



## COVID-19 UPDATE: RESOURCES FOR LOCALITIES

### MEMORANDUM

**TO:** Sustainable Strategies DC Clients & Colleagues

**FROM:** Matt Ward, Andy Seth, Ashley Badesch, Sarah Marin & Suzanne Kazar at Sustainable Strategies DC

**DATE:** March 27, 2020

**SUBJECT:** **Federal CARES Act Becomes Newest Virus Response Law**

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**This memorandum provides information relevant to local governments and public agencies on the new “Coronavirus Aid, Relief, and Economic Security Act” (CARES Act) that was signed into law on Friday, March 27, 2020.**

On March 27, President Donald Trump signed into law a \$2.2 Trillion package of legislation to provide additional federal resources for response to the coronavirus outbreak and its impacts on communities, families, individuals, and businesses. This historic bill, cited as the [“Coronavirus Aid, Relief, and Economic Security Act” CARES Act](#), funds various loans, grants, and other forms of assistance for businesses, industries, states, local governments, and hospitals and includes several other provisions that modify a wide range of programs and requirements.

Our review of the 880-page CARES Act shows that there are hundreds of billions of dollars and many programs devoted to issues that are of major importance to local governments and public agencies. There are also problems in the legislation for local governments that must still be fixed. We provide an initial summary of the bill below.

This stabilization may not be the end of the federal coronavirus relief packages, and local governments are seeking additional critical federal support. Sustainable Strategies DC will be active in following the implementation of the CARES Act program and other federal legislative packages, and will keep localities informed on how to take advantage of these resources – and advocate to Congress for more support as the nation seeks to emerge from the virus challenge. If you want to receive more updates on federal stimulus for COVID-19 response, sign up for the [Sustainable Strategies DC Spotlight](#) newsletter here.

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**STABILIZATION FUNDING FOR STATE & LOCAL GOVERNMENTS:** The final legislative deal does not provide the level of resources needed by local governments to maintain operations during this crisis and time of major local revenue losses. A set of [poll results released by the National League of Cities \(NLC\)](#) on March 25 indicates that 50% of cities will need to draw down reserves, that 37% will have to cut services, and that 13% will need to cut personnel to deal with the virus crisis. The NLC polls also show that an overwhelming majority of Americans (86%)

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support direct federal government providing funds directly to local governments to help deal with these challenges.

This is why many municipalities and municipal associations plan to continue to advocate to Congress for the local resources needed. In a March 24 letter to Congress, the NLC called for the funding to stabilize state and local governments to be increased to \$250 billion, to provide direct aid to local governments for all municipalities 50,000 population or higher (not >500,000), and to strengthen the requirements for states to pass through federal aid to local governments within 20 days from receipt, particularly for smaller jurisdictions that do not receive direct aid. It is important for local leaders to [sign on now](#) to the NLC's campaign urging Congress to fix these issues.

What the CARES Act does provide is \$150 billion for a "Coronavirus Relief Fund" to make payments to States, Tribal Governments, and direct payments to some, very large units of local government within 30 days of the enacted date:

- Nearly **\$139 billion** will be allocated by relative population proportion of a State/Units of Local Government. Funds allocated through direct payments to these >500,000 population local governments will reduce the amount determined for that State by the relative local government population proportion amount to be payed directly to the local government. No local government may receive more than 45% of a States proportion amount.
- Each State will receive a minimum of **\$1.25 billion**. See the allocations provided to states [here](#)
- **\$8 billion** to Tribal Governments
- **\$3 billion** to US territories including the District of Columbia, Puerto Rico, the US Virgin Islands, Guam, the North Mariana Islands, and American Samoa
- **\$35 million** for Treasury oversight

**Unit of Local Government** is defined as a county, municipality, town, township, village, parish, borough, or other unit of general government below the State level with a population that exceeds **500,000**. This includes about 36 cities and about 35 counties in the U.S., out of 30,000+ units of local government in our nation.

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**LIQUIDITY LOAN PROGRAM FOR MUNICIPALITIES:** Section 4003 of the CARES Act provides "Emergency Relief and Taxpayer Protections" including a new, \$500 billion program under which the U.S. Treasury can give non-forgivable loans of up to five years with low interest rates and other flexible terms to ensure liquidity of businesses, and also municipalities and states during the virus crisis. The CARES Act calls for Treasury to set up a program for liquidity loans for municipalities and states, so those program terms are not yet certain at this time.

**FUNDING FOR PROGRAMS CRITICAL TO LOCAL COMMUNITIES:** The CARES Act also provides hundreds of billions of dollars in increased federal spending on a wide range of federal programs to support both virus response and economic stimulus. Some of the \$167+ billion in programs that are most relevant to local governments and public agencies include:

**Virus Response Resources** including this \$49.33 billion:

- \$45.4 billion for a FEMA Disaster Relief Fund that includes \$400 million in grants for firefighters (\$100 million in AFG), emergency managers, and emergency food programs;
- \$1.5 billion for CDC State and Local Preparedness grants;
- \$955 million for HHS Aging and Disabled program resources and grants;
- \$850 million for DOJ Byrne Grants and Byrne Justice Assistance Grants;

- \$425 million for HHS SAMHSA funding for behavioral health clinics and emergency grants;
- \$200 million for Federal Communications Commission telehealth program grants.

**Social Services Resources** including this \$6.495 billion:

- \$3.5 billion in Child Care and Development Grants;
- \$1 billion in Community Service Block Grants;
- \$900 million in Low Income Housing Energy Assistance Program (LIHEAP) funding;
- \$750 million for Head Start;
- \$345 million in Department of Labor Dislocated Worker program resources and community grants

**Housing Assistance Resources** including this \$5.935 billion:

- \$4 billion for HUD Homeless Assistance Grants;
- \$1.25 billion in HUD tenant-based and \$1 billion in project-based rental assistance resources;
- \$685 million for public housing authority operations

**Education System Stabilization Resources** through \$31 billion in education stabilization resources to states to support pre-K, K-12, and higher education systems

**State & Local election assistance grants via Election Assistance Commission** at \$400 million

**Economic & Infrastructure Rebuilding Resources** including this \$46.575 billion:

- \$25 billion for 100% no-match, FTA “Transit Infrastructure Grants” for both capital and operating expenses, with increased flexibilities;
- \$10 billion in 100% no-match, FAA Grants-in-Aid for Airports;
- \$5 billion for HUD CDBG grants, with a waiver on the public services cap, and other flexibilities;
- \$1.5 billion for Economic Development Administration grants;
- \$75 million for National Endowment for the Arts grants and \$75 million for National Endowment for the Humanities grants, with 60% of those fund for direct grants (and 40% for state arts and humanities programs)

**Support for Local Businesses:** The array for supports in the CARES Act for small and medium-sized businesses includes this \$27.75 billion:

- \$350 billion for forgivable SBA Section 7(a) loans to small businesses to cover payroll, mortgage interest, rent and utility payments associated with the crisis;
- \$192 million for grants for Small Business Development Centers;
- \$48 million for no-match grants to Women’s Business Centers; and
- \$10 million for Minority Business Centers

**UNFUNDED MANDATE ON PAID LEAVE:** The second emergency spending bill signed into law on March 18 (H.R. 6201) created an unfunded mandate that prevents governments from receiving compensation to offset new employer requirements mandatory for local government to provide paid leave and paid emergency leave, even though this legislation provides tax credits for non-government employers to cover that mandate. Please [sign on now](#) to the NLC advocacy effort to have this unfunded mandate on local governments fixed.

Please contact Sarah Marin at [Sarah.Marin@StrategiesDC.com](mailto:Sarah.Marin@StrategiesDC.com) or (202) 308-7125 with any questions.