

117TH CONGRESS
1ST SESSION

H. R. 535

To amend the Social Security Act to include special districts in the coronavirus relief fund, to direct the Secretary to include special districts as an eligible issuer under the Municipal Liquidity Facility, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 28, 2021

Mr. GARAMENDI (for himself, Mrs. DEMINGS, Mr. KILMER, Ms. LEE of California, Mrs. NAPOLITANO, Mr. RUSH, Mr. PANETTA, Ms. BROWNLEY, Mr. BERA, Ms. KELLY of Illinois, Mr. DEFAZIO, Mr. CRIST, Mr. DOGGETT, Ms. ESHOO, Mr. COSTA, Mr. TAKANO, Mr. CARBAJAL, Mr. PETERS, Mr. DESAULNIER, Mr. MCNERNEY, Mr. LOWENTHAL, and Mr. THOMPSON of California) introduced the following bill; which was referred to the Committee on Oversight and Reform, and in addition to the Committee on Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Social Security Act to include special districts in the coronavirus relief fund, to direct the Secretary to include special districts as an eligible issuer under the Municipal Liquidity Facility, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Special Districts Pro-
3 vide Essential Services Act”.

4 **SEC. 2. INCLUSION OF SPECIAL DISTRICTS IN THE**
5 **CORONAVIRUS RELIEF FUND.**

6 (a) IN GENERAL.—Section 601(a) of the Social Secu-
7 rity Act (42 U.S.C. 801(a)) is amended by adding at the
8 end the following new paragraph:

9 “(3) FUNDS FOR SPECIAL DISTRICTS.—If an
10 amount in excess of \$150,000,000,000 is appro-
11 priated for payments made under this section, spe-
12 cial districts shall be eligible for payments from the
13 portion of such excess amount paid to States in ac-
14 cordance with subsection (c)(6).”.

15 (b) AMOUNT FOR SPECIAL DISTRICTS.—Section
16 601(c) of the Social Security Act (42 U.S.C. 801(c)) is
17 amended—

18 (1) by redesignating paragraphs (6) through
19 (8) as paragraphs (8) through (10), respectively;
20 and

21 (2) by inserting after paragraph (5) the fol-
22 lowing new paragraphs:

23 “(6) SPECIAL DISTRICTS.—

24 “(A) IN GENERAL.—If a portion of any ex-
25 cess amount described in subsection (a)(3) is
26 paid to a State, the State shall allocate at least

1 5 percent of such portion for distributing pay-
2 ments to special districts in the State that sub-
3 mit to the Governor of the State or the entity
4 designated by the Governor to distribute such
5 payments (referred to in this paragraph as the
6 ‘designated payment entity’) a request for a
7 payment during the COVID–19 emergency and
8 information described in subparagraph (B)
9 demonstrating the need for the payment, which
10 the Governor of the State or the designated
11 payment entity has determined, on the basis of
12 a good faith effort, is accurate.

13 “(B) INFORMATION DESCRIBED.—Infor-
14 mation described in this subparagraph is writ-
15 ten documentation demonstrating with respect
16 to a comparable period before the COVID–19
17 emergency that the special district has experi-
18 enced or is likely to experience during the
19 COVID–19 emergency—

20 “(i) reduced revenue or operational
21 funding derived from provided services,
22 taxes, fees, or other sources of revenue;

23 “(ii) reduced indirect funding from
24 the Federal Government, the State, or a

1 unit of general government below the State
2 level; or

3 “(iii) as a result of the COVID–19
4 emergency, increased expenditures nec-
5 essary to continue operations.

6 “(C) AMOUNT OF PAYMENT.—

7 “(i) IN GENERAL.—Subject to clauses
8 (ii) and (iii), the amount of the payment
9 for a special district shall be determined by
10 the Governor or the State or the des-
11 ignated payment entity, taking into consid-
12 eration the extent of a projected budget
13 shortfall for the special district during the
14 COVID–19 emergency and the need of the
15 special district to supplement projected
16 revenue.

17 “(ii) LIMITATION.—Except as pro-
18 vided in clause (iii), the amount paid to a
19 special district shall not exceed the amount
20 of expenditures made by the special district
21 for any quarter of calendar year 2019.

22 “(iii) EXCEPTION FOR PROVIDERS OF
23 ESSENTIAL CRITICAL INFRASTRUCTURE
24 SECTOR SERVICES.—If a special district
25 provides essential critical infrastructure

1 sector services (as defined by the Cyberse-
2 curity and Infrastructure Security Agency
3 of the Department of Homeland Security),
4 the amount paid to the special district may
5 exceed the limit applicable under clause
6 (ii).

7 “(iv) RULE OF CONSTRUCTION.—
8 Nothing in the preceding clauses of this
9 subparagraph shall be construed as requir-
10 ing payment of an amount sufficient to
11 provide a special district with full oper-
12 ational funding during the COVID–19
13 emergency.

14 “(D) RESPONSIBLE AUTHORITY FOR
15 RECOUPMENT.—If it is determined that a pay-
16 ment made to a special district did not comply
17 with the requirements of the preceding subpara-
18 graphs, or was otherwise fraudulent or im-
19 proper, the special district shall be liable for the
20 debt owed to the Federal Government under
21 subsection (f), unless all or a part of the basis
22 for such determination is that the determina-
23 tion required under subparagraph (A) regarding
24 the accuracy of the information demonstrating
25 the need for the payment was not made in good

1 faith, in which case the State shall be liable for
2 all or a part of such debt, as the Secretary de-
3 termines appropriate.

4 “(E) DEADLINE FOR DISTRIBUTION OF
5 FUNDS.—Payments to special districts in a
6 State shall be distributed not later than 60
7 days after the State receives a payment from
8 any excess amount described in subsection
9 (a)(3).

10 “(F) COVID–19 EMERGENCY.—For pur-
11 poses of this paragraph, the term ‘COVID–19
12 emergency’ means the public health emergency
13 declared by the Secretary of Health and
14 Human Services pursuant to section 319 of the
15 Public Health Service Act on January 31,
16 2020, entitled ‘Determination that a Public
17 Health Emergency Exists Nationwide as the
18 Result of the 2019 Novel Coronavirus’ and in-
19 cludes any renewal of such declaration pursuant
20 to such section 319.

21 “(7) EXCESS FUNDS WAIVER.—

22 “(A) IN GENERAL.—If a State has allo-
23 cated funds from a payment to the State de-
24 scribed in paragraph (6) to special districts in
25 that State, but has not met the 5 percent allo-

1 cation requirement of that paragraph, the Gov-
2 ernor of the State may submit to the Secretary,
3 in writing, a request for an excess funds waiver
4 to exempt the State from having to make addi-
5 tional allocations from such funds to make up
6 the remainder of such 5 percent requirement,
7 and to allow the State to use the funds remain-
8 ing in accordance with this section.

9 “(B) REQUIREMENTS.—A waiver request
10 submitted under subparagraph (A) shall pro-
11 vide—

12 “(i) information regarding how funds
13 from the payment to the State described in
14 paragraph (6) were allocated to special dis-
15 tricts in the State and otherwise used; and

16 “(ii) an explanation why the require-
17 ment for the State to meet the 5 percent
18 allocation requirement of paragraph (6)
19 should be waived.

20 “(C) DEADLINES.—

21 “(i) WAIVER REQUEST.—A request
22 for an excess funds waiver shall be sub-
23 mitted to the Secretary not later than 60
24 days after the State receives a payment de-
25 scribed in paragraph (6).

1 “(ii) APPROVAL OR DISAPPROVAL.—
2 The Secretary shall approve or disapprove
3 a waiver request submitted under subpara-
4 graph (A), in writing, not later than 14
5 days after the Secretary receives the re-
6 quest.”.

7 (c) DEFINITION OF SPECIAL DISTRICT.—Section
8 601(g) of the Social Security Act (42 U.S.C. 801(g)) is
9 amended—

10 (1) by redesignating paragraphs (4) through
11 (5) as paragraphs (5) through (6), respectively; and

12 (2) by inserting after paragraph (3) the fol-
13 lowing new paragraph:

14 “(4) SPECIAL DISTRICT.—The term ‘special dis-
15 trict’ means a political subdivision of a State,
16 formed pursuant to general law or special act of the
17 State, for the purpose of performing one or more
18 governmental or proprietary functions.”.

19 (d) TREASURY IG OVERSIGHT AUTHORITY.—Section
20 601(f)(2) of such Act (42 U.S.C. 801(f)(2)) is amended—

21 (1) by inserting “or that a special district or
22 State has not complied with the requirements of
23 paragraph (6) or (7) of subsection (c) (as applica-
24 ble),” after “subsection (d),”; and

1 (2) by striking “such subsection” and inserting
2 “subsection (d) or paragraph (6) or (7) of sub-
3 section (c) (as applicable)”.

4 (e) UPDATE TO GUIDANCE.—The Secretary of the
5 Treasury shall update any guidance issued with respect
6 to the Coronavirus Relief Fund established under section
7 601 of the Social Security Act (42 U.S.C. 801) to reflect
8 the inclusion of special districts as eligible for payments
9 from amounts appropriated under such section, to the ex-
10 tent such amounts exceed \$150,000,000,000.

11 **SEC. 3. INCLUDING SPECIAL DISTRICTS IN THE MUNICIPAL**
12 **LIQUIDITY FACILITY.**

13 The Board of Governors of the Federal Reserve Sys-
14 tem shall include special districts, as defined in section
15 601(g)(4) of the Social Security Act (42 U.S.C. 801(g)(4))
16 (as added by section 2(c)), as eligible issuers in the Munic-
17 ipal Liquidity Facility program authorized under section
18 13(3) of the Federal Reserve Act (12 U.S.C. 343(3)).

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