CARES Act
Implications for Cities and States
On March 27, 2020, the federal government enacted the CARES Act. A more than $2 trillion relief package, the measure provides money for states, funds for impacted businesses, and direct payments and jobless benefits for constituents in response to the COVID-19 pandemic.

Key Takeaways for Cities and States

The relief package provides funding to help stabilize communities impacted by the coronavirus. In many instances, the federal government has loosened some restrictions that normally accompany the various types of grants and reimbursement. Also, much of the funding will arrive via the streams states already use to receive federal funds, which should help states respond quickly. However, as in other recovery efforts, state and local governments must be careful to navigate the increased oversight and reporting requirements, and need to adequately protect funding from risks of fraud, waste, and abuse.

Based on our review of the relief package and experience managing recovery efforts, we have several recommendations and considerations for states and local governments as they navigate the effective disbursement of federal funds in response to the COVID-19 pandemic:

1. What do you need to know about the funding?

   - Expanding Existing Funding Streams — Grants from the federal government to state and local governments are largely following the same channels (e.g., state agencies) already in place. States will get increased funding to address costs associated with the coronavirus across a range of functions, such as housing, transit, transportation, food insecurity, law enforcement, education, and unemployment.

   - Extensive Reporting Requirements — While this funding is good news for states who already have mechanisms in place to receive, disburse, and account for these funds, there are additional reporting requirements on the recipients and use of funding that are not business-as-usual for many areas. States should seek to collaborate and share best practices.

   - New Funding Streams — In addition to existing funding streams, the relief package includes new block grants to states for necessary expenditures incurred due to the public health emergency. Amounts will be apportioned based on population by state. States can be reimbursed for COVID-19-related response costs that were not included in the state’s most recently approved budget and were incurred between March 1, 2020, and Dec. 30, 2020. These grants provide additional financial resources for assistance that states can leverage to meet the diverse needs of their operations and residents.

   - Need Prioritization — States must quickly figure out how to spend relief package dollars effectively to address areas of highest risk and ensure reporting and compliance requirements are met. Governments will need to put plans into place to create effective new programs (or expand existing ones) in short order.
2. What are the keys to meeting reporting requirements?

- Reporting on Impact — The relief package includes significant reporting requirements. Governments need to not only be able to identify how money was spent, but also to quantify what impact their efforts had. With requirements to report on jobs created and layoffs averted, amongst others, this relief package has a large focus on quantifying economic impact.

- Data Collection Requirements — While there will be a focus, and rightly so, on implementing new programs, supporting structures and systems must be set up to collect and report data from the programs. Without these in place from the start, the data needed is often impossible to go back and collect easily.

3. How do you effectively measure outcomes in alignment with funding requirements?

- Evaluation Framework — There will be significant scrutiny on the impact of the funding, and it is critical that state and local governments structure their evaluation framework now. This includes setting up processes to collect the right data, articulating targets as part of performance management strategy, documenting a clear theory of change, and identifying opportunities to compare groups or processes.

- Pilot Programs — Pilot programs are an effective way for governments to be nimble and test what works for agencies and constituents, and to meet the needs of target communities. They also help perfect how data is collected and define key metrics before going to scale.

- Stakeholder Engagement — Governments need to engage their stakeholders throughout and iterate when needed to ensure programs and processes are effective, and use relief package funds to meet the needs of residents, businesses, and communities.

4. How do you make sure your jurisdiction is in compliance?

- Policies and Procedures — Governments will be under significant pressure to quickly get money into the hands of those most in need. It will be important to develop processes and controls that maintain compliance with federal and state regulations, while prioritizing efficiency and customer service.

- Fraud, Waste, and Abuse — By following an analytical, risk-based approach, governments can identify the programs, projects, and subrecipients that are most susceptible to waste, fraud, abuse, or mismanagement of funds, and thus present the greatest exposure to noncompliance.

How much money is in the CARES Act for aid to states and municipalities?

- $150 billion Coronavirus Relief Fund for state, local, and tribal governments ($8 billion for tribal governments and $3 billion for Washington, D.C., and U.S. territories).

- No state will receive less than $1.25 billion. Payment to states will be allocated proportionately based on their share of the U.S. population.

- Localities with more than 500,000 people can apply directly to Treasury for their relative share by population (compared to the state’s total population) of 45% of the total allocated to a state.
How Can Guidehouse Help?

At Guidehouse, we believe we are all in this together. We are a firm that, at its core, seeks to build public trust and enhance value for our clients and their stakeholders. We share our thinking, experience, and solutions to develop fresh perspectives and practical advice.

We have extensive experience managing response and recovery efforts in crises, including working side-by-side with federal, state, and local elected officials, staff at recovery offices, and “on the ground” to administer Public Assistance, Individual Assistance, Hazard Mitigation, Community Development Block Grant-Disaster Recovery, and other federal grant funds to enable communities to recover and rebuild from disasters and emergencies. We want to offer our services to states and municipalities during this crisis. There will be a succession of changes that you will need to promptly and boldly address over the coming weeks.

We have the experience, and the expertise, and sincerely want to provide you with additional support as you navigate your response efforts. Below is a brief overview of some services we can provide:

**Federal Grant Management** — We have helped countless government stand up agencies responsible for grant management. Our team has extensive experience managing, auditing, and reviewing grant applications, fund reimbursements, and distribution. We have also supported dashboarding and reporting efforts to help governments know how and where dollars are being spent.

**Compliance Monitoring** — Our team has helped our clients to develop processes and procedures that maintain compliance with federal and state regulations while prioritizing efficiency and customer service.

**Program Development and Management** — New or expanded programs will be needed to respond to constituent needs. We have experience designing and managing programs quickly and effectively. We have also conducted quality assurance reviews, supported day-to-day operational support of programs, overseen technology evaluations, and designed procurement processes.

**Integrity Monitoring** — With an influx of federal funds, a robust controls environment is critical. Our monitoring services have prevented and detected fraud, waste, and abuse in disaster recovery settings.

**Customer Experience** — Meeting the needs of residents quickly and efficiently will be an important aspect of the response and recovery efforts. Our team can help you keep the customer perspective in mind as you develop processes, programs, and communications.

**Procurement Support** — We can help manage contracting and procurement activities compliant with federal regulations in order to procure services, supplies, and partners critical to supporting response and recovery efforts.

In conjunction with these services, we can offer strong project management skills to help augment your team with the management and tracking of an array of complex and interconnected tasks that will need to be executed at a rapid pace to respond to this crisis.