



**FINANCIAL STIMULUS  
ACCOUNTABILITY GROUP**  
March 29, 2021

# March 29, 2021 - Agenda

- Update on Rental and Housing Programs (Director Ralph Perrey)
- Update on Coronavirus Relief Fund (“CARES Funding”)
- American Rescue Plan (March Package)
  - State Funds (Butch Eley, Tony Niknejad)
  - Local Funds (Comptroller Jason Mumpower)
  - Education Funds (Tony Niknejad)

# Allocated Program Funds

	<b>CARES Act (March 2020)</b>	<b>Consolidated Appropriations Act (Dec. 2020)</b>	<b>American Rescue Plan (March 2021)</b>
Emergency Solutions Grants	<b>\$33.5M</b>		
LIHEAP	<b>\$18M</b>		<b>\$75-85M</b>
HCV	<b>\$4.7M</b>		<b>No Estimate Yet</b>
Rental Assistance		<b>\$383.4M</b>	<b>\$300M</b>
LIWAP		<b>\$11 – 14M</b>	<b>\$9-11M</b>
HOME			<b>\$48-60M</b>
Homeowner Assistance			<b>No Estimate Yet</b>

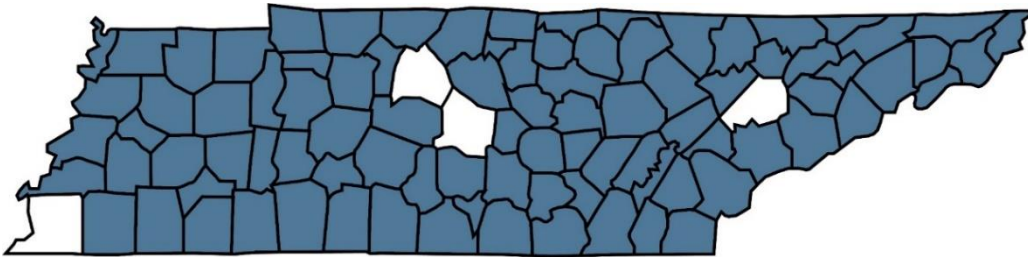
Red text indicates funds have been received by THDA. Blue text indicates an estimate of funds anticipated by THDA.

# COVID-19 RENT RELIEF

---



**THDA**  
COVID-19  
**RENT RELIEF**



- **March 1<sup>st</sup>**  
Program  
Opened
- **91** Counties
- First **30** Days

COMING SOON

---



**THDA**  
**COVID-19**  
**HOMEOWNER'S**  
**ASSISTANCE FUND**

The logo features a blue outline of a house with a chimney on the right side. Inside the house, there are three red five-pointed stars arranged in a triangular pattern. To the right of the house icon, the text 'THDA' is written in a bold, black, sans-serif font. Below this, 'COVID-19' is written in a larger, black, sans-serif font. At the bottom, 'HOMEOWNER'S ASSISTANCE FUND' is written in a bold, dark red, sans-serif font, with 'HOMEOWNER'S' and 'ASSISTANCE FUND' on separate lines.



**Tennessee Housing**  
Development Agency

# CRF Update and Costs Report - Overview

As of March 24, 2020

<b>EXPENSE CATEGORY</b>	<b>PROJECTED</b>
Economic, Community and Individual Relief Programs	\$1,752,807,216
Public Health Response Costs	\$273,591,395
State Government Costs	\$32,531,533
<b>SUBTOTAL</b>	<b>\$2,058,930,144</b>
<b>Funds Remaining for CY 2021</b>	<b>\$304,503,730*</b>

\*Net increase of \$84 million available after application of FEMA waiver of state cost-share and increases in healthcare and other state costs



# AMERICAN RESCUE PLAN STATE AND LOCAL FUNDING



# What's in the American Rescue Plan?

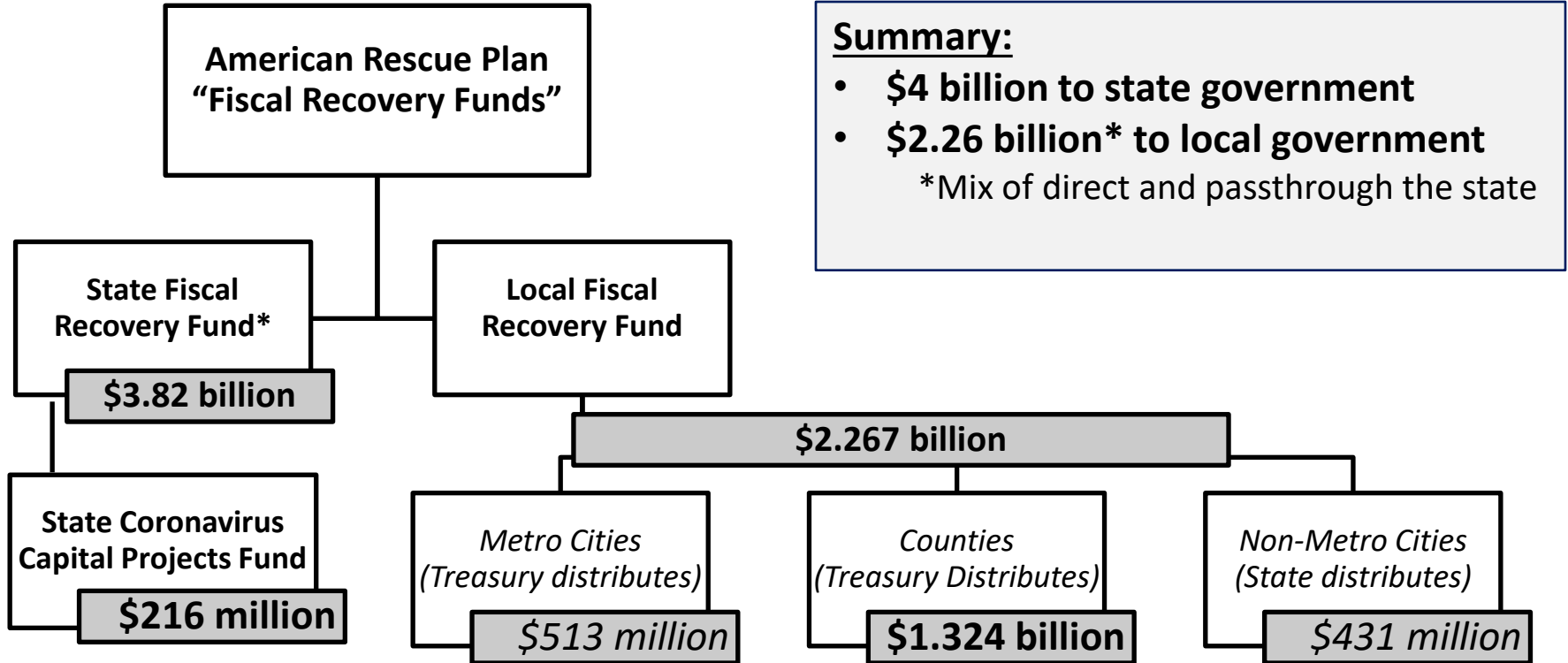
## \$1.9 trillion in federal spending including:

- Economic Impact Payments (\$410B), extended Unemployment Benefits (\$289B), and expanded EITC and child tax credits (\$135B)
- Extended and expanded loans and grants to businesses (\$50B)
- Funding to support public health response (\$50B)
- State and Local Government Fiscal Recovery Funding (\$350B)
- Funding for Education via third round of ESSER (\$122B)

# American Rescue Plan (ARP)

## State and Local Funding

\*Act made no amendments or changes to existing Coronavirus Relief Fund. The two funds will run separate and concurrently.



### Summary:

- **\$4 billion to state government**
- **\$2.26 billion\* to local government**
  - \*Mix of direct and passthrough the state

# American Rescue Plan Differences from Coronavirus Relief Fund

- Separate fund from CRF (existing CRF will continue independent of ARP funds)
- Eligible use changes (permitting a limited option for revenue replacement and allowed for sewer, water and broadband infrastructure)
- Treasury authority to withhold half of funds for at least 12 months
- Treasury distributes directly to some local governments, while other local governments must flow through state
- Longer period of performance
- Establishment of a separate and additional “capital projects fund”

# ARP “Fiscal Recovery Fund” - \$3.8 billion

## Uses and Considerations Based on Congress’ Limits

Limits  
Prescribed  
by Congress

COVID 19  
Health Costs

Economic  
Relief\*

Revenue  
Replacement

Investments in  
water, sewer or  
broadband

Considerations

Could be helpful to state w/r/t costs:  
(1) Not covered by FEMA;  
(2) Not covered by other Vaccine or testing grants.

1) Treasury guidance will determine how much flexibility state would have.  
2) Federal documentation requirements could be a barrier if Treasury does not address

\*to individuals, businesses, non-profits, and industries.

Treasury guidance will clarify, but it is extremely **unlikely** Tennessee will be able to benefit from this.  
ARP defines this as a drop relative to FY19 revenues.

Opportunities for Tennessee to invest in one-time improvements.

# ARP State Funds – OUR APPROACH

- DELIBERATE - We have over twice as much time to plan and deliberate for these funds.
- EXERCISE CAUTION - These funds will be regulated differently. In some respects, easier to spend but other limitations may apply. Treasury guidance will likely be issued in late-April or early May.
- ENGAGE - We will engage FSAG, stakeholders, and public in a transparent process to develop a single ARP state plan.
- **This plan will be built around Tennessee values:**
  - Keep government small (reduce overhead, long-term costs)
  - Fiscal integrity and accountable processes
  - Wise investments: Look for ROI and consider long-term impacts or liabilities
  - Use evidence-based strategies.

# FSAG – Actions and Next Steps

## By July 1, we will:

- Finalize spending of remaining Coronavirus Relief Fund
- Receive guidance from Treasury on how flexible ARP funds may be used.
- FSAG will receive a proposed process for the state to:
  - Plan one-time infrastructure improvements in water, sewer, and broadband or other eligible capital projects;
  - Align allowable uses of ARP funds to state's strategic goals and review proposals for initiatives to improve health outcomes and support economic and community development;
  - Develop a single comprehensive program for targeting and administering economic relief.

# Local Governments - ARP Funds

## Sec. 603 – Coronavirus Local Fiscal Recovery Fund

- Three types of eligible entities
  - (i) Metropolitan governments
  - (ii) County governments
  - (iii) “Non-Entitlement Units of Local Government” (“NEUs”)
- Same restrictions and uses as state aid
- Metros and Counties will be paid directly by US Treasury
- NEUs
  - State is required to “distribute” within 30 days of receipt of funds.
  - No NEU may receive more than 75% of its most recent pre-COVID budget (as of Jan 2020)
  - Treasury has not opined whether State will be held liable for misspending of these funds or whether “distribute” requires advances or an obligation + reimbursement process.

# ESSER 3.0

- **\$2.3 billion to LEAs. This is in addition to:**
  - \$996 million from December CRRSAA omnibus package (“ESSER 2.0”)
  - \$233 million from CARES (“ESSER 1.0”)
  - State investments to fully fund state BEP, additional investments to increase teacher salaries, and additional funding appropriated to support public education impacts of COVID and new education initiatives.
- In last 12 months, Congress has sent Tennessee LEAs funds exceeding 600% of Tennessee’s Race to the Top awards.
- This is a one-time funding opportunity for districts to invest in areas that will recover AND accelerate student achievement.
- Reimbursement-based and regular reporting and audit required. There will be significant work by TDOE to support locals in process



# Questions?

# Additional Details on ARP

# Other ARP Direct Funds – “Capital Projects”

## Sec. 604 - “Coronavirus Capital Projects Fund”

- **Separate and in addition to the Fiscal Recovery Fund**
- **Amount:**
  - Base \$100m payment to every state plus formula allocation
  - Total estimated \$216 million to State of Tennessee
- **Period:** Shall “remain available until expended”
- **Use:** For “critical capital projects directly enabling work, education, and health monitoring in response to the public health emergency.”
  - Pending guidance, appears that it could include improvements to public health and medical facilities or enabling remote or telemedicine supports.

# Restrictions on Eligible Expenses

## ARP State and Local Funds vs CRF State and Local Funds

### ARP Fiscal Recovery Fund

- Respond to the COVID-19 public health emergency
- Assistance to individuals, small businesses, non-profits.
- “Premium pay” of up to \$13/hour to “essential workers”
- Fund operations to the extent of lost revenue relative to FY19
- “Make investments in water, sewer, or broadband infrastructure”

#### **Prohibited:**

- May not use ARP fiscal recovery funds to “reduce taxes directly or indirectly” or fund pensions.

### Coronavirus Relief Fund

- Necessary expenses incurred due to the public health emergency.
- Economic support to businesses required to close or that are affected by decreased customer demand as a result of COVID.
- Payroll and benefits for public safety and public health employees and other employees if such employees time is substantially dedicated to COVID.
- Other relief to individuals (such as food assistance, housing, or public health supports) or schools related to COVID-19

#### **Prohibited:**

- May not use funds to replace lost revenues.

# Prohibitions on Tax Cut

- Inserted by US Senate without Committee markup or review.
- ARP text states that a recipient government may not use ARP funds to : “directly or indirectly offset a reduction in the net tax revenue of such State or territory resulting from a change in law, regulation, or administrative interpretation...”
- Treasury has been delegated the authority by Congress to make rules for what constitutes an “indirect” offset.
- 1 state AG has sued and 21 state Attorney Generals have sent letter outlining concerns to Treasury over potential unconstitutionality of such a provision.
- Treasury has sought to relieve concerns by stating: “...states are free to make policy decisions to cut taxes – they just cannot use the pandemic relief funds to pay for those tax cuts”
- ARP funds should be accounted for separate from the state budget in order to fully preserve state’s ability to set tax policy using its own revenues.