COVID-19 Stimulus Update

June 1st, 2021

RHODE ISLAND

Agenda

- Stimulus Fund Management
- Stimulus Spending Update
- American Rescue Plan
 - Guidance Overview
 - ARP State Fiscal Recovery Fund & Capital Fund
 - ARP Local Fiscal Recovery Fund
 - Direct Awards under ARP
- Appendix Guidance on other direct awards



Stimulus Fund Management

Oversight fund management



COVID-19 Fund Management Process

Department of Administration operates a Fund Management Process to oversee the planning and spending of COVID-19 stimulus and recovery funds.

Manage COVID Response

Help coordinate governmentwide COVID response initiatives and spending

- Manage changing circumstances and needs
- Match costs to most appropriate federal resource
- Help RIEMA manage FEMA submissions process

Manage COVID Federal Funding Policy

Manage compliance and educate on fund use

- ✓ Manage compliance risk
- Oversee sub-recipient monitoring
- Inform and educate state agencies about federal activity
- Advocate for optimal policies
- ✓ Federal reporting

Improve Fiscal Outlook

Deploy COVID funds as part of the legislature budget process to improve FY21 and FY22 fiscal outlook

- ✓ Conserve general revenue
- Maximize use of COVID federal awards
- Allocate federal resources to strategic priorities, where possible





Scope of COVID-19 Fund Management Process

The Fund Management Process reviews all COVID-19 response initiatives, regardless of funding stream, and all funding from federal stimulus bills.

COVID FEMA Reimbursement

Spending anticipated to be eligible for FEMA reimbursement

COVID Direct Awards

Federal formula & discretionary grants to agencies for COVID relief/recovery.

Includes grants authorized under any federal COVID act, including CARES Act, ARP, etc.

Relief and Recovery Funds

Spending of CRF or ARP funds

COVID General Revenue

Spending of state general revenue appropriated for COVID response in the FY21 and FY22 state budget



Stimulus Spending Update



Stimulus Funding Update

Areas of Spend	Category	CRF Obligation ¹	Delta from FY21 Gov Rec	Expenditures and Encumbrances	Unexpended Funds ²	Total Obligatior (all fund sources
	1. Supplies	\$1.7M	-	\$1.7M	-	\$101.9M
	2. Surge	\$9.2M	\$0.0M	\$0.7M	\$8.5M	\$81.8M
	3. Testing	\$6.5M	-	\$6.4M	\$0.0M	\$219.9M
Dublic Lookh Deenerge	4. Case Investigation (CI) and Contact Tracing (CT)	\$0.5M	(\$0.0M)	\$0.7M	(\$0.2M)	\$66.8M
Public Health Response	5. Individual Supports	\$5.5M	(\$0.5M)	\$5.8M	(\$0.3M)	\$29.8M
	6. Community Mitigation and High-Density Communities	\$3.3M	\$0.0M	\$3.6M	(\$0.3M)	\$9.9M
	7. Vaccine Campaign	\$0.3M	\$0.3M	\$0.3M	(\$0.0M)	\$45.0M
	8. Public Health Emergency Response Supports	\$2.9M	(\$0.1M)	\$2.8M	\$0.1M	\$34.7M
Leonitel and Drevider Delief	9. Hospital Assistance Partnership Program (HAPP)	\$220.5M	-	\$220.5M	(\$0.0M)	\$220.5M
Hospital and Provider Relief	10. Human Services Relief	\$71.9M	\$0.2M	\$70.0M	\$1.9M	\$77.3M
Housing	11. Housing	\$15.8M	(\$0.5M)	\$15.5M	\$0.3M	\$96.9M
Business and Workforce Readiness	12. Business & Workforce Readiness	\$173.1M	(\$0.0M)	\$141.5M	\$31.6M	\$174.9M
Education and Childcare	13. Education	\$113.1M	(\$2.7M)	\$112.8M	\$0.3M	\$201.2M
Education and Childcare	14. Childcare	\$3.8M	(\$0.0M)	\$3.4M	\$0.4M	\$25.7M
"Pause" Supports	15. "Pause" Supports ⁴	\$111.7M	\$0.0M	\$106.1M	\$5.6M	\$111.7M
Municipal Support	16. Municipal Support	\$136.5M	-	\$136.6M	(\$0.0M)	\$136.5M
Government Readiness and Other	17. Government Readiness	\$28.8M	\$3.2M	\$19.7M	\$9.1M	\$46.6M
Personnel Expenses	18. State Personnel Expenses	\$344.9M	\$0.1M	\$277.7M	\$67.2M	\$344.9M
	Total	\$1,250.0M	\$0.0M	\$1,125.9M	\$124.1M	\$2,026.2M
Department of Administration	June 1, 2021			1	7	RHODE ISLAND

²Includes obligated amounts

⁴\$1.2M in incurred expenditures have yet to be journaled to the correct account for the RI Works "Pause" Support Program

American Rescue Plan Guidance Overview



American Rescue Plan

State & Local Fiscal Recovery Funds

- \$1.13B for state fiscal recovery
- \$112.7M for COVID-capital projects
- ✓ \$542M to cities and towns
- Allowable use overlap with other funding sources
- ✓ Administered by U.S. Treasury

Education, Public Health & Childcare

- \$415M Elementary Education
 School Relief
- \$90.8M Higher Education
 Emergency Relief
- \$11.7M Individuals with
 Disabilities Education Support
- \$112M Vaccine Support Services
- ✓ \$35.7M Child Care

Other Agency Direct Awards

- \$152M Emergency Rental Assistance Fund
- \$50M Homeowners
 Assistance Fund
- ✓ \$29.5M Transit
- ✓ \$11.5M Behavioral Health
- Administered by multiple federal agencies

Administering federal agencies will continue to release details on specific amounts, timing of receipt, eligible uses in following weeks/months



What has changed from CRF to Fiscal Recovery Funds?

CARES Act

- Coronavirus Relief Funds (CRF)
- Presumption of health and safety workers' salaries and benefits
- Expenses related to issuance of tax anticipation notes (TANs).
- Addressing the effects of COVID-19 broadly defined
- Fiscal quarterly reporting
- Funds expended on or before December 31, 2021
- Period of performance ends December 31, 2021

American Rescue Plan

- <u>State Fiscal Recovery Funds (SFRF)</u>
- No presumption for health and safety salaries and benefits
- No expenses related to TANs.
- 3 prong justification: identify harm, and effect of harm, and responding to the effect of harm.
- Some municipality funds flowing through State
- Fiscal and Performance quarterly reporting
- Funds obligated on or before December 31. 2024
- Projects completed on or before December 31, 2026

Overall Themes ARP Fiscal Recovery Funds

Restore Public Health | Restore Economy | Education | Affected Industries | Equity | Housing | Infrastructure



Themes included in ARP Fiscal Recovery Funds

- Restore Public Health respond to negative economic impacts resulting from the pandemic
 - Vaccine distribution/administration
 - Contact tracing
- ✓ Restore Economy respond to negative economic impacts resulting from the pandemic
 - Premium pay for essential workers performing essential work
 - Affected industries
 - Tourism, Travel, Hospitality presumed eligible **NEW PATH**
 - Focus on MBE/DBE (ties back to Equity) -- NEW PATH
- Education addressing learning loss and safety of facility
 - Providing learning during summer months
 - Focus on assistance to reduce learning loss: foster children, homeless children, remote learning
 - Technology for online learning for students
 - School facilities repairs and improvements: HVAC



Themes included in ARP Fiscal Recovery Funds

- Equity address systemic public health and economic challenges that have contributed to the inequal impact of the pandemic on certain populations
 - Disproportionately impacted communities Qualified Census Tracts
 - Expanded services allowable
 - RI should define impacted community
 - Not limited to geography
 - Must be a data driven policy
- ✓ Housing
 - Aid to homeowner and renters at risk of homelessness or housing instability
 - Rental, mortgage and utility arrearage payments allowable
- ✓ Infrastructure
 - Generally limited to clean water, sewer, and broadband lines or access NEW PATH
 - Storm water and climate change is eligible



ARP State Fiscal Recovery Fund & Capital Fund



ARP State Fiscal Recovery Fund

State Agency	Summary Description	RI Est.
DOA	Flexible funds for COVID-19 relief and revenue replacement, available for use for costs obligated through December 31, 2024.	\$1.13 B

Key Program Elements

- Cannot be used to fund tax cuts, pension or rainy-day fund contributions
- Funds may be used to backfill lost revenue if State couples with federal tax provisions
- Treasury provided detailed guidance to implement the allowable uses, which are defined in statute as follows:
 - Respond to the COVID-19 public health emergency or its negative economic impacts
 - Service to the hardest hit communities QCTs
 - Provide premium pay to workers performing essential work in response to COVID-19
 - Support government services to the extent of the reduction in revenue due to the COVID-19 public health emergency
 - Investments in water, sewer, or broadband infrastructure



State Fiscal Recovery Fund

Ineligible/Concerns of Use

- Extraordinary
 pension contributions
- Rainy Day fund contribution*
- Offset of net tax revenue resulting in a change in law, regulation, or administrative interpretation
- Broad personnel health and safety salaries and benefits

*Refer to revenue loss calculation information

Activities Eligible/Presumed Eligible

- Response to public health emergency
- Small business or impacted industries support in response to pandemic
- Premium pay for essential workers performing essential service
- Support government services to extent of revenue loss*
- Infrastructure: water, sewer, broadband, low-income housing, lead paint or lead pipe removal
- UI Trust Fund contributions, employee retraining programs
- * Refer to revenue loss calculation information

Other Information

- Costs must be obligated between March 3, 2021, and December 31, 2024
- Project complete and fully expensed on or before December 31, 2026
- Overlap with other specific funding streams in ARPA i.e., housing and education
- Some overlap with FEMA reimbursements through September 30, 2021

Primary to address negative public health/economic impacts and must be designed "to respond" to an economic harm resulting from or exacerbated by the public health emergency.



Revenue Loss Provisions of ARP

ARP allows states to use State Fiscal Recovery Funds for provision of government services to the extent of the reduction in revenue experienced due to the COVID-19 public health emergency.

• Revenue loss is calculated from a baseline of the most recent, full fiscal year prior to the COVID-19 public health emergency (in RI's case, Fiscal Year 2019).

• A counterfactual is then calculated for subsequent years by applying a growth rate of 4.1% per year over the baseline year, or the average annual growth over the last three full fiscal years before the COVID-19 emergency, whichever is greater.

• Treasury's regulation requires the state's revenue loss to be calculated at four specific cut points: 12/31/20, 12/31/21, 12/31/22, and 12/31/23.

• Shortfalls from this counterfactual revenue are assumed to be due to the pandemic and can be used in the state's budget to provide **government services (broadly-defined, providing flexibility).**

• Further clarification is pending regarding the treatment of accruals in the calculation of total revenues. Adjusting for these is complicated by the requirement to calculate lost revenues on a calendar year basis, while many accruals are tied to the State's July-June fiscal year.



Revenue Offset Restrictions

ARP prohibits use of State Fiscal Recovery Funds (directly or indirectly) to offset reductions in tax revenue that result from changes in state law, regulation, or interpretation, or increase to Rainy Day funds

- Any change in state law, regulation, or interpretation thereof resulting in a net reduction in tax revenue would be defined as a "covered change" under this provision.
- This impact cannot be offset using federal Fiscal Recovery Funds.
- It can be offset by other methods, including a countervailing tax increase or spending cuts in areas not being replaced with Fiscal Recovery Funds.
- This does not include reductions in tax revenue that are triggered solely by federal tax law changes, in which the state "couples" to federal policy, such as the expansion of the EITC under ARP or the taxable status of forgiven PPP loans under CARES and CAA.
- If state couples with federal tax provisions, then use of ARP to replace those revenues is permitted.



Capital Projects Fund

State Agency	Summary Description	RI Est.
DOA	Funds for "critical capital projects directly enabling work, education, and health monitoring, including remote options," in response to the COVID-19 public health emergency	\$112.7M

Key Program Elements

- Eligible applicants will be required to provide a plan describing how they intend to use allocated funds under the Capital Projects Fund consistent with the ARPA and guidance to be issued by Treasury.
- Treasury will begin to accept **applications for review in the summer of 2021** and will issue guidance before that date.
- No guidance details as of this presentation about:
 - what constitutes a "critical capital project"
 - deadline for using funds
 - reporting requirements



ARP Local Fiscal Recovery Fund



Local Fiscal Recovery Funds

Cities and towns receive federal funds through three programs:

- 1. Six largest "metropolitan" cities receive a total of \$272.9M directly from federal government.
- 2. The State distributes \$205.8M (county distribution) to all cities and towns (large and small) pro rata based on population.
- 3. The State distributes \$58.1M to "non-entitlement" (i.e. not metropolitan) cities and towns pro rata based on population.
- State has a right of recoupment for misuse of funds distributed to the municipalities.

Note: All three funds are subject to the same federal restrictions as explained on the next slide. Funds (2) and (3) are "distributed" by the State to municipalities without additional State restrictions.



ARP Local Fiscal Recovery Fund

State Agency	Summary Description	RI Est.
DOR/DMF	Flexible funds for COVID-19 relief and revenue replacement, available for use for costs obligated through December 31, 2024.	\$536.8M

- Local government is allowed to offset net tax revenues as a result of a change in law, regulation or administrative interpretation.
- Eligible uses mirror State Fiscal Recovery Fund:
 - Respond to the COVID-19 public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
 - Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay
 - Serve the hardest hit communities QCTs
 - Support government services to the extent of the reduction in revenue due to the COVID-19 public health emergency
 - Make necessary investments in water, sewer, or broadband infrastructure
- Ineligible use: Funds cannot be used for pension fund contributions
- Municipalities can transfer funds to quasi-agencies, district governments, nonprofits, or the State
- Treasury or State can recoup misspent funds



Local Fiscal Recovery Fund

Ineligible/Concerns of Use

- No extraordinary pension contributions
- No rainy-day fund contribution
- State is not allowed to put additional restrictions or conditions on the distribution of funds.

Note: Local government is allowed to offset net tax revenues as a result of a change in law, regulation or administrative interpretation.

Activities Eligible/Presumed Eligible

- Support public health response
- Replace public sector revenue loss
- Equity-focused services
- Address negative economic impacts
- Premium pay for essential workers
- Investments in infrastructure, water, sewer, broadband, low-income housing

Other Information

- Costs must be obligated between
 March 3, 2021, and December 31,
 2024
- Project complete on or before December 31, 2026
- Amount to be received is based on per capita basis
- State must distribute funds within 30 days of receipt

To address the negative public health/economic impacts and must be designed "to respond to" an economic harm resulting from or exacerbated by the public health emergency.



Direct Awards under ARP



Direct Awards Under ARP

Item	Major Direct Awards	Award Amount
Education	Predominately ESSER (\$415M) and HEERF (\$179M)	\$615.6M
Rental/Homeowner	Rental Assistance Program (\$152M) and Homeowner Assistance Fund (\$50M)	\$245.3M
Childcare	Childcare Stabilization Funds (\$57M) and CCDBG (\$36M)	\$94.4M
Health	Epidemiology and Laboratory Capacity (ELC) Cooperative Agreement (\$32M) and Vaccine Preparedness (\$32M)	\$78.9M
Business	Small Business Credit Initiative (\$56M)	\$63.1M
Transit	Urbanized Area Formula (\$29M)	\$29.5M
Other	Substance Abuse (\$6M) and Mental Health (\$6M)	\$37.3M



APPENDIX

Additional Information: Direct Award



Elementary & Secondary School Relief Fund

State Agency	Summary Description	Amount
RIDE	Flexible education funds, with 90% distributed to local educational agencies (LEA) and 10% reserved for state educational agency (RIDE). State has one year from receipt to award funds to avoid returning to DOE.	\$415M (\$41.5M for RIDE, rest to LEAs)
	Kev Program Elements	

- LEAs must use 20% of funds received to address learning loss
- LEAs must accept public comment on and publish a reopening plan within 30 days of receiving allocation of funds
- Additional \$2.7M for wraparound services for homeless students
- RIDE must use its estimated \$41.5 million set-aside as follows:

50% (\$21M) to address learning loss 10% (\$4.15M) for summer enrichment

10% (\$4.15M) for after-school programming No more than 5% (\$2.1M) for administrative costs

Remainder (\$10.1M) for needs emergency needs respond to COVID-19

- Maintenance of effort: state must fund education in FY22 & FY23 and same proportionate level of FY17, 18 & 19 average
- Maintenance of equity: state cannot reduce per pupil funding for high-need LEAs in FY22 & 23 that exceeds overall per pupil reduction in the applicable fiscal year or reduce funding for highest-need LEAs below FY19 level



Emergency Assistance to Non-public Schools

State Agency	Summary Description	Amount
	Provides funds to Governor's Office, but to be administered by RIDE, for the state to provide services/assistance to "non-public schools that enroll a significant percentage of low-income students and are most impacted by the qualifying emergency"	\$7.1M

Key Program Elements

- Provides additional funds for a new program created under the December COVID Relief Bill
- RIDE can use funds to provide services and assistance to non-public schools; RIDE cannot transfer the funds to non-public schools, cannot be used to provide reimbursements.
- Important issues U.S. Department of Education will need to clarify:
 - How application process should run for this program
 - How a state determines which schools "enroll a significant percentage of low-income students and are most impacted by the qualifying emergency" (eligibility was not this narrow under existing program)



ARP IDEA Funding

State Agency	Summary Description	Amount
RIDE	IDEA Part B 619 – Funding to support Early Childhood Special Education for children ages 3-5. Guidance pending	\$876K
,	IDEA Part C – Early Intervention for children ages 0-2. Further information about allowable uses has not yet been established.	\$1.2M
	IDEA for K-12 – Guidance and program rules pending. Further information about allowable uses has not yet been established.	\$9.6M

Key Program Elements

• Guidance for these Direct Awards is forthcoming.



Higher Education Emergency Relief Fund

State Agency	Summary Description	Amount
,	Flexible education funds for higher education institutions; institutions must use funds to provide emergency financial aid grants to students	\$178.7M

Key Program Elements

- A maximum of \$96.7 M can be retained by the institutions
- At least \$74.3M must be passed through to direct student assistance
- RI private higher education institutions will also receive funds directly from U.S. Department of Education



Public Health & Health Care Funding

State Agency	Summary Description	Amount
RIDOH	Vaccine Preparedness	\$31.8M
RIDOH	Epidemiology and lab capacity for school testing, and lab preparedness	\$31.9M
RIDOH	Disease intervention, crisis response workforce, Genomic sequencing	\$13.7M
	Key Program Elements	

- Mandatory coverage of vaccines (vaccine and administration) and treatment for presumed or actual cases under both Medicaid and Children's Health Insurance Program. There is no cost sharing related to this coverage.
- Vaccine "confidence" activities

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- COVID-19 vaccines, therapeutics and medical supplies,
- Expand testing, tracing and monitoring activities
- Expand genomic sequencing, analytics and disease surveillance
- Sustain a public health workforce at State, community health centers and community care



Child Care Stabilization Fund

State Agency	Summary Description	Amount
DHS	New grant program to provide operating expense support to child-care providers	\$57.3M
	Key Program Elements	

- Provide relief for childcare providers and provide support for families that need help affording childcare.
- DHS must use at least 90% of the funds for grants to child-care providers, which can use funds for operating expenses, payroll, PPE, COVID-19 mitigation, or mental health supports for children and employees
- Providers accepting funds must:
 - Implement CDC COVID-19 mitigation strategies
 - Maintain its payroll

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- Provide financial aid to struggling families, to the extent possible
- DHS can use up to 10% of funds for administration, technical assistance, and carrying out activities to increase childcare supply
- Amounts must supplement, not supplant, other federal, state, or local public funds to provide child-care services for eligible individuals



ARP Supplemental Child Care Funding

State Agency	Summary Description	Amount
DHS	 Child Care and Development Block Grant supplement. Funds available for FY21, 22, and 23. Funds must supplement, not supplant, other federal, state, or local public funds to provide childcare services for eligible individuals. (Sec. 2201) Uses: Must be within the current CCDBG guidelines, except can provide childcare for essential workers of any income. Note: CARES Act CCDBG: \$8.1M awarded, \$4.7M unallocated 	\$35.7M
N/A	CRRSAA CCDBG: \$23.9M awarded, \$5.1M unallocated Head Start funds, money available through Sept. 30, 2022 (Sec 2203) Uses: One-time grants directly to Head Start providers. Funding will be proportionately distributed based on program enrollment across all of Head Start.	\$3M
DHS	Child Care Entitlement increases amount to State and waives the required state match on new funding for FY21 and FY22	\$1.4M



ARP Other Supplemental Childhood Funding

State Agency	Summary Description	Amount
DOH	Maternal, Infant, and Early Childhood Home Visiting (MIECHV) funds, available through FY2022; programs must not reduce staffing and continue to focus on priority populations Uses: home visits (including virtual); hazard pay; training on virtual home visits, emergency preparedness, and domestic violence; helping enrolled families acquire technology needed for virtual home visits; emergency supplies; and prepaid grocery cards.	\$670K
DCYF	Community-Based Child Abuse Prevention grants, funds available through Sept. 30, 2023	\$682K
DCYF	Child Abuse and Neglect State Grants, funds available through Sept. 30, 2023	\$277K
DCYF	Family Violence Prevention and Domestic Violence Coalitions funds available through Sept. 30, 2023	\$672K



Emergency Rental Assistance – ERA2

State Agency	Summary Description	Amount
DOA/ RI Housing	Provides funds for rent and rent arrears, utilities and home energy costs and arrears; and other expenses related to housing incurred due directly or indirectly to COVID-19 outbreak.	\$152M

Key Program Elements

- Expands on program created in December relief bill (ERA1) that RI Housing is operating
- Eligible households:
 - Qualified for unemployment benefits; or experienced reduction in household income, incurred significant costs, or experienced other financial hardship during or due, directly or indirectly to coronavirus pandemic
 - One or more individuals in household can demonstrate risk of homelessness or housing instability
 - Household is a low-income family
- Priority for households at or below 150% AMI or in which one member is unemployed and has been for at least 90 days
- Up to 10% of funds for supportive services and 15% of funds for administrative costs



Homeowner Assistance Fund (HAF)

State Agency	Summary Description	Amount
TBD	Provides foreclosure prevention assistance to homeowners experiencing financial hardship and other assistance to promote housing stability including utility or home energy services supports.	\$50M

Key Program Elements

• Eligible uses:

- Mortgage payment assistance
- Financial assistance to allow a homeowner to reinstate a mortgage or pay other housing related costs
- Principal reduction
- Facilitating interest rate reductions
- Payment assistance for utilities; internet services; homeowners/flood/mortgage insurance; homeowners/condo association fees
- Any other assistance to promote housing stability for homeowners including preventing mortgage delinquency, default, foreclosure, post foreclosure eviction or the loss of utility or home energy services.
- At least 60% of funds to assist homeowners at or below 80% AMI or 100% of the median income for the US (whichever is higher). Remaining funds shall prioritize socially disadvantaged individuals.



Homeless Assistance & Supportive Services

State Agency	Summary Description	Amount
I KD	Rental Assistance, development of affordable housing and supportive services – Guidance pending.	\$23.1M

Key Program Elements

- Eligible uses:
 - Tenant-based rental assistance
 - Development and support of affordable housing
 - Supportive services to qualifying individuals or families not already receiving such supportive services
 - Acquisition and development of non-congregate shelter units all or a portion of which may be converted to permanent affordable housing, or emergency shelter
- Qualifying individuals or families:

Fleeing or attempting to flee domestic violence

Homeless

Veterans that meet one of the preceding criteria

36

• At risk of homelessness/housing instability

Up to 15% may be used for administration and planning; an additional 10% may be used to build capacity of CDCs and nonprofits carrying out authorized activities.

Other Funding Sources For State Programs

The table below highlights some of the other major sources of funding that the state will receive. Estimates of the amounts are not yet available. There are other formula grants, and discretionary grants as well.

Summary Description	Amount
Federal transit grants	\$29.5M
Various Older Americans Act programs	\$3.8M
Community Mental Health Block Grant	\$5.6M
Substance Abuse Prevention and Treatment Block Grant	\$6.4M
Low-Income Home Energy Assistance Program	\$30.8M
State Small Business Credit Initiative	\$56.2M

PRO is utilizing a Funding Opportunity tool to assist state agencies in maximizing usage of federal funds related to this act.

