



Methodology for Round 2 Allocations of CDBG CARES Act Funds – revised 5/15/2020

(NOTE: This methodology and allocations update the methodology and allocations previously announced on May 11, 2020. Specifically, they are revised to reflect a correction related to how the District of Columbia is funded.)

This document describes the methodology for allocating the second round of CDBG CARES Act funding. The CARES Act requires HUD to allocate the second round of \$1 billion to state and insular area governments by May 11, 2020. The allocation targets public health, coronavirus, and housing and economic disruption needs.

Background

Congress provided \$5 billion in the CARES Act for the Community Development Block Grant (CDBG) program, specifically noting three different allocation methods:

- (1) Allocation Round 1. HUD allocated the first \$2 billion based on the same formula used for the FY 2020 CDBG formula allocation. HUD announced allocations on April 2, 2020.
- (2) Allocation Round 2. This document describes the \$1 billion that must be allocated directly to states and insular areas on or before May 11. The District of Columbia is not eligible for funds under this round because it is not defined as a state or insular area in section 102 of the Housing and Community Development Act of 1974.
- (3) Allocation Round 3. \$1.990 billion is available for allocation on a rolling basis based on criteria to be determined by the Secretary, prioritizing risk of transmission, coronavirus cases compared to the national average, and economic and housing market disruptions. The CARES Act does not establish a deadline to allocate funds, but HUD must obligate all funds by September 30, 2022. HUD is making one Round 3 allocation – of \$2,423,046 to the District of Columbia to provide national coverage of CDBG CARES Act funding – under the part B of the Round 3 formula described below.

For Allocation Round 2, the \$1 billion for states and insular areas, the law says:

Provided further, That, in addition to amounts allocated pursuant to the preceding proviso, an additional \$1,000,000,000 shall be allocated directly to States and insular areas, as defined by 42 U.S.C. 5302(a), to prevent, prepare for, and respond to coronavirus within the State or insular area, including activities within entitlement and nonentitlement communities, based on public health needs, risk of transmission of coronavirus, number of coronavirus cases compared to the national average, and economic and housing market disruptions, and other factors, as determined by the Secretary, using best available data and that such allocations shall be made within 45 days of enactment of this Act:

The law is clear that the second round of allocations are to be “based on”:

- public health needs
- risk of transmission of coronavirus
- number of coronavirus cases compared to the national average
- economic and housing market disruptions
- other factors, as determined by the Secretary

For Allocation Round 3, the remaining amounts of CDBG, the law says:

Provided further, That remaining amounts shall be distributed directly to the State or unit of general local government, at the discretion of the Secretary, according to a formula based on factors to be determined by the Secretary, prioritizing risk of transmission of coronavirus, number of coronavirus cases compared to the national average, and economic and housing market disruptions resulting from coronavirus: Provided further, That such allocations may be made on a rolling basis based on the best available data at the time of allocation:

The formula below is used for the Round 2 allocation as well as Part B of the Round 3 allocation to the District of Columbia.

Targeted Allocation

- Public health needs:
 - **Count of low-income elderly.** The activity delivery costs to assist low-income elderly to maintain social distance while still permitting access to food, health care, and virtual social interaction is a public health need. HUD placed the greatest weight on this factor because it also reflects the highest risk group for hospitalization due to coronavirus. In a research study from the CDC from April 17, 2020, “among 1,482 patients hospitalized with coronavirus, 74.5% were aged ≥ 50 years” with the per capita rate of admission rising quickly for the older age cohorts. <https://www.cdc.gov/mmwr/volumes/69/wr/mm6915e3.htm> (50 percent weight)
 - **Count of children in poverty.** The increased activity delivery cost to get food to poor children who otherwise do not have access to adequate nutrition is a public health need. (10 percent weight)
- Economic and Housing Market Disruptions
 - **Aggregate count of unemployment insurance (UI) claims past 6 weeks (through April 25, 2020) less the aggregate count of UI claims during the same time period last year.** One clear measure of the economic and housing market disruptions are the millions of unemployment insurance claims over the last six weeks above prior-year claims. Places with high unemployment claims are also likely the places where businesses may struggle more, renters may have more difficulty paying rent, and homeowners may have more difficulty paying their mortgage. (40 percent weight)

- Risk of transmission of coronavirus and number of coronavirus cases compared to the national average.
 - **Adjust the counts discussed above using the per capita rate of confirmed coronavirus cases as of May 3, 2020.** The law is very clear that we must use some measure to provide more funds to states with higher rates of coronavirus cases. Because these data are changing daily, the allocation uses the per capita rate of confirmed coronavirus cases from HHS as of May 3, 2020 and adjust the counts of the factors noted above by up to 15 percent more for places with rates of coronavirus cases above the weighted national average on each of the above variables.

Most of these data are not available for insular areas (Virgin Islands, American Samoa, Guam, Northern Marianas), so insular areas receive 0.2 percent of the funding and get their same proportional shares as they received under the CDBG-CV round 1 allocation. Because the state of Hawaii does not run a state CDBG program, HUD has subdivided the Hawaii-calculated grant to each of the four counties of Hawaii using their proportional shares of the CDBG-CV round 1 allocation (within Hawaii).

The District of Columbia is defined as a metropolitan city under the Housing and Community Development Act of 1974 and not as a state or insular area. As such, it is not eligible for funding under the Round 2 \$1 billion allocation.

To ensure national coverage, HUD has determined that the District of Columbia meets the requirements for funding with Round 3 CDBG-CV formula. The Round 3 CDBG-CV formula has two parts that are summed together to determine a grantee's allocation – Part A and Part B.

- Part A will use factors prioritizing risk of transmission of coronavirus, number of coronavirus cases compared to the national average, and economic and housing market disruptions resulting from coronavirus. The specific factors are yet to be determined and Part A allocations will be made at a later time. All current entitlement and non-entitlement communities, including DC, Puerto Rico, and the insular areas are eligible.
- Part B provides funding to the geographic parts of the United States and territories not covered by round 2 funding in order to ensure equitable treatment. The only geography meeting this requirement is the District of Columbia (DC). DC's grant is calculated in the same manner as the grants described in Round 2. This Part B allocation of Round 3 funding is being made simultaneous with the Round 2 funding described above.

The chart below shows how well this formula's per capita allocation correlates with per capita rates of each of the variables. While the individual variables generally do not correlate well with one another, when incorporated within the formula there is strong targeting to low-income elderly, COVID-19, and states with higher unemployment claim rates per capita. While children in poverty are part of the calculation, the formula does not target as much toward that need.

	Per Capita Allocation	Rate of Low-Income Elderly per 100 people	Rate of 6-weeks UI claims per 100 people	Rate of children in poverty per 100 people	Rate of COVID Cases per 100,000 People
Per Capita Allocation	1	.543**	.788**	0.100	.450**
Rate of Low-Income Elderly per 100 people	.543**	1	0.080	0.072	0.127
Rate of 6-weeks UI claims per 100 people	.788**	0.080	1	-0.133	0.186
Rate of children in poverty per 100 people	0.100	0.072	-0.133	1	-0.165
Rate of COVID Cases per 100,000 People	.450**	0.127	0.186	-0.165	1

** . Correlation is significant at the 0.01 level (2-tailed).

Attachment

Attachment – Round 2 Allocation of CDBG-CV funds and Round 3 Allocation to the District of Columbia

State FIPS Code	Grantee Name	Revised allocation
01	Alabama	\$15,068,316
02	Alaska	\$1,798,553
04	Arizona	\$18,139,425
05	Arkansas	\$8,210,252
06	California	\$113,263,490
08	Colorado	\$12,796,112
09	Connecticut	\$11,467,321
10	Delaware	\$3,236,174
12	Florida	\$63,170,131
13	Georgia	\$35,499,505
15	Hawaii County	\$978,184
15	Kauai County	\$261,771
15	Maui County	\$699,975
15	Honolulu	\$3,089,159
16	Idaho	\$4,361,030
17	Illinois	\$39,370,832
18	Indiana	\$19,783,146
19	Iowa	\$9,529,120
20	Kansas	\$7,870,969
21	Kentucky	\$16,983,620
22	Louisiana	\$18,401,828
23	Maine	\$4,350,102
24	Maryland	\$16,144,887
25	Massachusetts	\$26,146,689
26	Michigan	\$41,987,422
27	Minnesota	\$17,464,118
28	Mississippi	\$8,674,980
29	Missouri	\$17,956,792
30	Montana	\$3,333,431
31	Nebraska	\$4,782,338
32	Nevada	\$9,963,639
33	New Hampshire	\$4,691,308
34	New Jersey	\$31,587,994
35	New Mexico	\$5,528,301
36	New York	\$70,693,638
37	North Carolina	\$28,363,678
38	North Dakota	\$2,118,655

State FIPS Code	Grantee Name	Revised allocation
39	Ohio	\$37,526,997
40	Oklahoma	\$10,856,431
41	Oregon	\$10,749,023
42	Pennsylvania	\$51,352,198
44	Rhode Island	\$4,693,487
45	South Carolina	\$14,859,490
46	South Dakota	\$2,083,349
47	Tennessee	\$18,108,488
48	Texas	\$63,546,200
49	Utah	\$5,280,066
50	Vermont	\$2,031,600
51	Virginia	\$20,246,816
53	Washington	\$23,097,289
54	West Virginia	\$5,764,239
55	Wisconsin	\$16,979,300
56	Wyoming	\$1,444,327
60	American Samoa	\$266,229
66	Guam	\$892,901
69	Northern Marianas	\$274,635
72	Puerto Rico	\$11,613,814
78	Virgin Islands	\$566,236
	TOTAL	\$1,000,000,000

CDBG-CV Round 3 Part B funding		Revised allocation
11	District of Columbia	\$2,423,046