Of nearly $7.5 million distributed to eleven southern Minnesota cities to support struggling persons and businesses, roughly 17.5 percent ($1.3 million) was awarded to local businesses according to federal guidelines. The remaining funds appear to have been used to pad city checkbooks.

Many southern Minnesota cities have used a loophole to allow the use of money from the Federal CARES Act program according to their own discretion. Cities are taking these funds and using them for previously budgeted safety salaries. Doing this allows these cities to take the funds previously allocated for public employee salaries and deposit them, as one director remarked, “Right into the bank account.”

According to federal guidelines, Coronavirus Relief Fund (CRF) funds may only be used to cover costs that were incurred due to the public health emergency caused by the coronavirus between March and November.

CRF funds may not be allocated for previously budgeted expenses or to replenish lost city revenue. Despite these clearly stated guidelines, one director defended city spending, saying, “The city lost a significant amount of revenues due to shutdowns. We’re using those freed up funds to add to our fund balance.”

According to the Department of Treasury, “Local governments should weigh these factors and decide if a given expense is necessary and due to COVID- 19. The decision-making process and justification for eligibility should be well-documented for use in the event of an audit.”

By using CRF funds for previously budgeted salaries, a city could, in turn, use those funds previously allocated for public safety salaries for any reason. One clerk said the city purchased new winter jackets for the police department. The North Mankato Finance Director reported the city spent $100,000 for brand new computers, monitors and iPads for everyone working in the city office. The City of Pemberton used half of their city's CRF funds to build a new entrance to the City Clerk's office.

New Richland’s City Clerk Wayne Billings described how a city avoids using CRF funds according to federal guidelines, “It [The CARES Act money expenditures] doesn’t have to be reported to the state because it was reported as being used for budgeted public safety salaries. If I didn’t get the use of the funds reported used by Nov. 15, it [the CARES Act money] had to go back to the state. It's reported, so we got to keep it. Now that it's in the general fund, the city can decide what to do with it.”

On Dec. 17, The Minnesota Office of Management and Budget (MMB) released their report on the use of Minnesota’s Coronavirus Relief Fund, the money distributed from the CARES Act. The state of Minnesota made $841 million in CRF aid available for distribution to counties, cities and townships statewide.

Cities submitted $357 million of expenditures. Of that, only $56 million was used in small business assistance. Over $150 million was used for payroll for public health and safety employees.

Regarding the appearance of improper use of CARES Act funds, Ellen Anderson, Communications Strategist from the (MMB), said, “The State of Minnesota made the decision to distribute CARES Act assistance to local governments, so local leaders could quickly use the funds to best protect the health, safety, and livelihoods of their residents during the global pandemic. Each local government that received CARES Act funding through the State signed a certification form agreeing to repay any funds that they use contrary to federal or state guidance. Local governments spending $750,000 or more of federal money are required to be audited per federal law, and any other local government can be subject to review or audit by the U.S. Treasury regardless of their amount of spending. After these audits, any local government with ineligible expenses must either repay those or substitute with other eligible expenses.”

The City of Owatonna received $1,965,000 from the CARES Act. Roughly $600,000 was reportedly spent on public safety wages.

When asked what happened to the money previously allocated for public safety wages, Finance Director Rhonda Moen said, “The city is putting it towards the city’s fund balance. Right into the bank account.”

Director Moen went on to explain the reasons behind this decision. “One of the things the CARES funds were not allowed for was to reimburse lost revenues. The city lost a significant amount of revenues due to shutdowns. We’re using those freed up funds to add to our fund balance.”

The City of Austin received $1,927,000 from the CARES Act and reportedly spent it all on public safety personnel.

“A lot of Minnesota entities did it this way because it was easier than associating out each individual cost associated with this [CARES Act money expenditures],” remarked Austin Finance Director, Thomas Dankert.

Director Dankert confirmed that CARES Act money reportedly used for public safety personnel is still in the city’s fund balance. “Those dollars will be sitting in accounts waiting for future use. It will be up to the new incoming council to decide where and when and how to use those funds,” said Dankert.

The City of North Mankato received one million dollars from the CARES Act and used none of it for small business relief. Over $800,000 was reportedly used for public employment and safety costs. The city did, however, offer an 18 month deferred interest loan program. After 18 months the loan interest amount would increase from zero to three percent.

According to Finance Director Kevin McCann, the CARES Act funds were used to pay public safety salaries from March through November despite there being previously allocated funds. “The money we had set aside (for public safety salaries), it just sits in a pot now and will help offset any additional costs, now and moving forward with the pandemic.”

Director McCann went on to say, “We had more payroll costs than what we’re currently showing. Almost double what we could document and justify. The additional time of employees putting on PPE and sanitizing work stations was the cause for the additional payroll costs incurred among hundreds of employees.”

It appears the reason for the reported use of funds for public payroll salaries, for which Director McCann admits there is insufficient documentation of increase, was not because the costs were actually any higher.

When asked what the previous year’s costs for public salaries were compared to now, Director McCann went on to contradict his previous statement, “For public safety, their costs are essentially being dedicated to the pandemic, so it was really just a function of shifting that around. For the other staff, essentially a lot of the duties that normally would have been getting done, got put on hold. It wasn’t truly additional costs, it was duty assignments shifted.”

The City of Albert Lea received $1.3 million from the CARES Act. Only 16.5 percent was used for business assistance programs. Nearly $800,000 was reportedly spent on public payroll for health and public safety salaries.

Albert Lea Finance Director Kristy Brutlag reported the city may spend the excess money left from the originally allocated public salaries, which are now in the city fund balance, however the city decides. She also went on to say the city was still working and still might work on future programs to help with financial relief.

Director Brutlag explained that she is not aware of the exact amount of excess funds in the city’s fund balance but did mentioned there were significant city revenue losses to take into account regarding the city’s general fund balance.

Of the 11 cities contacted, not all of them spent the majority of the CARES Act money on public safety personnel. The exceptions were Waseca, Ellendale, Geneva, and Clarks Grove.

Some cities simply gave their portion of the CARES Act money back to the county. This was the case in Geneva and Clarks Grove.

The City of Waseca received $680,000 from the CARES Act. Of that, a little over $400,000 was used for grant programs to help struggling businesses and nonprofits. Waseca originally allocated $150,000 for utility assistance programs, but only $41,000 in requests were received.

Waseca reportedly spent $155,000 on public safety wages. Finance Director Allisha Fischer reported that the previously allocated money for those public safety wages, which she noted cost over $2 million annually, were put into reserve for the City to use if there are any revenue cuts in 2021.

The City of Ellendale was the only city, of the eleven reported in this article, to spend all of their CARES funds without paying public salaries.

“At first we thought this was a lot of money,” remarked Ellendale Assistant City Clerk Steve Engel. “Then we thought, well if everyone applies, it’s not very much. We even bugged businesses to apply. We would have given more away if we could have. It took one heck of a lot of work and manpower.”

The City of New Richland received $90,000 from the CARES Act and reportedly spent those funds on previously budgeted public safety salaries. After the Star Eagle published an editorial detailing the comments made by Clerk Billings, the City of New Richland allocated $30,000 from its General Fund for small business relief.

The first sentence of bill S.3548 – CARES Act, is, “To provide emergency assistance and health care response for individuals, families and businesses affected by the 2020 coronavirus pandemic.”

CARES Act money was not intended to pay previously budgeted public employee salaries. It appears many southern Minnesota cities did not follow federal guidelines. Cities reported this money spent the way they did to avoid accountability and to free up previously allocated funds with the intention of spending money however their city councils saw fit.