, continues to face unprecedented circumstances driven by the COVID-19 pandemic. While we have been able to move to a careful Phase 2 of reigniting our economy, too many businesses are still hurting, and we continue to face massive unemployment as a result of this virus. The state, our counties, and our municipalities continue to lose revenue and lay off employees at a time when government assistance is needed most.

I want to reiterate my appreciation for the aid Congress has passed to date in response to this global emergency, and to share several updates on how elements of the CARES Act and other funds are being put to work for the benefit of families and small businesses, stabilizing critical state and local government services, improving unemployment support for our people, and mitigating layoffs while we look toward getting more workers back on payrolls. But more importantly, I write today to ask you to do more, as quickly as possible, to address continuing critical needs and move our state toward a more complete recovery while addressing the health care needs of our population.

Let me put in some context our continuing local and state needs and actions taken to date, with particular focus on state and local revenues. As a direct result of the pandemic, we estimate local government revenue collections to be about \$1.25 billion below prior expectations for FY 2020-21 across all of our 100 counties and 550 municipalities. The State of North Carolina General Fund revenue decline in FY 2020-21 is estimated to be \$3.6 billion (-13%) before changing the tax filing date from April 15, and about \$2.6 billion (-9%) after the shift to July 15.

Combined with COVID-driven losses in the recently concluded FY 2019-20, the total local and state general revenue decline in North Carolina is in excess of \$5 billion, with losses in dedicated transportation related revenues driving the combined total above \$6 billion. Current projections indicate that even assuming the eradication of COVID-19 in the near future, we are unlikely to return to previously expected 2020 revenue levels until at least 2023.

Following Congressional enactment of the CARES Act Coronavirus Relief Fund (CRF), the General Assembly passed and I signed into law a number of actions to allocate the bulk of the \$4.06 billion that we received through the CRF. Led by the newly formed North Carolina Pandemic Recovery Office, further information on those efforts in North Carolina can be found at ncpro.nc.gov. Beyond the \$482 million allocated by CARES directly to large local governments with populations over 500,000, \$300 million was appropriated to counties for COVID-19 related needs. Other allocations from the CRF include \$259 million for education and \$269 million for public health.

Another \$300 million from the CRF was set aside to address transportation needs, pending further Congressional action to allow this use for direct replacement of lost highway revenues. About 15% of our total CRF allocation has not yet been appropriated, pending further flexibility and assessment of still emerging needs. In addition to more funding for the CRF to cover the remaining general fund and transportation revenue losses referenced above, we need flexibility to use both existing and prospective federal funds for state and local revenue replacement.

It is important to note that these CRF allocations significantly benefit our local government partners, as the State of North Carolina takes an outsized role relative to other states in financing both transportation and education. In fact, due to longstanding practice that predates the pandemic, we are in many ways the most state-centric service state in America. We have largely state-funded public schools, community college and university systems; we fund statewide prison and court systems; we fund 100% of the non-federal Medicaid share, and the bulk of transportation needs.

We believe the biggest concern going forward is to ensure that the next federal package includes dedicated allocations to state, county and municipal governments so our local governments receive direct funds for their needs. Congress can and should prevent pitting local leaders against one another in managing the fiscal consequences of the pandemic. In addition to permitting the use of CRF funds for revenue replacement, Congress should urge FEMA to provide 100% federal reimbursement for non-federal cost share for state and local costs of responding to the pandemic. This would enable our state, county, and municipal governments to shift the dollars bookmarked for their cost share to other critical needs.

This week, I announced a plan for public schools across the state to open their doors this fall safely, with social distancing and options for distance learning. In order to do so effectively, we need federal funds dedicated to education, both in K-12 settings and for our colleges and universities. Without it these institutions will not be able to purchase the essential cleaning supplies, personal protective equipment and other materials necessary to create a safe and productive learning environment, including the ability to pay teachers and staff who will be on the frontlines of the pandemic. We also must ensure our ability to address nutrition for students, both those in school and those distance learning.

Another way Congress can aid the state is by increasing the Federal Medical Assistance Percentage (FMAP). The National Governors Association has a standing bipartisan request for a temporary increase in the FMAP from the existing 6.2% to 12% until at least September 30, 2021, with the ultimate duration of the FMAP increase tied to state unemployment rates. This will enable North Carolina to address a number of demands on our healthcare system related to COVID-19 and free up state dollars that are badly needed in other areas.

Our people need direct support as well. North Carolina continues to face double digit unemployment paired with insufficient state level benefits. The continuation of expanded federal unemployment benefits is vital to the health of our people and our economy. Like states around the country, our Division of Employment Security (DES) has faced an unprecedented crush of over one million applicants. In considering continuing or additional resources for the unemployed, I ask that you focus your attention on utilizing the systems and programs currently in place. Introducing new benefit programs at this stage of the pandemic would force DES to develop additional infrastructure to test and implement those new programs, further straining already limited resources and hindering our ability to deliver benefits to deserving North Carolinians in a timely manner. Even with extended unemployment, North Carolina would benefit greatly from a federal rental and utility assistance package to assist unemployed and furloughed workers, landlords, and our taxpayer owned utilities.

I am also aware of bipartisan interest in a significant expansion of national service opportunities for both individuals left jobless by the crisis and new graduates entering a challenging job market. The proposed CORPS Act would provide an additional 1,500-2,000 AmeriCorps slots across our state, enabling hard working North Carolinians to put their efforts towards alleviating health, economic and social challenges arising from the pandemic.

Reauthorization and expansion of the already successful State Small Business Credit Initiative (SSBCI) to provide immediate and alternative increased access to capital for North Carolina small businesses is another important action Congress can take. The NC Rural Economic Development Center and the Golden Leaf Foundation are doing important work in this regard and could do more as we continue to reignite our economy.

As I wrote to you in March, it remains indisputable that an aggressive infrastructure plan will be vital to long term economic stimulus as states face severe revenue losses for our highways and transit systems and increased costs associated with natural disasters. We need to make smart, clean and strategic investments not only in the nation's transportation systems, but also in our energy, water, cybersecurity and broadband infrastructure. Expanded access to high-speed broadband is especially important in order to facilitate remote education and economic recovery into the future.

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Finally, we continue to be concerned with the availability and adequacy of testing supplies, reagents, and personal protective equipment as we face the continuing escalation of COVID-19 cases and consequences. As state agencies work with federal agencies every day to confront this pandemic, I hope you will join me in demanding transparency and accountability from the federal Executive branch. We cannot beat this crisis if we do not ensure our economy can survive the duration of the virus, and we will not beat the virus if we do not follow best public health guidance and properly resource and implement robust testing, contact tracing and isolation capabilities that will be required for an effective recovery strategy.

I know that the House HEROES Act contains many of the items referenced here, and that there are significant discussions shaping up in the Senate to address many of these goals as well. Please do all you can to push towards swift and successful outcomes as you consider what is necessary for North Carolina and our country to emerge from this pandemic stronger than before.

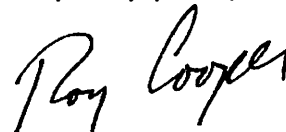
The actions you take in the next few weeks are vital to our ability to emerge from this crisis and restore the economic prosperity we know we are capable of.

In summary, let me restate our priorities for the next round of Congressional response to the pandemic: 1) robust and flexible dollars sent directly to state and local governments to help replace lost revenues and address pandemic costs; 2) help protecting our students, educators and staff as we get back to school; 3) increase the FMAP to 12% until at least September 30, 2021; 4) continued funding of expanded federal unemployment benefits; 5) a federal rental and utility assistance package; and 6) investment in a range of programs designed to support small businesses, expand national service opportunities, rebuild our infrastructure, and create opportunities. We also continue to need your support to keep our state on the leading edge of pandemic response with testing supplies and PPE to keep our frontline workers, healthcare providers, and people safe and healthy.

Thank you for your continued commitment to our future.

With kind regards, I am

Very truly yours,

A handwritten signature in black ink that reads "Roy Cooper". The signature is written in a cursive, flowing style.

Roy Cooper