



# THE CARES ACT

## PROVISIONS FOR LOCAL GOVERNMENTS

The “Coronavirus Aid, Relief, and Economic Security Act” or “CARES Act” was signed into law on Friday, March 27, 2020. Viewed as an important step to address the economic fallout from the coronavirus pandemic, the CARES Act is the largest economic stimulus package ever enacted by the United States Government.

The CARES Act includes a wide range of stimulus initiatives, providing \$2 trillion in funding for programming and funding aimed at addressing the impacts of the Coronavirus pandemic. The following initiatives are of particular interest to local governments and the communities they serve:

**ECONOMIC STABILIZATION FUND:** The CARES Act creates a \$454 billion Economic Stabilization Fund that authorizes the U.S. Treasury to “purchase obligations (of states, local governments, instrumentalities, and political subdivisions of them) or other interests in secondary markets or otherwise.” This permits the Federal Reserve to participate as an institutional investor in securities that mature in greater than 6 months (such as municipal bonds) in the event that this is necessary to stabilize the bond market. The Economic Stabilization Fund also **provides loans and loan guarantees to small businesses.**

**COVID-19 RELIEF FUND:** The Act allocates \$150 billion in direct aid to states, tribal governments, territories, and local governments with a population over 500,000 specifically for COVID-19 expenses. The majority of this funding will go directly to states using a population-based formula to determine the amount each state receives; however, each state will



receive no less than \$1.25 billion. Local governments with populations over 500,000 will be able to apply for their own direct funding, while those jurisdictions falling below the population threshold will need to seek funding through their states. The qualifications for using the relief funds are: the costs incurred are necessary expenditures due to the public health emergency resulting from the pandemic, the expenditures were not accounted for in the budget most recently approved as of the date of enactment, and the expenses were incurred from March 1, 2020 through December 30, 2020.



## LOCAL GOVERNMENT GRANT PROGRAMS

### COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

**PROGRAM:** The CARES Act authorizes a \$5 billion allocation to the **CDBG program** for provision of services for senior citizens, the homeless, and public health services to address COVID-19. Of the total allocation, \$2 billion would be distributed using the existing formula; \$1 billion would go to states based on a formula developed by HUD for COVID-19 (states would then allocate these funds to both entitlement and non-entitlement communities); and the remaining \$2 billion will go to states and localities based on a formula that is to be developed by HUD within 30 days of the act's passage.

### DOJ BYRNE JUSTICE ASSISTANCE GRANTS (JAG):

The Act authorizes \$850 million in funding to the Department of Justice for the Byrne JAG grant program to assist state and local law enforcement and jails in preventing, preparing for, and responding to COVID-19.

## DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) FUNDING

### CDC STATE AND LOCAL PREPAREDNESS GRANTS:

The Act authorizes \$1.5 billion in funding for **grants for state and local preparedness activities**. These funds can be used for the rent, lease, purchase, acquisition, construction, alteration, or renovation of non-federally owned facilities to improve preparedness and response capabilities at the state and local levels.

### HHS COMMUNITY SERVICES BLOCK GRANT

**PROGRAM:** The Act authorizes \$1 billion for grants to state and local community-based organizations to provide a wide range of human and social services and emergency assistance.

## WHAT'S NEXT?

ICMA will continue working with its partners, the Big 7, GFOA, and others to provide members with further clarity on how local governments may access the CARES Act funding to help their communities respond to, and recover from, the impacts of the COVID-19 pandemic, as well as to advocate for additional funding and programs to assist in recovery efforts.



For more information on ICMA resources related to COVID-19, visit [icma.org/coronavirus](https://icma.org/coronavirus).