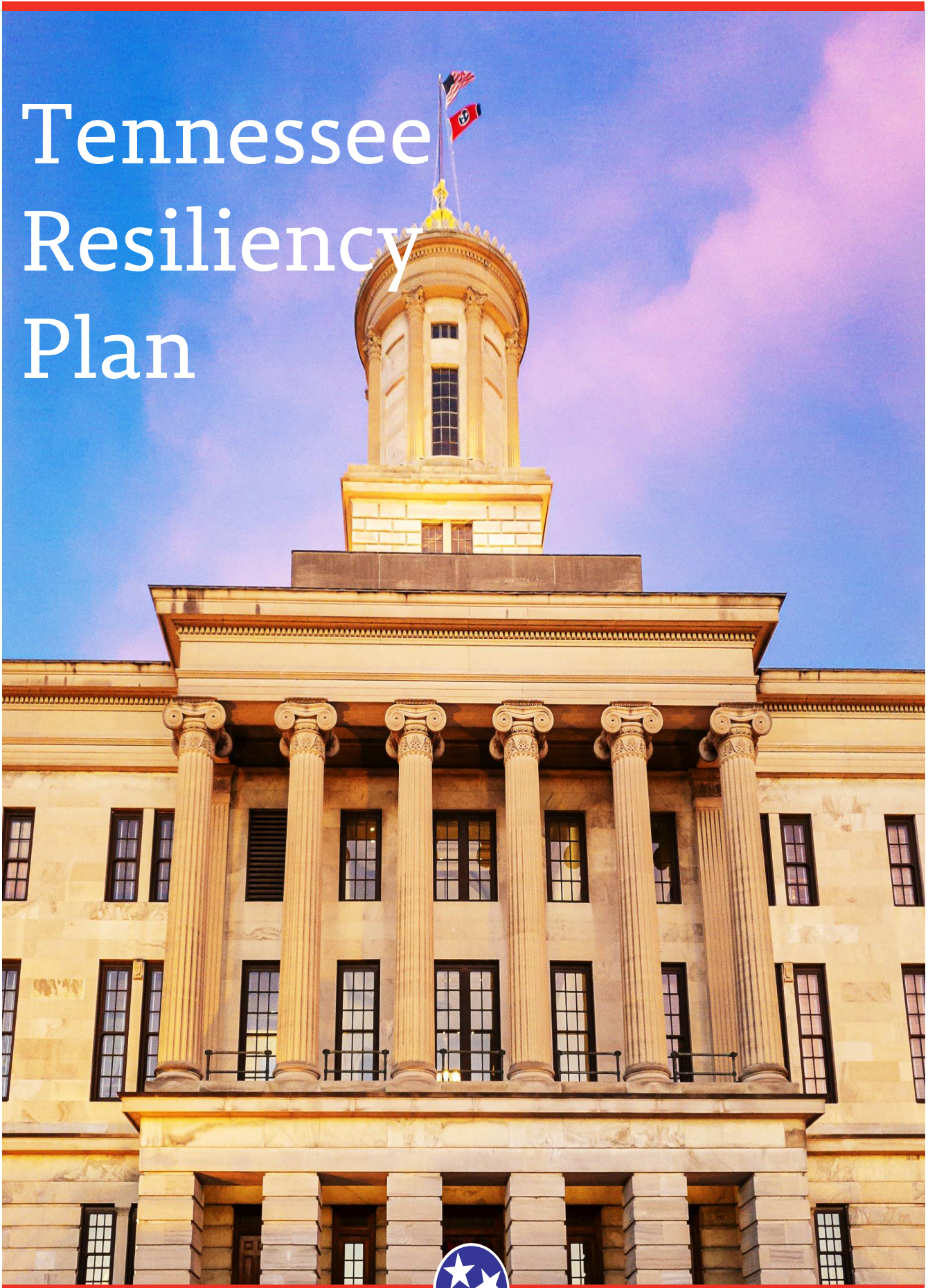


Tennessee Resiliency Plan



TENNESSEE RESILIENCY PLAN

FSAG Recommended Expenditures

Under the American Rescue Plan Act, the State of Tennessee will receive \$3.725 billion in funds awarded via the US Treasury “Fiscal Recovery Fund” (“FRF”). The availability of one-time FRF funds presents a significant opportunity for Tennessee to: (i) Continue its response to the COVID-19 pandemic and its secondary effects; (ii) Invest in initiatives that support a strong economic recovery; (iii) Strengthen state fiscal stability by reducing demand for state taxpayer dollars to fund existing initiatives or priorities.

To support the development of a comprehensive plan for Tennessee’s Fiscal Recovery Fund, Governor Lee has invited state agencies and stakeholders to submit proposals for consideration by the FSAG for inclusion in the Tennessee Resiliency Plan. This document summarizes proposals that have been considered and recommended for expenditure by the Financial Stimulus Accountability Group (FSAG). As new expenditures are approved throughout the grant period, this document will be updated to reflect the state’s plan. .

All proposals were subject to a process of review by the Department of Finance & Administration (F&A) and the Governor’s Office for fiscal impact, eligibility, and alignment with state priorities. Proposals were then submitted for feedback and discussion with the FSAG. Recommended proposals are posted for public comment and community engagement prior to final approval.

Background on the ARPA State Fiscal Recovery Fund

On March 11, the American Rescue Plan Act of 2021 (“ARPA”) was enacted into law,¹ expending \$1.9 trillion in federal spending to respond to the COVID-19 pandemic. Several components of the Act build on previous programs included in earlier federal relief packages.

Notable federal appropriations under the ARPA include the following:

- \$412 billion for Economic Impact Payments to individuals;
- \$350 billion for the Coronavirus State and Local Fiscal Recovery Funds;
- \$122.7 billion for Elementary and Secondary School Emergency Relief Fund;
- \$50 billion for FEMA’s Disaster Relief Fund to respond to disaster declarations;
- \$47.8 billion for testing and tracing activities for COVID-19;

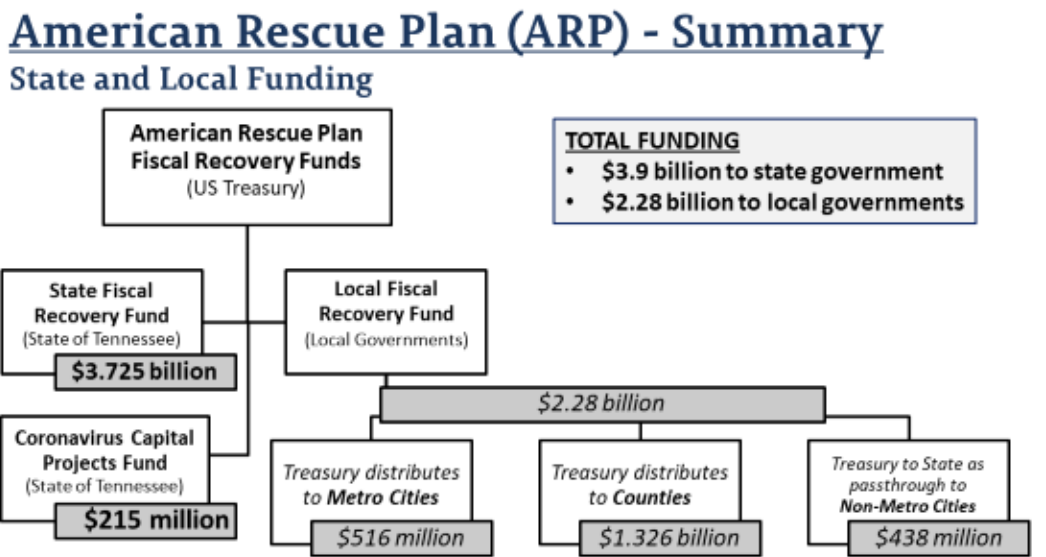
¹ H.R. 1319, American Rescue Plan Act of 2021 (enacted on March 11, 2021 as Public Law 117-2)
<https://www.congress.gov/bill/117th-congress/house-bill/1319>

- \$39.6 billion for Higher Education Emergency Relief Fund;
- \$39 billion for childcare subsidies and grants to childcare providers;
- \$30.5 billion for grants to transit agencies;
- \$36.6 billion for rental and mortgage assistance;
- \$28.6 billion to establish a Restaurant Revitalization Fund;
- \$10 billion for Coronavirus Capital Projects Fund.

Funding for State and Local Governments under the American Rescue Plan

The ARPA established a new US Treasury Program, the Coronavirus State and Local Fiscal Recovery Fund (“FRF”),² with the intent of assisting states and local governments in mitigating the fiscal effects of the COVID-19 pandemic.

Tennessee has received \$3.725 billion from the State Fiscal Recovery Fund. Tennessee counties, metros, and non-metro cities are estimated to receive a combined total of \$2.28 billion in Local Fiscal Recovery Fund awards. The Local Fiscal Recovery Fund is divided into three separate distributions: \$1.326 billion for counties, \$516 million for metropolitan cities, and \$438 million for “non-entitlement units of local governments.”³



² This is a separate and independent award from the CARES Act Coronavirus Relief Fund, available until Dec 31, 2021.

³ “Non-entitlement units of local government” are defined by the act as a city that is not a metropolitan city as defined in the Housing and Community Development Act of 1975 (42 USC §5302(a)(5)).

FRF awards are distributed directly by the U.S. Treasury to states, counties, and metro cities.⁴ The remaining local governments, referred to by Treasury as “non-entitlement units of local government,” must draw funding from state governments who must distribute funds per federal formula and criteria. States are required to allocate funds to non-entitlement units of local government within 30 days of receiving the payment from the Treasury. The Department of Finance and Administration has launched a system and portal for non-entitlement units to draw down distributions.⁵

State and Local Fiscal Recovery Funds are statutorily limited to the following uses: (i) to respond to the COVID-19 pandemic and its negative economic impact, (ii) provide premium pay to essential workers, (iii) supply government services to the extent the government has experienced a revenue reduction relative to the previous fiscal year, and (iv) investments in water, sewer, and broadband infrastructure. On May 10, the U.S. Treasury’s Interim Final Rule was adopted to provide further guidance on eligible uses within these overall categories.⁶

Under the Treasury’s Interim Final Rule, FRF funding may be used to support a broad range of public health needs as it can be demonstrated that such needs have been exacerbated by the pandemic. Eligible public health expenditures include mental health services, home visiting programs, and support for vulnerable populations to access health care services. Recipients may also use FRF to provide wage enhancements to eligible essential workers.

To alleviate economic hardship, FRF may be applied to provide relief to individuals, non-profits, and businesses directly impacted by the pandemic. Eligible uses include job training for unemployed workers, loan programs for small businesses and non-profits, expansion of affordable housing developments, and increased capacity of child-care services.

FRF can support physical infrastructure investments without a specific nexus to COVID, but only if such investments fall within the statutorily prescribed “necessary sewer, water, and broadband” projects. The Treasury Interim Final Rule states that Broadband projects are expected to deliver symmetrical upload and download speeds of 100 Megabits per second

⁴ Eighteen metro cities in TN will receive funding directly from the U.S. Treasury – Bartlett City, Bristol, Chattanooga, Clarksville, Cleveland, Collierville Town, Franklin City, Hendersonville, Jackson, Johnson City, Kingsport, Knoxville, Memphis, Morristown, Murfreesboro, Nashville-Davidson, Oak Ridge, Smyrna Town.

⁵ Non-entitlement unit local governments who have not drawn down funds should visit the Tennessee Department of Finance and Administration, “Distribution Information for NEU Local Government” website at <https://www.tn.gov/finance/coronavirus-local-fiscal-recovery-fund---state-guidance-for-local-governments/distribution-information-for-neu-local-governments.html>

⁶ “Coronavirus State and Local Fiscal Recovery Funds, Interim Final Rule,” Department of the Treasury, 31 CFR Part 35 RIN 1505-AC77, May 10, 2021, <https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf>.

wherever feasible. The Treasury Interim Final Rule also states that for sewer and water investments, guidance aligns eligible projects to those that meet the requirements of EPA's Clean Water Revolving Fund and Drinking Water State Revolving Fund.

Recipient governments who have experienced year-to-year revenue loss may use FRF funding to replace lost revenue for the provision of government services. The Interim Final Rule establishes a methodology for recipients to calculate revenue reductions that occurred as a result of the pandemic. Due to Tennessee's relatively strong economic recovery, the State does not qualify for revenue replacement.

The Interim Final Rule also specifies unallowable uses. These include paying down unfunded pension liabilities, reducing taxes directly or indirectly, paying interest or principal on outstanding debt, and making contributions to a "rainy-day" fund or similar reserve.

Recipients may only use funds to cover costs incurred between March 3, 2021, and December 31, 2024. The Interim Final Rule determines that costs will be considered "incurred" if they are obligated by December 21, 2024. FRF funds not expended by December 31, 2026, must be returned.

The Act additionally created a new \$10 billion Coronavirus Capital Projects Fund for the Treasury Department to make separate payments to states, territories, and tribal governments to carry out capital projects to support work, education, and public health. Tennessee is estimated to receive \$216 million in this fund. State plans for the Coronavirus Capital Projects Fund must be submitted by Dec. 31, 2022.

The State of Tennessee's Response to the Fiscal Recovery Fund

Since the launch of the Fiscal Recovery Fund program by U.S. Treasury, the State of Tennessee has engaged in a deliberative and comprehensive process of engagement in the regulatory and legal process to support the effective implementation of these funds.

First, the Treasury Interim Final Rule, under the federal Administrative Procedure Act, was subject to a period of public comment. Governor Bill Lee submitted a comment encouraging Treasury to amend key provisions that limited the flexibility of states to target these funds to communities, organizations, and individuals that needed it the most.⁷

⁷ See Comment of Governor Bill Lee, July 15, 2021, *available at* <https://www.regulations.gov/comment/TREAS-DO-2021-0008-0741> (commenting on U.S. Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule, Docket ID: Docket ID: TREAS-DO-2021-0008-0002, 86 Fed. Reg. 26786 (May 17, 2021))

Specific attention was given to Treasury restrictions on sewer and water infrastructure not referenced in statute, a timeline for performance that may prove challenging in light of foreseeable supply chain challenges, and the imposition of guidelines that will reduce access for disadvantaged populations who lack the time, ability, or resources needed to navigate Treasury's required controls and processes.

In addition to engaging in the regulatory rulemaking process, Tennessee preserved its legal rights, challenging the enactment of a tax mandate provision that sought to coerce any state receiving ARPA funds against lowering taxes for its citizens. On September 27, the U.S. District Court for the Eastern District of Kentucky ruled in favor of the State of Tennessee and Commonwealth of Kentucky in its lawsuit against the United States Treasury, issuing a permanent injunction against the Treasury Secretary from enforcing the Tax Mandate.⁸

To prepare for the prudent expenditure and a planning for FRF dollars, the Financial Stimulus Accountability Group convened multiple times to develop a set of consensus goals and unified strategy for expenditure of funds. Meetings of the FSAG are streamed live and meeting materials are published for public review.⁹ On March 29, 2021, the FSAG discussed the details of the ARPA and committed to the following goals:

- 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 approach for economic relief;
- Address the state's role in supporting prudent local government administration.

On June 2 and August 4, the FSAG reviewed and confirmed state plans to invest in the following programs of work using FRF:

- After identifying a historic backlog of needs in sewer, water, and broadband infrastructure, the FSAG launched two comprehensive infrastructure programs that would leverage local ARP funds to rebuild necessary sewer, water, and broadband infrastructure.¹⁰

⁸ "Federal Court Rules in Favor of Tennessee, Kentucky, Halts Unconstitutional Tax Mandate", Tennessee Attorney General & Reporter (Sept. 27, 2021) *available at* <https://www.tn.gov/content/dam/tn/attorneygeneral/documents/pr/2021/pr21-36.pdf>

⁹ For all materials reviewed by the FSAG, please visit the Department of Finance & Administration website at <https://www.tn.gov/finance/looking-for/stimulus-financial-accountability-group.html>

¹⁰ For more details on these programs, see "INFRASTRUCTURE" *infra* pp. 13-19.

- After discussing the unprecedented amount of funds to be administered by local entities, the FSAG recommended and the administration has invested in a Local Government Technical Assistance program that would train local governments on necessary grant management and compliance and provide annual review of local government plans.

In September, the FSAG convened multiple times to review state agency capital and program proposals to improve health outcomes and support economic and community recovery and resilience. FSAG members participated and shared significant comments and feedback to inform the development of the state's Tennessee Resiliency Plan.

On October 6, the FSAG met to review these recommendations, forming the next steps in launching the Tennessee Resiliency Plan. Each proposal included in the Tennessee Resiliency Plan has been the result of a collaborative effort between state agencies and the FSAG, and all proposals have been vetted for eligibility, effective project management, and long-term fiscal impact on the state of Tennessee.

This first tranche of spending priorities that reflect the most urgent needs and opportunities for Tennessee include:

- Sewer, Water, and Broadband Infrastructure initiatives;
- Capital investments to improve the resiliency of state and local public health systems;
- Continuation of the state's Hospital Staffing Assistance program;
- Immediate support to Tourism, Agriculture, and Arts and Culture Industries.

The plan also reserves specific funds for future planning purposes:

- \$275 million is reserved for relief to affected industries, non-profits, and other organizations. Requests for new relief program will be administered via competitive grant application after review by FSAG.
- \$300 million is reserved for additional state capital planning.

Several agency proposals were also deferred for additional briefing by the FSAG. These proposals were identified as eligible for funds but requiring additional briefing by the group. The administration will provide FSAG members with a briefing schedule for those proposals. With these additions and reservations, a balance of approximately \$494 million remains in the Fiscal Recovery Fund.

Summary of Recommended Expenditures

Category	Agency	Proposal	Total Amount	FY21-22	FY22-23	FY23-24	FY24-25	Page Number
Infrastructure	Environment and Conservation	Enhancements to Water and Wastewater Infrastructure	\$ 1,351,922,145	\$ 675,961,073	\$ 337,980,536	\$ 337,980,536	\$ -	10
Infrastructure	Economic and Community Development	Broadband Infrastructure	\$ 500,000,000	\$ 200,000,000	\$ 225,000,000	\$ 37,500,000	\$ 37,500,000	14
Public Health - Capital Investments	Health	State Public Health Laboratory	\$ 200,000,000	\$ -	\$ 200,000,000	\$ -	\$ -	17
Public Health - Capital Investments	Multiple Agencies	<i>Reserved for Further Planning for State Managed Health Capital Projects</i>	\$ 300,000,000	\$ 300,000,000	\$ -	\$ -	\$ -	19
Public Health - Capital Investments	Health	Local Health Department Capital Investments	\$ 128,966,391	\$ 128,966,391	\$ -	\$ -	\$ -	20
Public Health	Health	Hospital Staffing Assistance Program	\$ 110,000,000	\$ 110,000,000	\$ -	\$ -	\$ -	29
Public Health	Correction	Electronic Health Records project and supporting Infrastructure	\$ 13,050,000	\$ 13,050,000	\$ -	\$ -	\$ -	31
Negative Economic Impacts / Economic Relief	External Requests	<i>Reservation of Funds for Future External Relief Planning</i>	\$ 275,000,000	\$ 68,750,000	\$ 68,750,000	\$ 68,750,000	\$ 68,750,000	34
Negative Economic Impacts / Economic Relief	Labor	Unemployment Insurance Tax & Benefits System	\$ 61,000,000	\$ 61,000,000	\$ -	\$ -	\$ -	35
Negative Economic Impacts / Economic Relief	Arts Commission	Support for TN Arts Organizations	\$ 80,000,000	\$ 30,000,000	\$ 25,000,000	\$ 25,000,000	\$ -	37
Negative Economic Impacts / Economic Relief	Tourism	Tennessee Tourism & Hospitality Recovery Fund (Pass through grant for Destination Marketing Organizations)	\$ 55,000,000	\$ 13,750,000	\$ 13,750,000	\$ 13,750,000	\$ 13,750,000	40
Negative Economic Impacts / Economic Relief	Tourism	Tennessee Tourism ARP Marketing Fund Request	\$ 45,000,000	\$ 11,250,000	\$ 11,250,000	\$ 11,250,000	\$ 11,250,000	43
Negative Economic Impacts / Economic Relief	Agriculture	Commercial Agriculture & Forestry Supply Chain Enhancements	\$ 50,000,000	\$ 16,666,667	\$ 16,666,667	\$ 16,666,667	\$ -	46
Negative Economic Impacts / Economic Relief	Transportation	Sevier County Tourism Support Project	\$ 52,100,000	\$ -	\$ 52,100,000	\$ -	\$ -	49
Negative Economic Impacts / Economic Relief	Transportation	Anderson County - Aspire Park Support Project	\$ 6,000,000	\$ -	\$ 6,000,000	\$ -	\$ -	52
Administrative (Evaluation and Data Analysis)	Finance and Administration - OEI	Accelerating Program Inventory	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	55
Administrative (Evaluation and Data Analysis)	Finance and Administration - Internal Audit	To Provide Funding for Electronic Workpapers for Remote Workforce	\$ 1,333,943	\$ 403,275	\$ 509,164	\$ 421,504	\$ -	57
			\$ 3,231,372,479	\$ 1,630,797,405	\$ 958,006,367	\$ 511,318,707	\$ 131,250,000	

INFRASTRUCTURE

Enhancements to Water and Wastewater

Agency: Environment and Conservation (TDEC)

Requested Amount: \$1,351,922,145

Full Time Positions Requested: 0

Summary:

Addressing Tennessee’s drinking water, wastewater, and stormwater infrastructure is a critical need.¹¹ Reports produced by various sources cite necessary investment in Tennessee water infrastructure ranging from \$5 to 15 billion dollars between now and 2040.¹² Tennessee’s communities and economy rely on access to clean, reliable, and abundant water resources and services. Water makes Tennessee thrive and supports many significant activities, such as:

- Drinking water and sewer services for residents and businesses,
- Agriculture,
- Major industrial operations,
- Transportation of goods on navigable waters, and
- Recreational activities on lakes, rivers, and streams.

A substantial level of investment is critical to reliably supply our state with water resources amidst rapid economic and population growth.

In August 2021, Tennessee’s Financial Stimulus Accountability Group (FSAG) dedicated \$1.35 billion of Tennessee’s Fiscal Recovery Funds from the American Rescue Plan (ARP) to water, wastewater, and stormwater infrastructure projects. Of these funds, the Tennessee Department of Environment and Conservation (TDEC) will award approximately \$1 billion in the form of non-competitive grants to communities for eligible water, wastewater, and stormwater infrastructure projects as part of the Tennessee ARP Water Infrastructure Investment Program. Roughly \$350 million will be allocated towards state-initiated priority projects. During a later phase of this program, TDEC will launch a competitive granting program using any remaining funds.

¹¹ Throughout this document the phrases “water infrastructure” and “drinking water, wastewater, and stormwater infrastructure” are used interchangeably

¹² One such report is the Tennessee Advisory Commission on Intergovernmental Relations report, [Building Tennessee’s Tomorrow: Anticipating the State’s Infrastructure Needs](#) – July 2018 through June 2023. See Table D-10a. Water and Wastewater Needs by County, July 2018 – June 2023 for a 5-year listing of self-reported needs.

With respect to the non-competitive grants, TDEC is targeting enhancements among community public drinking water systems, wastewater systems with a component of municipal or domestic wastewater (e.g., wastewater treatment plants, collection systems, and decentralized treatment systems), and stormwater management systems serving the public.

TDEC will use a non-competitive and formula-based approach to identify allocations and has determined that it will offer funds directly to county governments. As a non-competitive granting program, application is by invitation only.

TDEC will provide county governments the opportunity to accept their grant allocation, with the expectation that counties will coordinate with water and wastewater utilities and stormwater systems serving customers in their county to identify potential projects for proposed use of funding. Any declined and remaining monies will be re-programmed to support innovative water infrastructure projects through state strategic priorities and/or a competitive granting program at a later date. TDEC and its partners strongly encourage counties and water and wastewater utilities and stormwater systems to collaborate and take advantage of this significant opportunity. Each county will be eligible to receive a base allocation plus a portion of monies determined based on county population. The formula that will be used follows: *County Allocation = \$2,105,263 + [\$800,000,015 * (County Population / Tennessee Population)]*.

TDEC will publish proposed allocations for each county in mid-September as part of its draft investment plan. In summary, this approach sets aside \$200 million for equal distribution among each of Tennessee's 95 counties, providing each county a base allocation of \$2,105,263. The remaining funds set aside for non-competitive grants, approximately \$800 million, will be distributed to each county proportional to their population in addition to their base allocation. This methodological approach closely aligns with that taken by the US Treasury. It provides funding for projects roughly commensurate with customers served/provided access to water, wastewater, and stormwater services.

By distributing funds at the county level, the State of Tennessee and individual communities will have the opportunity to better leverage local ARP dollars as a source of required match. Additionally, counties are strongly encouraged to collaborate with all water, wastewater, and stormwater systems which operate in their boundaries to consider multi-system or regional solutions to enhancing water infrastructure. TDEC, ECD, the Comptroller's Office, TAUD, and other parties are available to discuss the distribution of

funds, if needed. Additional detail regarding expectations for county coordination amongst sub-recipients is provided below.

Proposal and Project Requirements

In preparing submittals for review and approval by TDEC, each applicant must adhere to the following proposal requirements. TDEC will be creating a proposal template to facilitate this process and ensure that applicants are submitting information that TDEC needs for project review and approval.

- o Proposed activities must meet eligibility requirements as included in US Treasury's Final Rule, which is anticipated in September 2021, and further as determined by the State of Tennessee's program distributing these funds, which is anticipated to be finalized in November 2021. The public will have the opportunity to comment on these eligibility requirements as stated in the draft investment plan released in September 2021.
- o Proposals must be reviewed and approved by TDEC prior to commencement of work.
- o Each county's proposal, which could include multiple projects, must address 3 or more of the following priority areas:

- Achieving compliance with local, state, and federal drinking water, wastewater, and stormwater water quality requirements
- Water loss reductions
- Infiltration/inflow reductions
- Asset management planning
- Modernization and/or optimization of facilities, equipment, and operations
- Replacement of lead service lines
- Water reuse
- Sustainable infrastructure / best management practices / stormwater management
- Consolidation / regionalization
- Managing risk / building resilience to extreme weather events, cybersecurity, or other hazards
- Enhancing service to underserved communities

TDEC intends for collaborative activities between a county, its systems, and engineering and consulting experts to identify eligible and investment-worthy activities (i.e., planning) to be allowable expenditures under this granting program. In doing so, communities can feel empowered to invest in thoughtful planning activities that will set them up for successful project execution and long-term infrastructure enhancements. In accordance with current

federal guidance, all ARP funds must be obligated by December 2024 and spent by December 2026. This is a tight timeframe for major infrastructure projects, especially with the planning that is needed to develop strong projects. Depending on the needs of the individual system or community, proposed ARP projects may be focused on preliminary work required for larger, long-term projects that extend beyond the ARP timeframe. For example, reducing water loss will improve financial sufficiency of the system, which may improve the future opportunities for projects financed through the State Revolving Fund Program.

Timeline

TDEC will launch technical assistance, in partnership with TAUD, to execute completion of TN Infrastructure Scorecards (Version 2.0) in November 2021. TDEC will release final details of the non-competitive, formula-based granting program in November/December 2021 following a public comment period on TDEC's Draft Water Infrastructure Investment Plan in October 2021. From October 2021 through Spring 2022, TDEC and its partners will engage in frequent education and outreach activities to ensure communities are well informed of the granting program and associated details. In January/February 2022, sub-recipients will have their first opportunity to submit proposals to TDEC for proposed scopes of work for use of non-competitive grant funds. TDEC will review those on a rolling basis and will accept proposals through December 2022. All ARP funds must be obligated by December 2024 and spent by December 2026.

Risk Assessment:

Water, sewer, and stormwater infrastructure improvements are a statutorily authorized use under ARPA. Treasury's Interim Final Rule further specifies that governments have "wide latitude to identify investments in water and sewer infrastructure that are of the highest priority for their own communities, which may include projects on privately-owned infrastructure. The Interim Final Rule does this by aligning eligible uses of the Fiscal Recovery Funds with the wide range of types or categories of projects that would be eligible to receive financial assistance through the Environmental Protection Agency's (EPA) Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF)."

TDEC currently administers the state's CWSRF and DWSRF programs and has aligned program goals and priorities with these eligibility rules to maximize local investment.

Broadband Infrastructure

Agency: Economic and Community Development (ECD)

Requested Amount: \$500,000,000

Full Time Employees Requested: Contracted services. ECD's existing broadband staffing capacity is designed to support approximately \$20 million in grant funding, and the proposal's significant increase in funding will require an increase in contracted services and review of internal staffing. The job functions will remain similar among contracted services and State positions – it is the increased funding volume that is driving the request for increased administrative capacity.

Summary: To provide non-recurring funding to internet service providers and communities to facilitate broadband access to all Tennesseans while promoting programs that encourage broadband adoption and use.

Rationale: If we allocate funds to expand Tennessee's broadband deployment efforts, then we expect to see a significant decrease in the number of Tennesseans lacking access to broadband service adequate to meet their daily needs related to distance learning, telecommuting and telemedicine. Key activities include programs designed to increase both infrastructure deployment and broadband service adoption. Results include a decrease approaching elimination of unserved households, as well as an increase in broadband adoption in Tennessee as reported by the FCC and American Community Survey (ACS).

Outcome:

- Outcome 1: Program will facilitate broadband access to 400,000+ previously unserved Tennesseans by December 2024.
- Outcome 2: Program will support ubiquitous coverage in counties designed as "Distressed" by the Appalachian Regional Commission by prioritizing broadband deployment projects in these counties so that 0 distressed counties remain unserved by December 2026 – thereby having a significant impact on the economic viability of distressed counties.
- Outcome 3: Program will support communities in increasing broadband adoption, or the percentage of households subscribing to broadband service, to 70% from 61.5% by awarding \$100 million in funding by December 2024.

Risk Assessment: Tennessee Emergency Broadband Grant

I. OVERVIEW OF PROPOSAL:

Tennessee Department of Economic and Community Development (ECD) submitted this proposal for the use of SFRF dollars to support broadband projects in the State. The dual strategy encompasses “accessibility” and “adoption.” Accessibility refers to ensuring all Tennesseans have access to at least one broadband company offering a high-speed, fixed, terrestrial internet connection. Adoption refers to programs designed to increase broadband service adoption and use among Tennesseans, which can be impacted by factors including affordability and digital literacy.

- Broadband access (infrastructure) grants: \$400M
- Broadband adoption grants: \$95M
- Program administration: \$5-\$15M

II. ELIGIBILITY ASSESMENT:

Broadband Eligibility Test:

- ***The proposed project, upon completion, is expected to render reliable service that meets or exceeds symmetrical upload and download speeds of 100 Mbps - If it is not feasible to render 100 Mbps, however, then the proposed service, upon completion, should render reliable service that meets or exceeds at least 100 Mbps download and between at least 20 Mbps and 100 Mbps upload speeds and be scalable to at least 100 Mbps symmetrical for download and upload speeds-***
Analysis: **Satisfied.** The proposal as written stresses the ability to provide reliable connectivity services to distressed communities who are currently without access. Additionally, the proposal states that the services to be provided will render the ability to have 100 mb download/100mb upload where possible. When such speeds are not feasible, however, services will exceed 100 mb download/20mb upload to meet general household needs.
- ***The proposed project is sufficient to enable households to generally meet their user needs by supporting their access to work, education, healthcare, and other robust household needs-***
Analysis: **Satisfied.** The proposal directly addresses the ability to provide broadband connectivity to underserved communities which were particularly impacted by the COVID-19 pandemic. The suggested services would enable households who have struggled during the pandemic to gain much needed connectivity/internet access that would facilitate their ability to use work, education, and healthcare tools.

III. CONCLUSION:

The proposed use of SFRF allocations by the State for ECD supported broadband efforts is eligible.

PUBLIC HEALTH CAPITAL PROJECTS

Building a New State Public Health Laboratory

Agency: Health (TDH)

Requested Amount: \$200,000,000

Full Time Employees Requested: None

Summary: Build and outfit a new State Public Health Laboratory (SPHL). Includes funding for planning and design, site prep, necessary demolition, construction, outfitting, and lab equipment.

Rationale: If the SPHL is **not** updated, then:

- Existing lab capacity and services will be strained.
- Facility maintenance costs will grow while not addressing long-term needs.
- Requests for new lab services from important programs, such as newborn screening, may not be able to be met.
- Requests for expanded testing from agencies such as CDC will not be achievable.

Outcome:

- Outcome 1: Expansion of services to include increasing volume and new tests and technologies
- Outcome 2: Improved safety and efficiency
- Outcome 3: Increased “surge capacity” for emergent events:

Risk Assessment: Building a New State Public Health Laboratory

I. OVERVIEW OF PROPOSAL:

Build and outfit a new State Public Health Laboratory (SPHL). Includes funding for planning and design, site prep, necessary demolition, construction, outfitting, and lab equipment totaling \$200,000,000.

II. ELIGIBILITY ASSESSMENT:

Public Health Test:

- **Identify a need or negative impact of the COVID-19 pandemic- Satisfied.** The requirements of new tests and new equipment have strained the facility's electrical system, and space to house pandemic response supplies and surplus equipment has been exhausted. During the pandemic, SPHL staff made the most of available space, but current conditions are clearly not adequate to meet needs of routine, ongoing requirements, much less another pandemic.
- **Identify how the program, service, or other intervention addresses the identified need or impact- Satisfied.** With increased demand for more sophisticated testing, such as Whole Genome Sequencing and biomonitoring, that enables public health to identify specific strains of pathogens causing disease and outbreaks, it is imperative that the SPHL have the appropriate infrastructure to build and maintain this specialized testing in support of outbreak response and containment. It is not possible to predict when the next pandemic will occur; therefore, it is essential to be prepared. The SPHL has helped the state respond to Ebola, Zika, MERS, West Nile, and now COVID-19. The one-time nature of ARP funds presents a unique opportunity to build preparedness for the next pandemic or public health event.
- **Expense incurred between March 1, 2021 and December 31, 2024 (obligated by 12/31/24 and performance complete by 12/31/26)- Satisfied.** Expense incurred during FY 22-23 (non - recurring) totaling \$200 million.

III. CONCLUSION:

The program expenditures outlined in the Tennessee Health Department's proposal regarding the State Public Health Lab (SPHL) and its need for a new facility are eligible for SFRF funding based on the facts and data provided in the proposal.

Reservation of Funds for Future State Capital Planning

The FSAG has identified a wide array of eligible state capital projects that would enhance the healthcare capacity of the state and its response to COVID-19.

However, existing state building processes, recent global supply chain challenges, price inflation, and volatile market conditions counsel the FSAG towards developing a careful plan for those projects that will have the highest likelihood of success in meeting Treasury's performance deadline of Dec. 31, 2026.

To facilitate that process, the FSAG is reserving \$300 million for collaboration with Department of General Services and the State Building Commission to identify the projects that will be funded through the FRF.

The following proposals have been identified for further consideration and will be considered for funding in future planning by the FSAG.

- DIDD Regional Office Upgrades and New Facilities **\$180,600,000**
- Moccasin Bend Mental Health Institute **\$265,000,000**
- Wilder Youth Detention Facility **\$219,500,000**
- ETRHO Backup Public Health Lab in Knoxville (UTMC Campus) **\$85,000,000**
- TEMA Central Warehouse **\$45,793,240**
- Substance Use Residential Treatment Enhancement **\$26,520,000**
- Middle Tennessee MHI Mechanical System Upgrades Phases I&II **\$20,910,000**
- Turney Center Industrial Complex, Health Clinic Improvements **\$4,500,000**

Tennessee Department of Health Local Department of Health Capital Investment Plan (Overview)

The Tennessee Department of Health operates sites in 89 counties through seven administrative regions. During the COVID-19 pandemic, these local health departments were stretched beyond their limit. While staff rose to the occasion and adapted creatively, the long-term outlook for many health department facilities is that they are ill suited for another pandemic. In addition, per statute, county health department facilities are owned and maintained by county governments and staffed and administered by the Tennessee Department of Health. The result is a patchwork of varying ages of facilities, deferred maintenance projects, and variation in quality of facilities across Tennessee communities.

The one-time nature of ARP funds is a perfect opportunity to make capital investments that will generate savings for both state and local governments. Improvements to electrical, HVAC, flooring, water, etc. will yield annual cost savings. In addition, updating often-decades-old facilities will improve workflow and overall patient experience and satisfaction.

Capital investments for health department facilities can be organized into three major categories:

1. **New County Facilities and Renovations.** 17 health department facilities are operating beyond their operational lifespan and need to be replaced. Additionally, 27 health department facilities do not need to be replaced but are in need of significant renovations to continue providing adequate space for care and services. Funds for these new facilities and renovations would be granted to the respective county governments to pursue a normal competitive bid process that would meet specifications provided by TDH. Two of these facilities are in distressed counties, and three are in at-risk counties. Most of these facilities were constructed in the 1960s and 70s, and all of them are failing to meet the needs of staff and patients.
2. **Statewide Needs.** Investments to standardize health department facilities across the state and address physical infrastructure needs that will generate ongoing cost savings, including flooring, lighting, HVAC, roofing/leaky roofs, parking, and storage. During the pandemic, storage capacity has been overrun, and parking lots were ill equipped for the flow of vehicles that continue to receive drive-through services from health departments. Funds would be granted to the respective county governments to pursue a normal competitive bid process that would meet specifications provided by TDH.

3. **Improvements to Regional Health Offices; Local Site Electronic Signs and Phone Systems.**

Regional offices serve as the backbone to county health departments. These state-owned facilities offer a variety of regional services and provide direct support to county health departments. Two regional offices are past their operational lifespan and need to be replaced. TDH would partner with DGC/STREAM to construct these facilities; **Electronic Signs.** During the pandemic, information has changed rapidly, and the importance of a highly visible health department grew tremendously. Programmable electronic signs would allow health departments to display helpful information about testing hours/locations while improving the professional branding of TDH; **Phone systems.** 39 health department sites are in need of phone system upgrades to accommodate increased phone traffic and modern telecommunications standards.

TDH Capital Investments (Part 1) - New County Facilities and Renovations

Agency: Health (TDH)

Requested Amount: \$75,272,391

Full Time Employees Requested: None

Summary: Across the state, seventeen health department facilities are operating beyond their operational lifespan and need to be replaced. Funds for these new facilities would be granted to the respective county governments to pursue a normal competitive bid process that would meet specifications provided by TDH. Two of these facilities are in distressed counties, and three are in at-risk counties. Most of these facilities were constructed in the 1960s and 70s, and all of them are failing to meet the needs of staff and patients.

Rationale: If health departments are modernized and fully functional, then:

- Staff efficiency will improve as they are not dealing with inadequate space and systems.
- Patient satisfaction will improve as customers experience updated facilities.
- Staff recruitment and retention will improve as working conditions improve.
- Ongoing maintenance costs will decrease with the use of more durable and updated facilities.

Outcome:

- Outcome 1: Improved access to care.
- Outcome 2: Reduction in time to next available appointment.
- Outcome 3: Improvement in staff and patient satisfaction scores.

Local Match: County facility replacement and renovation will be subject to a 25% local match up to a maximum of 10% of a county's total ARP allocation.

Risk Assessment: TDH Capital Investments (Part 1) - New County Facilities and Renovations

I. OVERVIEW OF PROPOSAL:

The Tennessee Department of Health seeks \$75,272,391 in SFRF dollars to update health department facilities and complete deferred, needed maintenance to improve the service and usability of these health facilities.

II. ELIGIBILITY ASSESMENT:

Public Health Test:

- **Identify a need or negative impact of the COVID-19 pandemic- Satisfied.** The proposal identified a specific need which resulted from the COVID-19 pandemic:
 - New county facilities: 17 health departments are operating beyond operational lifespan and need to be replaced.
- **Identify how the program, service, or other intervention addresses the identified need or impact- Satisfied.** The Tennessee Health Department identified the above-referenced needs and related expenditures/spends that would help address the negative impacts caused by the COVID-19 pandemic. These specific costs would directly address negative impacts resulting from the pandemic and enable county health departments to render quality care and treatment of individuals affected by the COVID-19 pandemic and future public health emergencies.

III. CONCLUSION:

The proposed spends for improvements to Tennessee Health Department facilities and related costs associated with rendering quality care and treatment to Tennesseans is eligible based on the facts and data represented in the proposal.

TDH Capital Investments (Part 2) Statewide Improvements to Local County Health Facilities

Agency: Health (TDH)

Requested Amount: \$22,950,000

Full Time Employees Requested: None

Summary: Investments to standardize health department facilities across the state and address physical infrastructure needs that will generate ongoing cost savings, including flooring, lighting, HVAC, roofing/leaky roofs, parking, and storage. During the pandemic, storage capacity has been overrun, and parking lots were ill equipped for the flow of vehicles that continue to receive drive-through services from health departments. Funds would be granted to the respective county governments to pursue a normal competitive bid process that would meet specifications provided by TDH.

Rationale: If health departments are modernized and fully functional, then:

- Staff efficiency will improve as they are not dealing with inadequate space and systems.
- Patient satisfaction will improve as customers experience updated facilities.
- Staff recruitment and retention will improve as working conditions improve.
- Ongoing maintenance costs will decrease with the use of more durable and updated facilities.

Outcome:

- Outcome 1: Improved access to care.
- Outcome 2: Reduction in time to next available appointment.
- Outcome 3: Improvement in staff and patient satisfaction scores.

Local Match: County facility replacement and renovation will be subject to a 25% local match, or alternatively 10% of a county's total ARP allocation.

Risk Assessment: TDH Capital Investments (Part 2)

I. OVERVIEW OF PROPOSAL:

The Tennessee Department of Health seeks \$22,950,000 in SFRF dollars to update health department facilities and complete deferred, needed maintenance to improve the service and usability of these health facilities.

II. ELIGIBILITY ASSESMENT:

Public Health Test:

- ***Identify a need or negative impact of the COVID-19 pandemic- Satisfied.***
The proposal identified a specific need which resulted from the COVID-19 pandemic:
 - ***Statewide needs:*** Investments to standardize health department facilities across the state and address physical infrastructure needs that will generate cost savings, including flooring, lighting, HVAC, roofing/leaky roofs, parking, and storage. During the pandemic storage capacity was overrun, and parking lots were unable to meet the need due to the influx of patients.
- ***Identify how the program, service, or other intervention addresses the identified need or impact- Satisfied.*** The Tennessee Health Department identified the above-referenced needs and related expenditures/spends that would help address the negative impacts caused by the COVID-19 pandemic. These specific costs would directly address negative impacts resulting from the pandemic and enable county health departments to render quality care and treatment of individuals affected by the COVID-19 pandemic and future public health emergencies.

III. CONCLUSION:

The proposed spends for improvements to Tennessee Health Department facilities and related costs associated with rendering quality care and treatment to Tennesseans is eligible based on the facts and data represented in the proposal.

TDH Capital Investments (Part 3) Regional Health Office Construction, Electronic Signs, Phone System Upgrades, Admin Expenses

Agency: Health

Requested Amount: \$30,744,000

Full Time Employees Requested: 2 contracted employees

Summary: Regional offices serve as the backbone to county health departments. These state-owned facilities offer a variety of regional services and provide direct support to county health departments. Two regional offices are past their operational lifespan and need to be replaced. TDH would partner with DGS/STREAM to construct these facilities. Moreover, during the pandemic, information has changed rapidly, and the importance of a highly visible health department grew tremendously. Programmable electronic signs would allow health departments to display helpful information about testing hours/locations while improving the professional branding of TDH. Finally, thirty-nine health department sites need phone system upgrades to accommodate increased phone traffic and modern telecommunications standards.

Rationale: If health departments are modernized and fully functional, then:

- Staff efficiency will improve as they are not dealing with inadequate space and systems.
- Patient satisfaction will improve as customers experience updated facilities.
- Staff recruitment and retention will improve as working conditions improve.
- Ongoing maintenance costs will decrease with the use of more durable and updated facilities.

Outcome:

- Outcome 1: Improved access to care.
- Outcome 2: Reduction in time to next available appointment.
- Outcome 3: Improvement in staff and patient satisfaction scores.

Risk Assessment: TDH Capital Investments (Part 3)

I. OVERVIEW OF PROPOSAL:

The Tennessee Department of Health seeks \$30,744,000 in SFRF dollars to update health department facilities and complete deferred, needed maintenance to improve the service and usability of these health facilities.

II. ELIGIBILITY ASSESMENT:

Public Health Test:

- **Identify a need or negative impact of the COVID-19 pandemic- Satisfied.** The proposal identified three specific needs which resulted from the COVID-19 pandemic:
 - Improvements to regional health offices: Regional offices serve as the backbone to county health departments. During the pandemic it became apparent that their operational lifespan was overdue and in need of replacement.
 - Electronic signs: During the pandemic the need to push information out to the public was crucial. This demand has grown, and health departments need additional signage to meet this need.
 - Phone systems: 39 health systems need phone systems upgrades to address increased traffic resulting from the pandemic.
- **Identify how the program, service, or other intervention addresses the identified need or impact- Satisfied.** The Tennessee Health Department identified the above-referenced needs and related expenditures/spends that would help address the negative impacts caused by the COVID-19 pandemic. These specific costs would directly address negative impacts resulting from the pandemic and enable county health departments to render quality care and treatment of individuals affected by the COVID-19 pandemic and future public health emergencies.

III. CONCLUSION:

The proposed spends for improvements to Tennessee Health Department facilities and related costs associated with rendering quality care and treatment to Tennesseans is eligible based on the facts and data represented in the proposal.

PUBLIC HEALTH PROGRAMMING

Hospital Staffing Assistance

Agency: Health (TDH)

Requested Amount: \$110,000,000

Full Time Employees Requested: 1-2 contracted employees

Summary: This funding would ensure that Tennessee's acute care hospitals have the capacity to staff up to meet the significantly increased demand due to COVID-19. This program was initially launched in September 2020 – June 2021 with CRF funding (\$90M) and has been relaunched with remaining CRF funding with more limited criteria.

Rationale: If we provide funding to increase staff capacity, Tennessee's acute care hospitals will be better prepared and able to meet the significant increase in service demand brought on by the COVID-19 pandemic.

Risk Assessment: Hospital Staffing Assistance

I. OVERVIEW OF PROPOSAL:

The Department of Health requests \$110M in SFRF dollars to support the previously CRF funded initiative to ensure the capacity of Tennessee's acute care hospitals to meet significantly increased demand due to the COVID-19 public health crisis.

II. ELIGIBILITY ASSESMENT:

Public Health Test:

- **Identify a need or negative impact of the COVID-19 pandemic- Satisfied.** Treasury has clearly stated that expenses that were eligible under the CARES Act's Coronavirus Relief Fund are likewise eligible for funding under the SFRF. This project currently receives CARES/CRF funding as it was an eligible expense under that federal funding stream and, thus, is also eligible for coverage under the SFRF. The proposed expenditure seeks to directly address the negative public health impact on hospital staffing directly caused by the influx of patients and increased need for acute care as a result of the rise in COVID-19 cases.
- **Identify how the program, service, or other intervention addresses the identified need or impact- Satisfied.** Health's proposal outlines three funding options to help alleviate the hospital staffing issues directly resulting from the COVID-19 pandemic. All the below outlined options would serve to positively impact the negative harm, i.e., hospital staffing shortages, caused by the pandemic.
 - Option A: Continue current limited criteria thru 12/30 – 90% floor bed utilization AND > 25% COVID+ patients – 35 hospitals currently qualify (up from 17 two weeks ago) – Total \$52M to continue thru December
 - Option B: Resume criteria from prior surge beginning Oct 1 – 75% floor bed utilization AND >10% COVID+ – OR >70% ICU bed utilization AND > 30% COVID+ – 71 hospitals would currently qualify – \$20M thru September, total \$80M to continue thru December
 - Option C: Continue current stringent hospital criteria thru 12/30 \$52M – Dedicate \$50M for SNF/rehab hospital/LTCF, other provider staffing assistance – Total \$102M
- **Expense incurred between March 1, 2021 and December 31, 2024 (obligated by 12/31/24 and performance complete by 12/31/26)- Satisfied.** The proposal articulates that this would be a 5+ month project that would obligate funds prior to December 31, 2024.

III. CONCLUSION:

Health's proposal for SFRF funding to support hospital staffing needs resulting from the increased demand placed on systems and staff directly associated with the pandemic is an allowable use of SFRF dollars.

Electronic Health Records Project and Supporting Infrastructure

Agency: Correction (TDOC)

Requested Amount: \$13,050,000

Full Time Employees Requested: None

Summary: To provide non-recurring funding for the approved Electronic Health Records (EHR) project across the state at each prison. Requested funding is proposed to replace prior-approved state appropriation (FY 2022) for execution of the project. The supporting infrastructure is included in the request, currently the required connections are not available to service the devices and software that will be included in the EHR project.

Rationale: If we allocate funding to purchase the infrastructure to support the Electronic Medical Record Project, then we expect to increase effective workflow by enhancing efficiency with electronic medical records. This will allow for the medical and behavioral health providers to provide more efficient care to patients as they will not be hindered by the existing antiquated hard copy system, which is time consuming and takes them away from effective care. In addition, the providers can allocate the time to mission critical assignments and duties. The telehealth effort will be facilitated by the LAN infrastructure and allow for the providers to reach fragile populations more effectively and to provide needed services within the housing units.

Outcome:

- Outcome 1: We intend to see an increase in the overall number of instances of providing clinical services and the ability to see more individuals each month with the use of Electronic Health Records/ Telehealth.
- Outcome 2: During COVID, the ready access to health records were needed in completing the multitude of associated medical necessities. This would create more efficient availability of reports, pre-existing conditions, and effective communication of potentially life-threatening illnesses or situations.
- Outcome 3: The Electronic Health Records/Telehealth technology will have a significant positive impact on telepsychiatry and telepsychology care.

Risk Assessment: Electronic Health Records Project and Supporting Infrastructure

I. OVERVIEW OF PROPOSAL:

TDOC proposes using \$13,050,000 in SFRF dollars to fund an Electronic Health Records (HER) project across the State of Tennessee.

II. ELIGIBILITY ASSESMENT:

Public Health Test:

- **Identify a need or negative impact of the COVID-19 pandemic- Satisfied.** The inability to have a streamlined electronic system of medical records maintenance in the State of Tennessee during the COVID-19 pandemic caused wasted man hours and health risk to staff.
- **Identify how the program, service, or other intervention addresses the identified need or impact- Satisfied.** TDOC's proposal is to use one-time SFRF to fund the development of an Electronic Health Records System for the State of Tennessee. This investment in electronic records infrastructure will enable medical and behavioral health providers to provide more efficient care to patients, and not be hindered by the existing inadequate hard copy medical records system which is time consuming and take time away from necessary patient care. This effort will also allow for more readily available, adequate care for more rural, fragile populations by allowing providers to have access to their records and make prompt care decisions. This system will be accomplished over multiple years, however, one-time funding, not multi-year, will be required. We must confirm that SFRF dollars will be obligated by December 31, 2021, with performance completed by December 31, 2026.

III. CONCLUSION:

The program expenditures outlined in the TDOC proposal regarding establishing an Electronic Health Records system across the State of Tennessee are eligible for SFRF funding based on the facts and data provided in the proposal. This system will be accomplished over multiple years, however, one-time funding, not multi-year, will be required. We must confirm that SFRF dollars will be obligated by December 31, 2021, with performance completed by December 31, 2026.

ECONOMIC RELIEF

Reservation of Funds for Future External Relief Planning

Amount Reserved: \$275,000,000

The scale and scope of need by affected industries, businesses, non-profits, and other organizations continues to develop through the recovery from the pandemic. The FSAG will engage in a process of community engagement with these affected entities and will issue a request for proposals from entities seeking to apply for these funds. The FSAG reserves up to \$275 million of Tennessee's Fiscal Recovery Fund award for this purpose.

Entities interested in applying for or administering relief funds can begin application at https://stateoftennessee.formstack.com/forms/american_rescue_plan_proposal_for_state_partnership

Unemployment Insurance Tax & Benefits System

Agency: Labor and Workforce Development (LWFD)

Requested Amount: \$61,000,000

Full Time Employees Requested: None

Summary: To provide non-recurring funds for the unemployment insurance division for a new customized UI Benefits System. The Unemployment Division of the Tennessee Department of Labor and Workforce Development collects unemployment taxes based on the employers' experience rating and the balance of the trust fund provides benefits to qualified claimants who become unemployed through no fault of their own.

Rationale: Unemployment Claims will be processed timely and accurately due to user-friendly features and less system errors. The state's UI division will comply with federal guidelines and be in good standing with the Tennessee Comptroller of Treasury. Lastly, the number of overpayments will decrease due to fraud identification/prevention and less errors.

Outcome:

- Outcome 1: Claims processed within federal first pay timeliness standards
- Outcome 2: Decrease improper pay rate levels to pre-pandemic levels
- Outcome 3: No Audit Findings
- Outcome 4: Decrease in contractor/vendor reliance

Risk Assessment: Unemployment Insurance Tax & Benefits System

I. OVERVIEW OF PROPOSAL:

To provide non-recurring funds for the unemployment insurance division for a new customized UI Benefits System. The Unemployment Division of the Tennessee Department of Labor and Workforce Development collects unemployment taxes based on the employers' experience rating and the balance of the trust fund provides benefits to qualified claimants who become unemployed through no fault of their own.

II. ELIGIBILITY ASSESMENT:

Economic Impact Test:

- ***A negative impact or harmful consequences of the economic disruption resulting from or exacerbated by the COVID-19 public health emergency*** – **Satisfied**. The system requirements for an unemployment benefits system have increased due to the COVID 19 pandemic. The COVID 19 pandemic has resulted in an increase in federal programs, fraud attempts, USDOL program requirements increased, and changes in state employment security law. These additional dimensions have created the need for more funding for a customized/configurable system.
- ***The intended program, service, or other intervention would address and specifically responds to the harmful consequences*** – **Satisfied**. This will fund the replacement of the Unemployment Insurance Benefit System. The pandemic has created new modernization requirements in addition to our \$41 million FY 21 budget request. To meet our first pay timeliness and improper pay rate goals, the TDLWD will need to enhance and customize its benefits system to meet demand during recessionary periods, prevent fraud, and comply with new federal regulations and state laws.
- ***Expense incurred between March 1, 2021 and December 31, 2024*** – **Satisfied**. Expense incurred during FY 22-23 (non – recurring) totaling \$20 million.

III. CONCLUSION:

At a surface level this program has demonstrated a need for funding to update their UI benefits system. However, in order to proceed, we will need more information from the agency regarding how their UI benefit system has been changed by the COVID-19 pandemic and is not a systematic update. This evaluation is based on the facts and data provided in the proposal and is subject to change if the terms of the proposal are substantively changed.

Tennessee Nonprofit Arts and Culture Recovery Fund

Agency: Tennessee Arts Commission

Requested Amount: \$80,000,000

Full Time Employees Requested: Contracted services for monitoring grants (\$100,000 per year)

Summary: To provide non-recurring funding to address severe COVID-19-related economic harm to Tennessee's nonprofit arts and culture industry by providing grants to over 200 eligible arts nonprofits to recover and deliver arts and culture services in every TN Senatorial district.

Rationale: If we allocate grants to arts nonprofits hit hard by the pandemic, then we expect to see preservation of TN's nonprofit arts and culture infrastructure and restored positive community and economic impact of arts activities in TN communities.

Outcome:

- Outcome 1: The nonprofit arts and culture infrastructure of TN as measured by the number of nonprofits that operated as a going concern in 2021 is preserved.
- Outcome 2: Tennesseans in all TN Senate districts continue to have access to arts experiences, resulting in improved overall quality of life for Tennesseans of all ages.
- Outcome 3: The economic impact of the nonprofit arts sector as measured by organizational surveys and audience surveys shows recovery to pre-pandemic levels.

Risk Assessment: TN Nonprofit Arts and Culture Recovery Fund

I. OVERVIEW OF PROPOSAL:

To provide non-recurring funding to address severe Covid-related economic harm to TN's nonprofit arts and culture industry by providing grants to over 200 eligible arts nonprofits to recover and deliver arts and culture services in every TN Senatorial district.

II. ELIGIBILITY ASSESMENT:

Economic Impact Test:

- ***A negative impact or harmful consequences of the economic disruption resulting from or exacerbated by the COVID-19 public health emergency – Satisfied.*** The pandemic resulted in significant economic losses to the nonprofit arts sector because festivals and performing arts organizations cancelled events and museums closed their doors to protect the public health, resulting in lost earned revenue. Nonprofits with in-person fund-raising events cancelled or saw significant losses. As nonprofits begin to resume services, their efforts are limited by lost revenue. This initiative is a step to address that negative impact. Prior to the pandemic, Tennessee's nonprofit arts and culture sector was a \$1.2 billion industry that supported nearly 40,000 jobs and attracted 18.6M attendees to events annually (Arts & Economic Prosperity 5). Research shows that arts are economic catalysts. The arts industry accelerates economic recovery. A growth in arts employment has a positive and causal effect on overall employment. The nonprofit arts industry, especially performing arts and museums, responded to the public health threat of the pandemic by widespread closings and restructurings. Ninety-seven percent of Tennessee arts nonprofits surveyed reported cancelled events, resulting in significant economic harm. Over the 13-month period ending March 2021, twenty-two (22) of the state's largest arts and culture nonprofits reported \$120 million in revenue loss. Tennessee Arts Commission data collected from the 200 arts nonprofits as part of the annual grant application process showed a drop of \$80M in expenditures and \$103M in revenues from FY20 to FY21.
- ***The intended program, service, or other intervention would address and specifically responds to the harmful consequences – Satisfied.*** The solution would impact 200 arts nonprofits struggling to provide services to Tennesseans including older adults and young people in every state Senate district; local businesses including restaurants, hotels and small businesses that benefit from spending tied to arts and culture activity; and funding stakeholders from whom these organizations are seeking help.
- ***Expense incurred between March 1, 2021 and December 31, 2024 – Satisfied.*** Non-recurring funds requested through FY24-25.

III. CONCLUSION:

The provision of grants to nonprofits that were negatively impacted by the economic shut down is an allowable use of SFRF dollars under the economic impact eligibility category of expenses. The key here will be ensuring that the awardees are required to show a negative impact to their organization as a result of the shutdown. Accordingly, there needs to be a mechanism built into the grant application process that requires the applicant to demonstrate a negative impact/harm due to the economic disruption caused by the COVID-19 pandemic.

Tennessee Tourism & Hospitality Recovery Fund (Pass through grant for Destination Marketing Organizations)

Agency: Tourist Development (TDTD)

Requested Amount: \$55,000,000

Full Time Employees Requested: None

Summary: To provide \$50M in grants to Destination Marketing Organizations in all 95 counties for tourism marketing, and development restoring demand and increasing tax revenue and jobs in the tourism and hospitality industries. In addition, the Tourism Enhancement Grant, previously funded by ECD, awarding \$5M to municipalities for tourism infrastructure projects.

The Tennessee Tourism & Hospitality Recovery Fund is a grant to provide funds to Destination Marketing Organizations (DMOs) for tourism marketing and development initiatives to restore consumer demand, tax revenue and jobs. Destination Marketing Organizations are those designated by the city/county government as the organization charged with increasing tourism. DMOs in all 95 counties will be eligible to apply for 100% reimbursable grants up to the determined allocation for projects approved by Tourist Development.

Based on the individual needs of destinations, TDTD will work with individual DMOs through training on the value of tourism and how to generate revenue through attracting visitors, multi-year planning and implementation of marketing efforts. The grant allocations will be based on tax revenue collections for the top performing counties and the remaining counties placed in tiered groups based on economic performance.

In addition, reinstating and funding the Tourism Enhancement Grant will help communities improve or enhance existing tourism assets through infrastructure projects creating a better experience for visitors and increasing tourism-related economic impact. It will be a competitive grant where City or County governments can apply presenting proposed projects. Match amount for a county is determined by tier level designation at the time of application submission.

All programs presented have the mission of generating tourism growth in all 95 counties to drive job creation, tax revenue and new investments, thereby enriching the quality of life for every Tennessean.

Risk Assessment: Tennessee Tourism & Hospitality Recovery Fund

I. OVERVIEW OF PROPOSAL:

The Tennessee Department of Tourist Development seeks \$55,000,000 in SFRF dollars to provide \$50,000,000 in grants to Destination Marketing Organizations in all 95 counties for tourism marketing and development and \$5,000,000 to the Tourism Enhancement Grant to award funds to municipalities for tourism infrastructure projects.

II. ELIGIBILITY ASSESMENT:

Economic Impact Test:

- ***A negative impact or harmful consequences of the economic disruption resulting from or exacerbated by the COVID-19 public health emergency – Satisfied.*** There is no question that tourism in the State of Tennessee was negatively impacted by the economic shutdown caused by the COVID-19 pandemic. The pandemic is the single largest crisis to hit the leisure and hospitality industry, representing \$303M in lost state revenue between March and December 2020.
- ***The intended program, service, or other intervention would address and specifically responds to the harmful consequences – Satisfied.*** The Tennessee Tourism and Hospitality Recovery Fund is a grant to provide funds to Destination Marketing Organizations (DMOs) for tourism marketing and development initiatives. Based on the individual needs of destinations, TDTD will work with individual DMOs through training on the value of tourism and how to generate revenue through attracting visitors, multi-year planning and implementation of marketing efforts. In addition, reinstating and funding the Tourism Enhancement Grant will help communities improve or enhance existing tourism assets through infrastructure projects creating a better experience for visitors and increasing tourism-related economic impact.
- ***Expense incurred between March 1, 2021 and December 31, 2024 – Need more information.*** The proposal indicates that all grants would be issued within the allowable period. In order to determine eligibility, TDTD also should confirm that all recipients of the grants will expend the funds within the eligible period.

III. CONCLUSION:

In order to determine that the proposal complies with the third prong of eligibility, TDTD should confirm that all recipients of the grants will expend the funds within the eligible period. However, the information provided indicates that the TDTD proposal to fund the Tennessee Tourism and Hospitality Recovery Fund and the Tourism Enhancement Grant complies with the first two prongs of the eligibility test

for economic impact under the SFRF. Based on the facts provided, the proposal would be eligible under SFRF if funds were obligated and expended within the eligible period.

Tennessee Tourism ARP Marketing Fund Request

Agency: Tourist Development (TDTD)

Requested Amount: \$45,000,000

Full Time Employees Requested: None

Summary: TDTD requests \$45M in federal ARP funding for the purpose of restoring the tourism and hospitality economy in Tennessee which was devastated by the COVID-19 pandemic. Programs outlined in this application are designed to generate consumer demand, aid businesses, restore jobs and approximately \$300M in lost tax revenue.

Rationale: If we allocate funds to increase tourism marketing, then we expect to see an increase in demand for leisure travel, resulting in higher visitation and therefore economic impact (visitor spending, tax collections, and employment) in the Tennessee travel and tourism industry.

Outcome:

- Outcome 1: Total Arrivals. In 2019, Arrivalist estimated 96M trips occurred across Tennessee's 95 counties. In 2020, this number declined by 10% to 86M.
- Outcome 2: Leisure & Hospitality Revenues. In 2019, the leisure and hospitality generated \$1.4B in sales and use tax collections. Industry collections declined by 21% to \$1.1B in 2020. Information will be tracked and provided by the Department of Revenue.
- Outcome 3: Leisure & Hospitality Employment. In 2019, the leisure and hospitality industry generated an annual average of 347K jobs. Industry employment declined by 15% to an annual average of 292K. Information will be tracked and provided by the Department of Labor and Workforce Development.

Risk Assessment: Tennessee Tourism ARP Marketing Fund Request

I. OVERVIEW OF PROPOSAL:

The Tennessee Department of Tourist Development seeks \$45,000,000 in SFRF dollars to fund marketing efforts meant to restore the tourism and hospitality economy in Tennessee which was devastated by the COVID-19 Pandemic.

II. ELIGIBILITY ASSESMENT:

Economic Impact Test:

- ***A negative impact or harmful consequences of the economic disruption resulting from or exacerbated by the COVID-19 public health emergency*** – **Satisfied**. There is no question that tourism in the State of Tennessee was negatively impacted by the economic shutdown caused by the COVID-19 pandemic. The pandemic is the single largest crisis to hit the leisure and hospitality industry, representing \$303M in lost state revenue between March and December 2020.
- ***The intended program, service, or other intervention would address and specifically responds to the harmful consequences*** – **Satisfied**. TDTD proposes using \$45M in SFRF to fund additional marketing programs to expand the reach of Tennessee tourism messaging in order to increase domestic and international visitation. Funds would be used to:
 - Increase frequency of message and duration of “Soundtrack of America. Made in Tennessee” tourism brand campaign in existing target markets.
 - Expand tourism brand campaigns into new markets increasing the reach from 40 million potential visitors out of state to approximately 80 million.
 - Conduct one-time new market activations in markets such as Washington D.C., Orlando, Raleigh-Durham, Detroit, or New Orleans to generate regional and national earned media.
 - Produce or support major events in Tennessee destinations that drive travel and generate earned media and engagement for future travelers.
 - Work strategically with destination cities and major brand partners to conduct brand activations in major markets such as New York, Houston or Los Angeles and leverage TN-based celebrity star power for events and earned media opportunities.
 - Increase international visitation through various efforts including an increase B2B travel trade efforts, communications, and paid media efforts in international markets, working strategically to partner with Tennessee’s big city DMOs to build long-term collaborative efforts in leading international markets, and pursuing direct international flights immediately such as Paris for Nashville and Amsterdam for Memphis.
- ***Expense incurred between March 1, 2021 and December 31, 2024*** – **Need more information**. Further clarification from TDTD is required in order determine if the

requirement that funds be obligated by December 31, 2024 with all activities performed by December 31, 2026.

III. CONCLUSION:

Enough information to determine that TDTD intends to obligate funds by December 31, 2024 and expend funds by December 31, 2026 was not provided in the agency's proposal. However, the information provided indicates that the TDTD proposal to fund additional marketing programs to expand the reach of Tennessee tourism messaging complies with the first two prongs of the eligibility test for economic impact under the SFRF. Based on the facts provided, the proposal would be eligible under SFRF if funds were obligated and expended within the eligible period.

Commercial Agriculture & Forestry Supply Chain Enhancements

Agency: Agriculture (TDA)

Amount: \$50,000,000

Full Time Employees Requested: 2

Summary: To provide agricultural and forestry producers that were individually and specifically impacted by the pandemic cost-share dollars and financial incentives to implement best land management practices and expand agricultural, food, and forestry businesses. Focusing on value-added processing and long-term investments, these funds will strengthen and expand Tennessee agriculture and forestry supply chains. Grant applications for these funds must match the description of at least one of the following four categories and require a threshold or initial showing that the applicant was adversely impacted by the pandemic.

• **Increase in Farm Income** - This category includes projects that will increase farm income by offering farmers higher commodity prices than other markets, processing value-added products for farmers, or allowing a single farmer to add value to their own farm products.

• **Increased Access to Markets** - This category includes projects that will create or expand a market for Tennessee farmers or forest landowners, including reducing miles that farmers must transport their products to market or creating a new market entirely.

• **Increased Capacity** - This category includes projects that will expand the capacity of an existing agricultural, food, or forestry business, including their production or processing capacity or the number of employees.

Rationale:

If we allocate funds to specifically affected businesses via the Ag & Forestry Economic Development Fund, then we expect to address economic development opportunities in rural areas of Tennessee and enhance the supply chain for Agriculture and Forest Products.

Outcome:

- Outcome 1: A more robust Agriculture and Forestry Economy in Tennessee
- Outcome 2: Increased economic activity in Rural Distressed Counties

Risk Assessment: Commercial Agriculture & Forestry Supply Chain Enhancements

I. OVERVIEW OF PROPOSAL:

The Tennessee Department of Agriculture requests \$50,000,000 in SFRF dollars to fund cost sharing grants for producers who demonstrate the ability to positively impact supply chain issues by implementing best land practices and expanding or starting agricultural, food, and forestry businesses.

II. ELIGIBILITY ASSESMENT:

Economic Impact Test:

- ***A negative impact or harmful consequences of the economic disruption resulting from or exacerbated by the COVID-19 public health emergency – Satisfied.*** COVID-19 exposed the true importance of addressing supply chain disruptions in Tennessee. During the pandemic there were numerous disruptions in meat, food, and forestry supply chains.
- ***The intended program, service, or other intervention would address and specifically responds to the harmful consequences –Satisfied.*** The Tennessee Department of Agriculture seeks SFRF dollars to fund cost sharing grants for producers who demonstrate the ability to do one of the following, thereby stimulating the supply chain and preventing disruptions like we saw during the pandemic:
 - Increased farm income: Projects that will increase farm income by offering farmers higher commodity prices than other markets.
 - Increased access to markets: Projects that will create or expand a market for Tennessee farmers or forest landowners, including reducing miles that farmers must transport their products to market or creating a new market entirely.
 - Increased capacity: Projects that will expand the capacity of an existing agricultural, food, or forestry business, including their production or processing capacity or the number of employees.
 - Agriculture Innovation: For entrepreneurs who which to market a new technological innovation with the potential to impact TN agriculture or forestry industry by creating efficiencies in production, reducing costs, etc.

The goal in awarding these grants is that by focusing on value-added investment, these funds will ultimately strengthen and expand Tennessee agriculture and forestry supply chains. This is an eligible use of SFRF dollars as it seeks to mitigate against supply chain reductions similar to those that resulted from the COVID-19 pandemic. Preventative measures such as these geared at overall food supply chain enhancement are eligible for funding under the SFRF.

- **Expense incurred between March 1, 2021 and December 31, 2024 – Satisfied.** All funding would be obligated by FY24-25.

III. CONCLUSION:

The Tennessee Department of Agriculture's proposal is eligible for funding under the SFRF of the ARPA. The Department, however, should define additional eligibility parameters in order to ensure that applicants show their ability to increase the supply chain or meet other criteria necessary to secure the grant. Benchmarks for performance should also be set as part of the program guidelines in order to ensure that the awardee producer is held accountable, and the end goal of supply chain enhancement is met. An application period and period of eligibility should also be established to ensure efficiency, and caps on funding should be considered.

Sevier County Tourism Support Project

Agency: Transportation (TDOT)

Requested Amount: \$52,100,000

Full Time Employees Requested: None

Summary: During COVID-19, vehicle counts and ADTs lowered drastically with the implementation of stay-at-home orders, prohibition of large gatherings, and limitations on restaurants and bars. The largest reduction seen in urban interstate traffic was in Nashville with a reduction of over 50% compared to 2019. By the end of May, traffic began rising with an overall reduction of only 10-20% compared to 2019. In comparison, by May 2020, several locations in Sevierville were nearly equivalent to their 2019 traffic counts. Even while many were locked down or staying at home, Sevierville, Pigeon Forge, and Gatlinburg were all major destinations for tourists.

With ample tourism related growth in the past two decades, plus a prime location in the foothills of America's most visited national park with 10 million visitors annually, many people seek the various amenities Sevier County offers. New and upgraded hotels, the three Convention Centers, adventure attractions, wineries, distilleries, restaurants, and retail businesses are helping Sevier County grow and attract more visitors each year. Sevierville's retail sales topped \$1.6 billion dollars in 2019. With a "business friendly" reputation and more than 15 million annual visitors to the sister cities of Sevierville, Pigeon Forge, and Gatlinburg, Sevierville continues to draw solid interest from investors and developers.

Rationale: If funds are utilized to provide funding for the project, then access to tourism, travel, and hospitality venues will be improved allowing for more economic activity in Sevier County.

Outcome:

- Outcome 1: Tourism, travel, and hospitality investments by the private sector will increase along the US 411 corridor.
- Outcome 2: A reduction in crashes along the US 411 corridor.
- Outcome 3: An increase in throughput of vehicles along the US 411 corridor.

Risk Assessment: Sevier County Tourism Support Project

I. OVERVIEW OF PROPOSAL:

The Tennessee Department of Transportation (“TDOT”) requests \$52,100,000.00 in SFRF dollars to fund improvements to a major access corridor into the heart of Sevier County on US 411.

II. ELIGIBILITY ASSESMENT:

Economic Impact Test:

- ***Identify negative impact or harmful consequence resulting from or exacerbated by the COVID-19 pandemic- Satisfied.***
 - o The cities of Sevierville, Pigeon Forge and Gatlinburg are widely recognized in the United States for their wide range of tourist related opportunities.
 - o Tourism, travel, and hospitality provide the underpinning for much of the economy of Tennessee. COVID-19 has negatively impacted many aspects of this industry. The pandemic is the single largest crisis to hit the leisure and hospitality industries, representing \$303 million in lost state revenue between March and December of 2020.
- ***The intended program, service, or other intervention would address and specifically responds to the harmful consequences- Satisfied***
 - o Treasury clearly outlined in the SFRF FAQs, Guidance, and interim rule that funds may be used to support the severely impacted tourism and hospitality industries, and that funding for such purposes would be given broad latitude.
 - o Historically, access to these cities from Interstate 40 has been provided primarily through three (3) main routes within the existing roadway network: 1.) State Route 66, a North-South connector, that was widened to a 6-lane facility between 2005- 2015 due to the large volumes of traffic resulting from numerous tourist-oriented attractions and destinations throughout the corridor; 2.) State Route 73, an East-West connection providing access to the Great Smoky Mountains National Park and serving the cities of Cosby and Gatlinburg; and 3.) State Route 35, an East-West connection serving the Chestnut Hill community and the City of Sevierville.
 - o While the eastern segments of the State Route 35 corridor near I-40 have been completed with capacity improvements, the western portion of the route to its intersection with State Route 66 remains inadequate for future traffic projections. With exponential increases in commercial growth and tourist-oriented destinations, traffic projections are expected to increase along SR 35 by 74% by the year 2037. Therefore, further capacity improvements of State Route 35 is vital for several reasons: 1.) to provide route continuity from I-40, 2.) to accommodate current and future traffic projections and acceptable level- of-service, 3.) to alleviate the existing safety conflicts from capacity-

related issues, and 4.) to support the diverse growing economic interests of Sevier County and the East Tennessee region as a whole.

- o Accordingly, improvements to State Route 35 would allow for safe, easy access to Sevier County which has numerous highly visited tourist attractions. These attractions are all located within Sevier County, and all would greatly benefit by improved access and capacity improvements to State Route 35. Ultimately, these improvements would have a direct, positive impact on the tourism, travel, and hospitality industry in the County.
- o Treasury has clearly stated that costs incurred in an effort to positively impact the tourism, travel, and hospitality industry are allowable expenses under the SFRF.
- ***Expenses incurred between March 3, 2021 and December 24, 2024-Satisfied***—Funding is not needed beyond FY22-23.

III. CONCLUSION:

Improvements to State Route 35 would allow for safe, easy access to Sevier County which has numerous highly visited tourist attractions. These attractions are all located within Sevier County, and all would greatly benefit by improved access and capacity improvements to State Route 35. Ultimately, these improvements would have a direct, positive impact on the tourism, travel, and hospitality industry in the County. Treasury has clearly stated that costs incurred in an effort to positively impact the tourism, travel, and hospitality industry are allowable expenses under the SFRF.

Anderson County - Aspire Park Support Project

Agency: Transportation (TDOT)

Requested Amount: \$6,000,000

Full Time Employees Requested: None

Summary:

Support of Aspire Park in the City of Clinton in Anderson County through the construction of a multi-use recreational facility to expand pedestrian and bicycle infrastructure supporting the park along US 25W (SR 9).

Rationale:

If ARP Act funds are utilized to provide funding for the project, then access to tourism, travel, and hospitality venues will be improved allowing for more economic activity in Sevier County.

Outcome:

- Outcome 1: Tourism, travel, and hospitality investments by the private sector will increase along the US 411 corridor.
- Outcome 2: A reduction in crashes along the US 411 corridor.
- Outcome 3: An increase in throughput of vehicles along the US 411 corridor.

Risk Assessment: Anderson County – Aspire Park Support Project

I. OVERVIEW OF PROPOSAL:

The Tennessee Department of Transportation (“TDOT”) requests \$6,000,000 in SFRF dollars to fund the construction of a multi-use recreational facility to expand pedestrian and bicycle infrastructure supporting the park along US 25W (SR 9).

II. ELIGIBILITY ASSESMENT:

Economic Impact Test:

- ***Identify negative impact or harmful consequence resulting from or exacerbated by the COVID-19 pandemic- Satisfied.*** Tourism, travel, and hospitality provide the underpinning for much of the economy of Tennessee. COVID-19 has negatively impacted many aspects of this industry. The pandemic is the single largest crisis to hit the leisure and hospitality industries, representing \$303 million in lost state revenue between March and December of 2020.
- ***The intended program, service, or other intervention would address and specifically responds to the harmful consequences- Satisfied.*** Treasury clearly outlined in the SFRF FAQs, Guidance, and interim rule that funds may be used to support the severely impacted tourism and hospitality industries, and that funding for such purposes would be given broad latitude. The targeted population benefiting from this proposal are those directly and indirectly associated with the tourism, travel, and hospitality industries. Furthermore, the specific items/expenditures sought to be made with SFRF dollars under this proposal relate directly to the tourism, travel, and hospitality industry as they will allow for more outdoor travel/hospitality type activities such as biking and walking trails.
- ***Expenses incurred between March 3, 2021 and December 24, 2024-Satisfied—*** Funding is not needed beyond FY22-23.

III. CONCLUSION:

Improvements to the County’s recreational facilities to allow for construction of a multi-use recreational facility is an allowable use of SFRF dollars to support the negative economic impact experienced by the tourism, travel, and hospitality industry caused by the economic shutdown from the COVID-19 pandemic.

ADMINISTRATIVE (EVALUATION AND DATA ANALYSIS)

Accelerating Program Inventory

Agency: Finance and Administration – Office of Evidence and Impact (F&A – OEI)

Requested Amount: \$2,000,000

Full Time Employees Requested: None

Summary: To provide non-recurring funding for a vendor to implement the program inventory process with the remainder of cabinet-level executive branch agencies over two years. After this additional capacity enables initial inventory completion, existing OEI staff positions will complete maintenance and annual data collection activities.

Rationale: If we allocate funds to accelerate the completion of program inventories with all agencies, then state leaders will have access to better information and resources that support effective decisions and smart investments.

Outcome:

- Outcome 1: Increase in Tennessee’s investment in evidence-based health programs.

Risk Assessment: Accelerating Program Inventory

I. **OVERVIEW OF PROPOSAL:**

To provide non-recurring funding for a vendor to implement the program inventory process with the remainder of cabinet-level executive branch agencies over two years. After this additional capacity enables initial inventory completion, existing OEI staff positions will complete maintenance and annual data collection activities.

II. **ELIGIBILITY ASSESMENT:**

Administrative Expenses:

- Administrative expenses necessary to the efficient and compliant use of SFRF dollars are allowed to be incurred using SFRF dollars.
- OEI seeks up to \$2,000,000 of SFRF funds to expedite this program inventory work across state government. In keeping with the emphasis on evidence that exists in ARP guidance, this proposal maximizes the state's ability to invest in programs that are working, reevaluate funding of programs that have produced negative results, and identify opportunities for further program evaluation.
- This is an eligible administrative expense associated with the efficient use of SFRF dollars and the required reporting surrounding performance metrics. Allocating SFRF dollars towards this effort will allow the state to effectively identify efficient and positive performance metrics, outputs, and programs utilizing those metrics and outputs. These metrics and outputs are required for Treasury reporting and are, therefore, an allowable administrative expense associated with the use of these dollars.
- Non-recurring funding for FY22-23 and 23-24 is requested, thus, satisfying the required timeline for expenses to be incurred under the SFRF.

III. **CONCLUSION:**

SFRF dollars may be used to support administrative expenses associated with the efficient and compliant use of this funding stream. OEI's proposal to use funds to expedite program inventory work, allowing the State of Tennessee to better assess program viability, performance metrics, and overall program success and viability is an allowable administrative expense under the SFRF. The use of SFRF dollars to support this effort will allow for the State to comply with mandatory reporting requirements associated with the SFRF, and facilitate the compliant and efficient use of these funds.

Electronic Workpapers for Remote Workforce

Agency: Finance & Administration (F&A) – Internal Audit

Requested Amount: \$1,333,943

Full Time Employees Requested: None

Summary: Internal Auditors across Tennessee agencies are tasked with performing assurance and consulting services designed to add value and improve operations. The monitoring of internal control performance remotely and the ability to respond to public health concerns would be enhanced by electronic workpapers offering the analysis of aggregate risks and findings.

Rationale: If we allocate funds to implement electronic workpapers, then we expect to see auditors performing more efficient assurance and consulting work, resulting in quicker identification of problem areas to management, better decision quality, and more timely corrective actions. Specifically, we expect electronic workpapers to:

- Provide a framework for productive execution, more audit & analysis, less documenting.
- Streamline fieldwork, documentation, and reporting – enable resource-strapped audit departments to accomplish more than they could using manual techniques.
- Facilitate team communication – keeps audit staff (especially those working remotely) on the same page and focused on the same goals.

Outcome:

More effective tracking of data related to:

- Monitoring and communicating changes in conformance to regulations/policy/rule;
- Monitoring and communicating changes in percentage of ineligible vs. eligible expenses; and
- Documenting evidence of fraud/waste/abuse.

Risk Assessment: Electronic Workpapers for Remote Workforce

I. OVERVIEW OF PROPOSAL:

F&A seeks SFRF dollars to support the ability of internal auditors within Tennessee agencies to perform assurance and consulting services remotely.

II. ELIGIBILITY ASSESMENT:

Public Health Test:

- **Identify a need or negative impact of the COVID-19 pandemic- Satisfied.**

Treasury has clearly stated that expenses that were eligible under the CARES Act's Coronavirus Relief Fund are likewise eligible for funding under the SFRF. Costs associated with efforts to facilitate workers' ability to work remotely and mitigate and reduce the risk of spread of the COVID-19 virus were allowed under the CARES Act/Coronavirus Relief Fund and are similarly allowed to receive SFRF funding. The pandemic has steered state governments to operate remotely and embrace digital technologies, whether we were ready to or not. While the audit process was evolving with the emergence of new technology, COVID-19 has significantly accelerated the evolution toward a virtual audit. The pandemic has sped up the process of change. Uncertainty, combined with the rapid shift to new ways of operating, has led to the need for thinking proactively. With the closing of workplaces and the need for social distancing, internal auditors are leveraging existing and new technology to conduct audits remotely, including remote data extraction, analysis, and inventory counts. New ways of operating need to be done in a way that follows established standards and delivers assurance to senior management.

- **Identify how the program, service, or other intervention addresses the identified need or impact- Satisfied.** Working remotely will reduce and mitigate against the spread of the COVID-19 virus in the workplace. Electronic workpapers serve as an important reference point for the entire audit process. As time benefits are realized, users will redirect that time to high-value audit activities like:

- Conducting additional audits. Especially important for high-risk areas, LEA Audits, and subrecipient (grant) monitoring, and fraud investigations (as examples).
- Enhancing audit techniques, particularly using data analysis to evaluate high volumes of transactional data, review of aggregate risks and aggregate findings.
- Devoting additional time to risk assessment activities and identifying risk areas.
- The unexpected value from redirecting administrative time will solidify the role of Internal Audit as strategic partners communicating risks to senior management.

- Conducting additional audits leads to communicating more audit findings and facilitating more corrective actions.
- ***Expense incurred between March 1, 2021 and December 31, 2024 (obligated by 12/31/24 and performance complete by 12/31/26)***– The proposal articulates that this will require some recurring funding in FYs 22-23, 23-24, and 24-25. We will need F&A to confirm that no SFRF dollars will be needed beyond the allowable time period for the SFRF.

III. CONCLUSION:

The program expenditures outlined in the Department of Finance and Administration's proposal regarding Funding Electronic Workpapers for Remote Workforce is eligible for SFRF funding based on the facts and data provided in the proposal. These funds would enable state employees to work remotely which is allowed under SFRF as a COVID-19 mitigation/prevention activity.