

To: State Finance Council
From: The Kansas Office of Recovery
Date: February 2, 2023
Re: Recommendation for Distribution of Recouped ARPA Relief Funds

Background

Recommendation 1:

On December 20, 2022, the SPARK Executive Committee made a recommendation for the distribution of up to \$167 million in ARPA State Fiscal Recovery Funds (SFRF) that, at the time of the recommendation, was unavailable for allocation due to the administrative mechanics of the funding.

The SPARK Executive Committee recommended that, should this \$167 million in SFRF dollars become available via recoupments or legislative action, the funding be allocated as follows:

1. Economic Revitalization: \$102 million
2. Health and Education: \$45 million
3. Efficiency and Modernization: \$20 million

Of this \$167 million, \$142 million is excess funds from the legislatively approved \$500 million SFRF transfer to the Unemployment Insurance Trust Fund. This \$142 million currently sits in an account held by the Legislative Coordinating Council and requires legislative action to be transferred or allocated. As such, these funds are not available for allocation at this time.

The remaining \$25 million, the funding being discussed today, was recouped through the reimbursement of previous SFRF expenditures with CARES Act Coronavirus Relief Funds (CRF) and is now available for allocation.

Pursuant to the SPARK Executive Committee's recommendation that the majority of any newly available SFRF be allocated to Economic Revitalization, as well as conversation by Executive Committee members throughout the SPARK process around the need to prioritize catalytic investments in economic development, the \$25 million in available SFRF is recommended to be allocated for the purpose of Economic Revitalization.

As the administrative entity identified through the SPARK process to manage Economic Revitalization programs, and as the entity managing SFRF dollars allocated by the Legislature for economic development projects, the Kansas Department of Commerce is best suited to administer this \$25 million SFRF.

Should it receive this \$25 million, the Department of Commerce will use the funding to enhance existing SFRF funded programs aimed at economic development and revitalization.

Specifically, this \$25 million will be used to provide \$15 million to the University Challenge program and \$10 million to the SFRF-funded Higher Education fund. Both initiatives were approved by the Legislature in 2022 through the legislative budget process.

The Department of Commerce received funding requests in excess of the \$75 million appropriated for the University Challenge program. This supplemental allocation of \$15 million will allow for additional applications to be funded, enhancing the economic impact of the program.

Likewise, the \$10 million for Higher Education will provide additional funding to projects that will have a catalytic impact on economic development in Kansas.

Should this recommendation be approved, the \$142 million SFRF currently housed in the Legislative Coordinating Council's account will remain unallocated. This funding can only be utilized should the Legislature take action to transfer or allocate it.