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

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Emergency Solutions Grants</td>
<td>$33.5M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LIHEAP</td>
<td>$18M</td>
<td></td>
<td>$75-85M</td>
</tr>
<tr>
<td>HCV</td>
<td>$4.7M</td>
<td></td>
<td>No Estimate Yet</td>
</tr>
<tr>
<td>Rental Assistance</td>
<td>$383.4M</td>
<td>$300M</td>
<td></td>
</tr>
<tr>
<td>LIWAP</td>
<td>$11 – 14M</td>
<td>$9-11M</td>
<td></td>
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<tr>
<td>HOME</td>
<td></td>
<td></td>
<td>$48-60M</td>
</tr>
<tr>
<td>Homeowner Assistance</td>
<td></td>
<td></td>
<td>No Estimate Yet</td>
</tr>
</tbody>
</table>

Red text indicates funds have been received by THDA. Blue text indicates an estimate of funds anticipated by THDA.
COVID-19 RENT RELIEF

- March 1st Program Opened
- 91 Counties
- First 30 Days
COMING SOON

THDA COVID-19 HOMEOWNER’S ASSISTANCE FUND
CRF Update and Costs Report - Overview

As of March 24, 2020

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

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

**American Rescue Plan “Fiscal Recovery Funds”**

- **State Fiscal Recovery Fund***: $3.82 billion
- **Local Fiscal Recovery Fund**: $2.267 billion
- **Metro Cities** (Treasury distributes): $513 million
- **Counties** (Treasury Distributes): $1.324 billion
- **Non-Metro Cities** (State distributes): $431 million

**State Coronavirus Capital Projects Fund**: $216 million

*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**

<table>
<thead>
<tr>
<th>Limits Prescribed by Congress</th>
<th>Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COVID 19 Health Costs</strong></td>
<td>Could be helpful to state w/r/t costs: (1) Not covered by FEMA; (2) Not covered by other Vaccine or testing grants.</td>
</tr>
<tr>
<td><strong>Economic Relief</strong></td>
<td>1) Treasury guidance will determine how much flexibility state would have. 2) Federal documentation requirements could be a barrier if Treasury does not address</td>
</tr>
<tr>
<td><strong>Revenue Replacement</strong></td>
<td>Treasury guidance will clarify, but it is extremely <strong>unlikely</strong> Tennessee will be able to benefit from this. ARP defines this as a drop relative to FY19 revenues.</td>
</tr>
<tr>
<td><strong>Investments in water, sewer or broadband</strong></td>
<td>Opportunities for Tennessee to invest in one-time improvements.</td>
</tr>
</tbody>
</table>
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.