



## FACT SHEET:

### S. 4308 – Special Districts Provide Essential Services Act (Sinema [AZ], Cornyn [TX])

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**Summary:** S. 4308 would provide special districts access to the Coronavirus Relief Fund, enhance Federal Reserve programs to allow special districts access to capital, and establish a definition for “special district” in federal law for program eligibility.

#### Main provisions:

- Would require states to distribute 5 percent of future Coronavirus Relief Fund allocations to special districts within their respective state within 60 days of receiving funds from the U.S. Treasury.
- Special districts applying for funding would submit information to their state demonstrating the degree to which they have experienced or anticipate they will experience COVID-19-related revenue loss, grant/inter-governmental revenue loss, or increased COVID-19-related expenditures.
- Limits allocations such that a special district may not receive funding that exceeds the amount the district expended in any quarter of 2019. Special districts providing services the federal Cybersecurity and Infrastructure Security Agency deems to be within a [“critical infrastructure sector”](#) would be exempt from limitations.
- Provides flexibility for states with excess funds reserved for special districts that make a good faith effort to distribute funds to districts within the state. States file a waiver with U.S. Treasury after 60 days demonstrating how the state distributed its special districts funding. If approved, the state may use the balance of the funds for other COVID-19 response purposes.
- “Special district” would be defined as a *“political subdivision of a State, formed pursuant to general law or special act of the State, for the purpose of performing one or more governmental or proprietary functions.”*
- Would direct the U.S. Department of Treasury to consider special districts as eligible issuers to take advantage of the Municipal Liquidity Facility, as established in the [CARES Act](#), for access to capital during the current financial downturn.

#### Frequently Asked Questions:

##### *Why is this bill necessary?*

S. 4308 is necessary to meet the needs of special districts across the nation delivering essential services to their communities. Many special districts provide critical infrastructure, as defined by the U.S. Department of Homeland Security, that cities and counties do not provide to the communities they serve. Despite this, special districts are not considered eligible for direct Coronavirus Relief Fund disbursements. Many states have not released their portions of Coronavirus Relief Funds, in part intended for municipalities serving fewer than 500,000 people, to special districts. **Without changes to the current law, special districts will continue facing obstacles to funding.**

This bill remedies the problem with a definition of special districts and direction for states to provide 5 percent of their respective proportion of the Fund to special districts.

*Would S. 4308 authorize any new programs? Or Would S. 4308 provide new emergency appropriations?*

**No.** S. 4308 only ensures special districts have access to COVID-19 relief funds for state and local governments made under Section 601 of the Social Security Act (the Coronavirus Relief Fund). The bill would require a small portion of future Section 601 appropriations to be directed to special districts. This makes the amount directed to special districts contingent upon what Congress appropriate under Section 601 in the future.

*Would the bill cover COVID-19-related revenue loss?*

S. 4308 would allow special districts access and use assistance made available under Section 601 of the Social Security Act (the Coronavirus Relief Act). The CARES Act currently allows funds to be used only for previously-unbudgeted, COVID-19-related expenditures. Congress may amend Section 601 to allow funds to be used for COVID-19 revenue loss in a separate effort.

*Why is the mandate to direct future allocations 5 percent?*

The National Special Districts Coalition and Congressman Garamendi settled on a 5 percent share based on property tax revenue data for special districts relative to cities and counties. Special districts receive at least 10 percent of each state's property tax revenue when comparing to city and county governments. Based figures listed within the U.S. Census Bureau's 2017 Census of Governments, expenditures tend to track with revenue figures. Special districts fully understand general purpose governments - counties and cities – have more services (full health departments, office of emergency services, etc.) that are utilized while also experiencing large declines in sales tax revenues. Being mindful of the situation, special districts ask for 5 percent of future allocations, which in some states is rather modest.

*Does the bill outline how states must distribute the funds?*

No. The bill gives states discretion to direct funding to special districts based on districts' needs with each respective state. However, the states would be required to distribute the funds within 60 days of receiving their portion from the U.S. Department of the Treasury.

*How many special districts are there in the U.S.?*

There are approximately 30,000 special districts serving millions of Americans across the country. This is hard to ascertain, as there is no federal definition of "special district" in current law. "Special districts" definitions vary across states. To remedy this, S. 4308 establishes a "special district" definition.

*Does S. 4308 prioritize particular types of districts over the others?*

No, the bill does not specify which districts are eligible for the funds. Special purpose governments meeting the definition established in the bill would all be eligible. States would make determination on how the funds are distributed in their respective states.

The bill defines "special district" as *a political subdivision, formed pursuant to general law or special act of a State, for the purpose of performing one or more governmental or proprietary functions.*

**Talking Points:**

- Special districts are local governments providing critical infrastructure, first response and community enrichment services to millions across California and the country.
- We are local governments, not businesses or non-profits, and though we provide services like water, sewer, fire protection, parks, and others, we are separate and distinct from cities and counties.
- Despite this, many special districts have not yet received access to Coronavirus Relief Act funding for local governments through their states.
- S. 4308, the Special Districts Provide Essential Services Act, would allow a portion of resources provided in future Coronavirus Relief Fund appropriations to be directed to special districts.
- **S. 4308 does not ask for a new appropriation.** Rather, it authorizes a mechanism for special district access appropriations Congress makes in the future under Section 601 of the Social Security Act (CARES Act / Coronavirus Relief Fund).
- The bill would give states flexibility on how to disburse funds to special districts within their respective states.
- This bill also allows special districts to use the Federal Reserve's Municipal Liquidity Facility program as a tool to access capital during an economic downturn / period of revenue loss.
- S. 4308 does not divert monies appropriated for cities and counties.
- Without access to federal resources, special districts will continue falling into economic distress, deferring maintenance, delaying capital projects, reducing staff and cutting services to their communities.

### ***Discussion Guide for Impacts on Your Special District***

- Share with your representative where your special district is located (region), what services your district provides and how many people live in the community
- Quantify previously unbudgeted expenses due to COVID-19 and share what those expenses have been (PPE, technology upgrades for telecommuting, etc.)
- To what extent has your district experienced revenue loss? What do you project it to be?
- Have you had to cancel or significantly change routine operations or programs?
- *If a utility provider:* have you experienced revenue loss due diminished commercial and industrial service? Have you noticed unpaid residential customer bills? (state whether you have issued moratoriums on shutoffs)
- How many employees do you have, and how many now must either work from home and/or have been let go/furloughed?
- Have staff members had to take emergency sick or family leave time?
- Have you had to repurpose your district's facilities to accommodate community needs?