COVID-19

ESG CARES Act (ESG-CV) Advancing Strategies

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides $3.96 billion in homeless assistance grants to states and entitlement jurisdictions through the Department of Housing and Urban Development's (HUD's) Emergency Solutions Grant (ESG-CV) program. ESG-CV may be used to prevent, prepare for, and respond to COVID-19 among individuals and families who are experiencing or at risk of homelessness. As a part of their COVID-19 response strategy, communities may be designing large scale re-housing efforts out of non-congregate shelter, congregate shelter, and encampment locations. These activities may require significant financial outlays that are difficult for individual subrecipients to accommodate through cost-reimbursable payment structures. This document outlines strategies to help subrecipients manage ESG-CV awards to implement large-scale initiatives utilizing programmatic advances.

Required Timing for Advancing Funds

As identified in the table below, recipients considering issuing payment advances must ensure that their financial systems issue payment with the shortest time elapsing between the transfer of funds from the Integrated Disbursement and Information System (IDIS) and payment issuance to the subrecipient. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursement by the subrecipient for direct program costs. While requiring recipients to minimize the time elapsed, the Uniform Administrative Requirements at 2 CFR Part 200 do not identify an exact timeframe for advances. However, some federal programs have defined time limits. For example, the HOME Investments Partnerships Program (HOME) at 24 CFR 92.502(c) requires that HOME funds be deposited in the local account of the HOME Investment Trust Fund of the participating jurisdiction within 48 to 72 hours of the disbursement request and that HOME funds drawn from the United States Treasury account must be expended for eligible costs within 15 days.

Note for States

As provided by 2 CFR 200.305(a), the rules and procedures for Federal-State funds transfers are established by Treasury-State Cash Management Improvement Act (CMIA) agreements, 31 CFR part 205, and TFM 4A-2000 Overall Disbursing Rules for All Federal Agencies.

In general, 31 CFR part 205, subpart B will govern transfers of ESG funds to the state, unless ESG is included in the applicable CMIA agreement or default procedures. However, given the significant increase in ESG funding provided through the CARES Act, each state should review the terms of its current Treasury-State CMIA agreement (and consult its designated CMIA contacts at HUD and the Treasury, as needed) to determine if and when ESG should be added to the programs covered by the CMIA agreement.

For further clarification or assistance, please contact your state's designated official or office for CMIA matters or the Treasury point of contact. The Treasury's contact information and copies of CMIA Agreements are available at http://www.fms.treas.gov/cmia/.

The table below outlines the applicable regulations, key requirements, and important planning considerations for recipients based on whether they are a state or local government.

<table>
<tr><th></th><th>Applicable Regulation</th><th>Key Requirements</th><th>Planning Considerations</th></tr>
<tr><td rowspan="2">STATES</td><td>31 CFR part 205 subpart A*</td><td>Cash advances must be issued no more than three days after ESG funds have been drawn from IDIS.
States considering issuing payment advances must ensure that their financial systems meet the three-day payment issuance standards.</td><td rowspan="2">Ensure that state financial policies and procedures allow for advances.
States should establish written procedures that describe the advancing process, method of payment (e.g., check or electronic funds transfer), the period of the advance, and the kind of activity that will be eligible (e.g., rental assistance).
Recipients should establish formal agreements with subrecipients outlining the terms of the advance.
Subrecipients must be able to account for the receipt, obligation, and expenditure of funds.</td></tr>
<tr><td>31 CFR part 205 subpart B*</td><td>States must minimize the time between the drawdown of funds from IDIS and their issuance to the subrecipient.
Advance payments must be limited to the minimum amounts needed and timed to be in accordance with the actual, immediate cash requirements to carry out the purpose of the approved project.</td></tr>
<tr><td>LOCAL GOVERNMENTS</td><td>2 CFR 200.305</td><td>Recipients considering issuing payment advances must ensure that their financial systems issue payment with the shortest time elapsing between the transfer of funds from IDIS and payment issuance to the subrecipient.
Advance payments must be limited to the minimum amounts needed and timed to be in accordance with the actual, immediate cash requirements to carry out the purpose of the approved project.</td><td>Ensure that the recipient’s financial policies and procedures allow for advances.
Recipients should establish written procedures that:
Minimize the time elapsing between the transfer of funds from IDIS to the subrecipient.
Describe the advancing process, method of payment (e.g., check or electronic funds transfer), the period of the advance, and the kind of activity that will be eligible (e.g., rental assistance).
Procedures should also describe the financial management systems that meet the standards for funds control and accountability as found in 2 CFR Part 200.305.
Recipients should establish formal agreements with subrecipients outlining the terms of the advance.
Subrecipients must be able to account for the receipt, obligation, and expenditure of funds.</td></tr>
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