

## Coronavirus Update to the Joint Committee on Appropriations (05/27/2020)

### Revenue Updates

- April collections which represent March sales were down \$18m. Known anomalies:
  - o Securities down \$9.3m due to a timing issue. \$9.0m was transferred to the general fund the first week of May.
  - o Bank Franchise is also due to timing. By statute, bank franchise taxes follow the federal income tax deadlines and those were extended to July 15, 2020. Expect to continue to see those revenues come in between now and that deadline, some of which may be next fiscal year.
- Analyzing April collections for the top 15 major groups which contribute approximately 80% of sales tax revenues, possibly a better picture for how sales tax is being affected emerges.
- The 3 categories most negatively impacted are:
  - o Apparel and Accessory Stores **-41.22%**
  - o Hotels and other lodging places **-37.32%**
  - o Eating and Drinking places **-21.92%**
- Last year, these categories represented 10.6% of total sales tax collections.
- Conversely, several categories (still within the top 15 major groups) were up by double digits on a year over year basis last month:
  - o Electric, gas, and sanitary services **+33.21%**
  - o Building Materials, Hardware, Garden Supply **+21.40%**
  - o Food Stores **+17.60%**
  - o Business Services **+12.64%**
  - o Miscellaneous Retail **+10.90%**
- Additional figures can be found here: <https://dor.sd.gov/media/3mrbyk1/0420statebydiv-mg-sic.pdf>.
- Year to date, revenues are down about \$5.6m. With the \$9.0m that came in for securities this month, revenues are up slightly from projections by \$3.4m.

It is important to understand that April numbers only reflect one week of businesses closing or operating differently due to COVID-19 as the first city ordinance passed on March 23, 2020.

We will see a full month of the impact COVID-19 has on businesses next week when our April sales are reported.

### Expenses Updates

- **DSS Medicaid numbers**
  - o Analyzing the potential for decreased utilization numbers due to COVID-19 because fewer people went to the doctor for routine visits and elective surgeries were postponed.
  - o Current spending may be down but will probably see an increase in the future as patients play catch up and reschedule appointments and elective surgeries.
- **DHS Nursing Home Numbers**
  - o Due to COVID-19 and the elderly being a vulnerable population, some families took their loved ones out of the nursing home to live with them.
- **Special Education**
  - o As discussed during session, there are Maintenance of Effort (MOE) requirements for special education funding which means the same amount of special education funding must be made available each year, even if we don't project to use it. Projecting to revert almost \$5m.
- **Enhanced Federal Medical Assistance Percentage (FMAP)**
  - o As discussed on Veto Day in SB193, the Feds have increased the FMAP share by 6.2% as long as the federal public health emergency is in effect.
  - o 6.2% Enhanced FMAP for 2 quarters = \$28m
  - o This was included in the Families First Coronavirus Response Act.

### **Coronavirus Relief Fund (CRF) - \$1.25B**

- The Governor's certification letter certifies that we would spend the money based on the 3 areas stated in law: [https://bfm.sd.gov/covid/South\\_Dakota\\_CRF\\_Certification.pdf](https://bfm.sd.gov/covid/South_Dakota_CRF_Certification.pdf)
  1. Necessary expenditures incurred due to the public health emergency
  2. Were not accounted for in the budget most recently approved as of March 27, 2020
  3. Were incurred from March 1, 2020 – December 30, 2020
- US Treasury continues to provide additional guidance and update the FAQ document on how this funding can be utilized. <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Tribal-Governments.pdf>
- <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf>
- Agencies reviewing needs for remote work due to the current pandemic.
- Agencies are in the process of identifying items that may qualify for the use of the CRF.
- Examples:
  - o Updates to building security/entrances to maintain traffic flow for screening purposes and mitigate the spread
  - o Backfill the Unemployment Insurance Trust Fund
  - o Covering the FEMA Match for local governments – 25%
- Also working to identify which healthcare providers and other entities received funding directly from the Federal government and which ones did not.

### **Employee Hazard Pay Program**

- **Overtime Exempt, Salaried Employees**
  - o Employees may be granted a 10% / 5% / 3% temporary increase based on extraordinary number of hours, additional responsibilities significantly outside the normal scope of work, high levels of stress, etc.
- **Overtime Non-exempt, Hourly Non-Institutional Employees**
  - o Employees may be granted up to 80 hours of Administrative Leave to be used as approved for the additional effort to all highly impacted hourly employees.
- Currently working on a **hazard pay plan** for those working in 24/7 institutions and public safety officers.

### **Coding**

- Funds within the federal stimulus bills are being tracked using federal company 2000.
- Specific federal grants within the stimulus bills are being assigned individual fund source identifiers.
- Agencies are also using an assigned flag within the account structure to denote COVID-related personal services expenditures, and operating expenses that may be able to be paid with CRF funding. ("V" in Position 16 of Account).
- Where appropriate, some agencies are using sub-funds within existing grants to denote additional COVID19 related monies.

### **Expenditure Corrections or Coding Adjustments**

- As we receive more guidance and clarification on the allowable uses of CRF funds, before the end of the fiscal year expenditure corrections will occur for administrative leave, personal services coded to "V16", and Families First Coronavirus Response Act (FFCRA) leave.
- Budget Adjustments will need to be made to transfer authority where agencies have spent federal stimulus funds.

### **Web Reporting**

- In the interest of being as transparent as possible, we are working on a web page, much like we had with ARRA (Great Recession stimulus funds), that shows total Federal COVID Stimulus Spending by agency and by grant.

### **Partnering with Local Governments**

- No local government in South Dakota qualified for direct assistance from the US Treasury (500k+ people).
- Governor Noem has asked local governments to track COVID related expenses.
- Since we've received guidance that CRF funds can be used to match the FEMA share, it will make sense for local governments to utilize FEMA.
- Also working with local governments on possibility to pay for their public safety/health officials.

### **CRF Portal:**

- The state is developing a CRF Sub-recipient portal which will allow local governments to provide the information necessary to receive reimbursements or payments from the state's CRF fund.

**Local Government Grant Process** – the guidance keeps changing and we are trying to find how to most effectively and efficiently help local governments.

- BFM has contracted with Aaron Scheibe and Paul Bachand to provide legal assistance and contract and grant agreement drafting.
- BFM has contracted with Monte Kramer to help provide financial monitoring and assistance of the grant agreements.
- State will contract with the 6 planning districts to help local governments understand eligible expenses.
- State will contract with a CPA firm to help approve all reimbursement requests to ensure federal and state government compliance.

### **Small Business Grants**

- GOED is working through how a small business grant program would work – more details in the future.

### **Families First Coronavirus Relief Act (FFCRA) & Coronavirus Aid, Relief, and Economic Security (CARES) Act: Additional Grants**

#### **DOH Mass Testing Grant - \$57m**

Mass testing is point in time. The vulnerable population and staff in nursing homes will be tested and then additional sentinel testing of the population after mass testing will occur. Testing will continue with point-prevalence testing if there is a positive case among the population. The first phase of nursing home testing will begin with communities that have substantial spread.

- The May 14, 2020 plan was created ahead of the \$57m mass testing federal grant allotment. Originally planned to use CRF.
- Finalizing plan and will submit to the federal government.
- Priority populations will remain the same:
  - Nursing home and assisted living residents and staff- test all at once, then sentinel, then point-prevalence testing if needed
  - Other residents and staff in congregate living situations (i.e., SDDC, DD providers, homeless shelters)- test all at once, then sentinel, then point-prevalence if needed
  - Tribes- test sample, then sentinel sampling

- Correctional facility staff/inmates- test sample, then sentinel sampling, then point-prevalence testing if needed
- Critical infrastructure worker outbreaks- situation dependent
- Provide technical support, personal protective equipment (PPE), and lab costs associated with mass testing.

### **DSS Daycare Grant - \$9m**

The Department of Social Services received \$9m in CARES Act funding to help support childcare businesses and families through the Pandemic.

The purpose of this funding is to support childcare programs with the continuation of childcare services for the families they serve. While the childcare programs receive reprieve with this funding, the programs are also expected to extend the benefit of the savings onto families, by charging absent families a maximum of half the regular rate to hold a child's spot.

Additional information can be found here: [https://dss.sd.gov/docs/COVID19/Application\\_FAQ.pdf](https://dss.sd.gov/docs/COVID19/Application_FAQ.pdf)

### **DSS SNAP Funding**

- **SNAP Maximum Benefit**
  - Emergency allotments to increase Supplemental Nutrition Assistance Program (SNAP) benefits for any recipient who does not already receive the maximum benefit were issued to eligible households April 24 and May 23, 2020.
  - Approximately 21,000 SNAP households received an average increased benefit of \$165 in each of those months. This is over half of all SNAP households. In April 2020, there were 37,326 total SNAP households.
  - The next issuance will be provided on June 22, 2020. The emergency allotment may continue beyond June contingent upon the continuance of an emergency/disaster declaration.
- **SNAP Pandemic EBT (P-EBT)**
  - DSS is seeking federal Food and Nutrition Services (FNS) approval to implement Pandemic-EBT. The benefit is equivalent to the cost for school lunch per school age child in the home.
- **SNAP Online Purchasing**
  - DSS is seeking FNS approval to allow online purchasing using the SNAP EBT card.
  - Walmart and Amazon are the only FNS approved retailers currently available in South Dakota. Once the letters of commitment are received, the waiver will be submitted to FNS.
  - Retailers are authorized by FNS and retailers must meet all federal requirements. Retailers will also have IT development work to ensure their store's system meets FNS and FIS requirements. All retailer costs are the sole responsibility of the retailer.

### **DOE Education Grant Application**

[https://bfm.sd.gov/covid/Education\\_Funding\\_CARES.pdf](https://bfm.sd.gov/covid/Education_Funding_CARES.pdf)

### **Housing Emergency Solutions Grant Program**

Per the CARES Act, South Dakota has initially received an allocation of \$2.2m of Emergency Solutions Grants (ESG) Program funds to be used to prevent, prepare for, and respond to the coronavirus pandemic (COVID-19) among individuals and families who are homeless or receiving homeless assistance; and to support additional homeless assistance and homelessness prevention activities to mitigate the impacts of COVID-

19. Funds will be provided to nonprofit partner agencies and local governments to carry-out the following activities.

- To pay for operating expenses of homeless and domestic violence shelters (utilities, food, cleaning supplies, general maintenance, security, etc.)
- Pay for creation of temporary shelters including property leases, temporary structures, and other activities.
- Renovation of existing shelters.
- To be used for infectious disease prevention and mitigation training, and hazard pay for staff in coronavirus response.
- Pay for essential services for individuals in shelter (includes case management, child care, employment assistance, outpatient healthcare, transportation).
- To pay for use of hotel rooms for recovery and quarantine beds.
- Assist households who are homeless or at risk of homelessness, with rental and utility assistance for up to 24 months.

The SD Housing Development Authority is currently waiting for Housing and Urban Development’s (HUD) official notice to then start deploying these funds.

**DOT Airport Grants**

- 100% Federal share for 2020 Airport Improvement Program (AIP) Grants. Under normal circumstances, the local match required for AIP grants is shared between the state and local community. This funding eliminates the local contribution that will allow projects to continue despite current financial circumstances. The State remains obligated to contribute its share.
- General Aviation Airports. At least \$100m is available to general aviation airports for any purpose for which airport revenues may be lawfully used. South Dakota airports could receive \$36m by receipt of a 100% match to assist in addressing the COVID public health emergency. Airports will use the CARES Act funds for operational expenses, such as payroll, utility bills, or payment of debt service. Expenditures will still need to go through SDDOT.

**DOT Transit Grant**

The CARES Act of 2020 made available **additional** FTA Section 5307 Urban Area Formula funding to respond to the COVID-19 Pandemic.

- This money is for urban transit agencies. It can be used for operational costs associated with COVID-19: including loss of revenue.
- It is NOT intended to replace money that would be given by the state.
- These funds will go directly to the providers, not through DOT.
- The CARES Act apportionment is as follows:

|              |                     |
|--------------|---------------------|
| Rapid City   | \$3,638,543         |
| Sioux City   | \$251,535           |
| Sioux Falls  | \$7,738,249         |
| <b>Total</b> | <b>\$11,628,327</b> |

**DOT Rural Transit Grant**

- Section 5311, rural transit recipients, are eligible.
- The rural transits are sub-recipients through the state.
- South Dakota will receive \$22.4 million. None of these funds have been expended.

- Funding will be provided at a 100% federal share, with no local match required. Funding will be available to support operating, capital and other expenses generally eligible under those programs, and incurred beginning on January 20, 2020, to prevent, prepare for, and respond to COVID-19. The transit entity will provide receipts of spending to DOT, and DOT will reimburse 100% out of these funds.

## **DLR Grants**

### Unemployment Grants:

1. Unemployment Administration (Base) – received \$4,600,000 (annual allotment to put in context)
2. Unemployment Administration (Supplemental) - received \$2,500,000
3. Pandemic Unemployment Assistance (PUA) Implementation Costs – requesting \$511,759
4. Pandemic Unemployment Assistance (PUA) Administration Costs – not yet determined how much assistance may receive from feds
5. Pandemic Emergency Unemployment Compensation (PEUC) Implementation Costs – requesting \$91,493
6. Pandemic Emergency Unemployment Compensation (PEUC) Administration Costs – not yet determined how much assistance may receive from feds
7. Federal Pandemic Unemployment Compensation (FPUC) Implementation Costs – requesting \$66,260
8. Federal Pandemic Unemployment Compensation (FPUC) Administration Costs – not yet determined how much assistance may receive from feds
9. Section 2105 – finalizing application; amount uncertain

### Other DLR Grants:

1. National Dislocated Worker Grant – received \$281,968