

ARPA Fiscal Recovery Funds – Governor’s “Down Payment” Proposal

Staff Presentation to the House Finance Committee
October 20, 2021

Down Payment Proposal

- On October 7, Governor McKee requested approval for a plan for use of \$113 million ~ 10% of RI 's fiscal recovery fund allocation
 - **Business and Tourism - \$45.0 million**
 - Services to Children - \$38.5 million
 - Housing and Broadband - \$29.5 million
- Now contained in 2021 - H 6494

Down Payment Proposal

- The request contains 2 pages of draft legislation and a 10 page supporting memo further describing the programs
 - As with traditional budget requests discussions with the Budget Office and related agencies enhance understanding of intent and implementation plans for specific proposals

Down Payment Proposal

- 11 distinct proposals within the 3 categories
 - Tonight's hearing is on Business and Tourism related items

| Item # | Name | Amount |
|--------|---|---------------|
| 10 | Small Business and Impacted Industry | \$ 32.0 |
| 11 | Tourism, Hospitality, & Events Industry Support | 13.0 |
| | Total | \$45.0 |

\$ in millions

COVID-19 Relief

- 6 federal acts enacted to address crisis
 - Coronavirus Preparedness & Response Supplemental Appropriations – March 6, 2020
 - Families First Coronavirus Response – March 18
 - CARES – March 27
 - Paycheck Protection Program & Health Care Enhancement – April 24
 - Consolidated Appropriations Act – Dec 27
 - American Rescue Plan Act – March 11, 2021

COVID -19 Relief

- Federal acts include funding for
 - State and local budgets
 - Strings and limitations
 - Individuals
 - Direct stimulus payments
 - Optional tax changes
 - Businesses
 - Loans
 - Optional tax changes

COVID - 19 Relief

- American Rescue Plan Act of 2021
 - Signed March 11, 2021
 - Same day Governor submitted his budget
 - \$360 billion to state & local governments
 - \$1,400 refundable tax credits to individuals
 - Extends enhanced unemployment insurance benefits until September 6, 2021
- FMAP enhanced rate through at least end of 2021 – federal admin action

COVID –19: Education

- ARPA adds much more with same waiver as 5th stimulus but additional rules

| Education Funds | CARES | CAA | ARPA | Total |
|------------------------|---------------|----------------|----------------|----------------|
| Governor's Fund | \$8.7 | \$11.0 | \$5.1 | \$24.8 |
| K-12 Fund | 46.4 | 184.8 | 415.0 | 646.2 |
| Higher Education Fund | 29.5 | 51.5 | 90.8 | 171.8 |
| Total | \$84.6 | \$247.3 | \$510.9 | \$842.8 |

\$ in millions

COVID - 19 Relief

| Other American Rescue Plan Act Items of Note | RI Share |
|---|-----------------|
| Students w/ Disabilities & Homeless Youth | \$13.6 |
| Childcare Block Grant & Provider Stabilization | 94.4 |
| LIHEAP | 30.8 |
| Head Start | 3.0 |
| Emergency Assistance for Children & Families | 2.7 |
| Supportive Services/Congregate Meals | 7.7 |
| Testing/Vaccine | 112.0 |
| Mental Health Centers/Behavioral Healthcare | 35.3 |
| Transit | 29.5 |

\$ in millions; Data from *Federal Funds Information for States* as of May 25, updated from prior presentation

American Rescue Plan Act

- State & Local Fiscal Recovery Funds
 - RI to get \$1.8 billion over 2 years
 - \$1,131.1 million to the state
 - \$112.3 million for capital project expenses
 - \$536.8 million to locals
- Use spans several state fiscal years
 - Must obligate by Dec. 31, 2024 - **FY 2025**
 - Funded projects must be completed by Dec. 31, 2026 - **FY 2027**

ARPA State Fiscal Recovery Funds Timeline

FY 2021: March 2021 ARPA becomes law

- \$1,131M - fiscal recovery funds
 - May 2021 interim final rule
 - June 2021 compliance & reporting guidance
 - July 2021 (FY 2022) most recent FAQs updated
 - Dec. 31, 2024 funds must be obligated by (FY 2025)
- \$112M capital projects fund
 - Sept. 2021 guidance
 - Sept. 24 application opens
 - December 27, 2021 deadline to request funding (FY 2022)
 - September 24, 2022 deadline to submit grant plan (FY 2023)

FY 2027: All funds must be spent by December 31, 2026

State & Local Fiscal Recovery Funds

A. Respond to the public health emergency (PHE) and its economic impacts

B. Respond to workers performing essential work during COVID-19 PHE by providing premium pay to eligible workers

**ARPA specifies
four eligible
uses**

C. Provision of government services to the extent of the reduction in revenue due to the COVID-19 PHE

D. To make necessary investments in water, sewer or broadband infrastructure

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\$ in millions

Small Business and Impacted Industry

- Proposed legislation cites only the \$32M total
 - for a “*program of financial and technical assistance to small businesses and COVID-impacted industries*”
- Supporting memo describes three specific uses
 - plus cost to administer

| Item 10 - Proposed Uses | Amount |
|------------------------------------|---------------|
| Direct Grants | \$12.5 |
| Technical Assistance | 10.5 |
| Public Health Capital Improvements | 7.5 |
| Administration | 1.5 |
| Total | \$32.0 |

\$ in millions

Small Business and Impacted Industry

- Direct Grants - \$12.5 million
 - Cash infusion to businesses in need
 - Stated goal of 20% to minority owned entities
 - Small businesses and “impacted” industries
 - Specific entities not defined
 - Legislation and memo silent on maximum grant amounts and other metrics
 - Appears the expected range is \$5,000 to \$10,000
 - Priority would be given to disproportionately impacted geographic locations

Small Business and Impacted Industry

- Technical Assistance - \$10.5 million
 - Grants, vouchers or direct services
 - Build capacity for businesses to respond to changes
 - Examples of assistance
 - Upgrade point-of-sale systems
 - Develop websites and e-commerce platforms
 - Improve other tech infrastructure
 - Digital literacy and tech training

Small Business and Impacted Industry

- Public Health Capital Improvements - \$7.5 million
 - Grants and technical assistance to help business upgrade ventilation and move programming outdoors
 - Reimburse businesses for eligible expenses
 - Provide necessary assistance directly
 - Examples of assistance
 - HEPA filters and other ventilation equipment
 - Design outdoor spaces
 - Business and marketing plans

Small Business and Impacted Industry

- Administration - \$1.5 million
 - Funding to implement these proposals as well as the tourism initiative
 - Contracted program administration, legal and compliance work and reporting
 - Previous assistance programs used hired entities to manage application and disbursement
 - Implementation plan includes at least 2 month selection process followed by program setup

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\$ in millions

Tourism, Hospitality, & Events Industry Support

- Proposed legislation cites only the \$13M total
 - for a “*program of assistance to the tourism hospitality and events industries*”
- Supporting memo describes three specific uses

| Item 11 - Proposed Uses | Amount |
|--------------------------------|---------------|
| Direct Grants | \$8.0 |
| Events, Public & Shared Spaces | 3.0 |
| Tourism Marketing | 2.0 |
| Total | \$13.0 |

\$ in millions

Tourism, Hospitality, & Events Industry Support

- Direct Grants - \$8.0 million
 - Cash support to tourism, hospitality and events businesses in need
 - Not served by previous program or prior recipients still needing assistance
 - Legislation and memo silent on maximum grant amounts and other metrics
 - Examples of targeted entities
 - Travel industry
 - Sports/Recreation
 - Arts/Cultural

Tourism, Hospitality, & Events Industry Support

- Events, Public/Shared Spaces - \$3.0 million
 - Support for main street improvements, public art installations, shared spaces, outdoor performances and event venues
 - Help businesses recover from COVID induced losses by facilitating new activity
 - Provided through “intermediaries”
 - Municipalities
 - Chambers of Commerce
 - Business Improvement Districts

Tourism, Hospitality, & Events Industry Support

- Tourism Marketing - \$2.0 million
 - Additional tourism marketing efforts in coordination with tourism regions and the Rhode Island Airport Corporation
 - Specific allocations unclear
 - Regional entities and Commerce share in hotel tax revenues as a source of marketing and related operational support
 - These revenues declined significantly in pandemic

Prior Relief Programs

| State Managed Programs | FY 2021 | FY 2022 |
|--------------------------------|----------------|----------------|
| Hospitality, Arts, & Tourism | \$91.4 | \$ - |
| Restore RI | | |
| Bus Interruption – Restaurants | 45.4 | - |
| Small Business Grants | 20.7 | - |
| SSBCI | - | 57.5 |
| Economic Adjustment Assistance | - | 6.8 |
| Total | \$157.5 | \$64.3 |

\$ in millions

Prior Relief Programs

| Direct Federal Assistance to date* | Total |
|---|------------------|
| Paycheck Protection Program | \$2,906.1 |
| Shuttered Venue | 30.4 |
| Restaurant Revitalization Fund | 106.4 |
| Economic Injury Disaster Loan | 1,332.2 |
| Total | \$4,375.1 |

\$ in millions ; source SBA most recent official reports for each program – only EIDL still active

Issues to Consider

- Proposed legislative language provides broad flexibility on uses
 - Proposed allocations not binding
- Should there be specific limits on assistance or participants
 - Any other binding guidance
- Timeline
 - Design suggests minimum of three months before most assistance reaches targets

References

- Finance Committee Documents
 - <https://www.rilegislature.gov/Special/comdoc/Pages/HFIN.aspx>
- House Fiscal
 - Governor Proposal and Staff Analyses
 - <https://www.rilegislature.gov/housefiscalreport/Pages/hfreports2021.aspx>
- ARPA Task Force Materials
 - <https://www.rilegislature.gov/commissions/arpa/Pages/hmaterials.aspx>
 - Most documents from US Treasury

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