



## LEGISLATIVE BUDGET BOARD

# Federal Funding Overview

## COVID-19 Funding and Other Major Legislation

**PRESENTED TO SENATE FINANCE COMMITTEE  
LEGISLATIVE BUDGET BOARD STAFF**

**JULY 2022**

# Statement of Interim Charge

---

Report on the state use of federal COVID-19 relief funds provided under the Coronavirus Aid, Relief, and Economic Security Act, Coronavirus Response and Relief Supplemental Appropriations Act, the American Rescue Plan Act, Infrastructure Investment and Jobs Acts, and similar federal legislation. Examine local use of federal relief funding, including funding provided to school districts through the Elementary and Secondary School Emergency Relief (ESSER) Fund. Evaluate the overall fiscal impact of the COVID-19 pandemic on state agencies, including costs incurred due to federal mandates. Identify barriers to the effective utilization of funds and make recommendations on the expenditure of unappropriated funds. Evaluate and report on the spending by state agencies that have been utilizing "one-time" federal funding (temporary enhancements, e.g. FMAP and ESSER) sources, where federal funding will likely be significantly reduced in future biennia.

# Federal COVID-19 Funding

Federal Act	Date Signed	Estimated Award	Expenditures	Performance Period Timelines
Coronavirus Preparedness and Response Supplemental Appropriations Act (CPRSAA)	March 6, 2020	\$71.8 million	\$64.2 million	Funds have expired.*
Families First Coronavirus Response Act (FFCRA)	March 18, 2020	\$213.4 million	\$206.3 million	Funds have expired.*
Coronavirus Aid, Relief, and Economic Security Act (CARES ACT)	March 27, 2020	\$24.5 billion	\$23.9 billion	Awards expire 9/30/2022.
Paycheck Protection Program and Health Care Enhancement Act (PPPHCEA)	April 24, 2020	\$479.6 million	\$394.3 million	Funds have expired.*
Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA)	December 27, 2020	\$13.5 billion	\$4.4 billion	Awards expire 9/30/2023.
American Rescue Plan Act (ARPA)	March 11, 2021	\$40.3 billion	\$18.2 billion	Awards expire 9/30/2025.
<b>Totals:</b>		<b>\$79.0 billion</b>	<b>\$47.2 billion</b>	

\*Some awards in the acts have longer performance periods than the general expiration dates provided in the legislation. A listing on the next page outlines the outlying awards.

Notes: Awards and expenditures are as of the end of the second quarter of SFY 2022, February 28, 2022, and represents only funds that flow through the state's Treasury. Amounts are subject to change.

Many of these awards were supplemental to existing programs that state agencies already receive. Any new programs created in federal COVID-19 relief legislation is subject to federal guidance.

# Grants that Remain Open

The below grants performance period end dates are outside the general end dates for the majority of awards in the respective acts:

## **CPRSAA:**

- COVID-19 Financial Relief and Restoration (December 31, 2024)

## **FFCRA:**

- eFMAP will remain open until the end of the Public Health Emergency—states will be given a 60-day notice from CMS prior to PHE ending

## **CARES Act:**

- Public Assistance Grants are reimbursement based
- ReThink K-12 Education Models (July 31, 2023)
- Housing Opportunities for Persons with AIDS (August 19, 2023)
- State Survey and Certification (September 30, 2023)
- COVID-19 Child Care Development Block Grant (September 30, 2023)
- Airport Improvement Program (March 24, 2024)
- CDC Influenza and COVID-19 Preparedness Awards (June 30, 2024)
- CDC Epidemiology and Laboratory Capacity (July 31, 2024)
- COVID-19 Head Start
- Hospital Preparedness Program Cooperative Agreement (September 30, 2024)
- COVID-19 Worker Safety and Health (June 30, 2026)

## **PPPHCEA:**

- Epidemiology and Laboratory Capacity (October 30, 2022)

## **CRRSA:**

- CDC COVID-19 Vaccine Preparedness (June 30, 2024)
- Epidemiology and Laboratory Capacity (July 31, 2024)
- Surface Transportation Block Grant (September 30, 2024)
- COVID Airport Improvement Grants (June 30, 2025)

## **ARPA:**

- Community Based Child Abuse Prevention (December 30, 2025)
- Child Abuse State Grants (December 30, 2025)
- Coronavirus State Fiscal Recovery Funds (December 31, 2026)
- COVID-19 Preventative Health Services (December 31, 2026)

# Major Awards to the State

## Coronavirus Relief Fund (CRF)

- Awarded in the CARES Act
- Texas Award: **\$8.1 billion**, has been fully expended
- Funds went to the Office of the Governor to be allocated to state agencies and other units of government
- Funds could be used for eligible COVID-19 expenses beginning March 1, 2020
- Funds had to be expended by December 31, 2021; states have until September 30, 2022 to finalize reporting of obligations and expenditures

## Governor's Emergency Education Relief Funds (GEER I and II)

- Awarded in the CARES Act and CRRSA
- Texas Award: CARES Act: **\$307.0 million**, has been fully expended; CRRSA: **\$287.5 million**, has not been expended
- Funds went to local education agencies and institutions of higher education that have been significantly impacted by COVID-19
- Funds could be used to support the ability to continue providing educational services to students and operational costs
- Funds must be obligated by September 30, 2022 (GEER I) and September 30, 2023 (GEER II)

## Elementary and Secondary School Emergency Relief Program (ESSER I, II, and III)

- Awarded in the CARES Act, CRRSA, and ARPA
- Texas Awards: CARES Act: **\$1.3 billion**, has been fully expended; CRRSA: **\$5.5 billion**, of this \$426.5 million has been expended; ARPA: **\$12.4 billion**, of this \$505.3 million has been expended
- Funds went to TEA to be passed through to local education agencies through an application process
- Funds could be used to address the impacts of COVID-19 and to procure learning resources
- Funds must be obligated by September 30, 2022 (ESSER I), September 30, 2023 (ESSER II), and September 30, 2024

# Major Awards to the State

## Enhanced Federal Medical Assistance Percentage (eFMAP)

- Awarded in the FFCRA
- Texas Award : **\$3.4 billion**; this is a reimbursement-based grant
- Funds awarded to HHSC and DFPS
- FFCRA authorized a 6.2 percentage point increase in FMAP beginning January 2020. States were required to maintain enrollment for nearly all Medicaid enrollees
- eFMAP is dependent on an having an active federal Public Health Emergency (PHE); the current PHE ends July 11, 2022. It can be extended for an additional 90 days. Once the PHE ends, states will begin disenrolling certain clients off Medicaid over a 12-month period.

## FEMA Public Assistance Grants

- Awarded in the CARES Act
- Texas Award (as of February 28, 2022): **\$11.3 billion**, this is a reimbursement-based grant
- Funds went to TDEM to be distributed to state agencies and other units of government based on eligibility of costs
- Funds could be used for statewide emergency response to COVID-19. Expenses include PPE, testing, patient care and support, etc.
- Funding will continue until federal funding ceases; A 100% federal cost share is in place for obligations incurred until July 1, 2022. The cost share will then shift to 90/10 for the federal government and states

## Higher Education Emergency Relief Funds (HEERF I, II, and III)

- Awarded in the CARES Act, CRRSA, and ARPA directly to Institutions of Higher Education (IHE)
- Texas Awards: CARES Act: **\$5.6 billion**; CRRSA: **\$4.7 billion**; ARPA: **\$3.0 billion**
- Funds were awarded for students, institutions, minority serving institutions, and historically black colleges and universities
- Expiration of funds concludes one year after an award was received by an IHE

# Major Awards to the State

## Coronavirus State Fiscal Recovery Funds (CSFR Funds)

- Awarded in ARPA
- Texas award: **\$15.8 billion**, \$12.8 billion appropriated in SB 8 (Eighty-seventh Third Called Session)
- In the 87<sup>th</sup> Regular Legislative Session, the Legislature amended Art. IX Sec. 13.01 to the GAA (2022-2023) in order to allow the Legislature the ability to allocate certain federal funds, including CSFR Funds
- Funds could be used to cover costs incurred by COVID-19; replace revenue lost, delayed, or decreased; address any negative economic impact; and fund certain infrastructure projects
- In the Final Rule, the US Treasury prohibited the use of CSFR Funds to offset a negative tax reduction that was the result of a change in law, regulation, or administrative interpretation by the state. There have been six cases brought up in district courts across the country in response to this guidance. Four of the cases have been issued opinions in favor of the states concluding that the tax mandate in the Interim and Final Rule violate the spending clause of the Constitution. The Texas et al. case (with LA and MS) is the only case that was issued an opinion after the Final Rule was published. The Northern District Court of Texas concluded that the Rule violated that state's sovereign taxing authority in Article X 10 of the Constitution. Treasury cannot recoup funds used for this purpose. Treasury has appealed.
- Other restriction on uses of funds include paying debt services and replenishing reserve funds.
- Funds have until December 31, 2024 to be obligated and December 31, 2026 to be fully expended

# Major Awards to Other Units of Government

## Coronavirus Local Fiscal Recovery Funds (CLFR Funds)

- Awarded in the ARPA to counties, cities, and non-entitlement units (NEU)
- Awards to counties, cities, and NEU: counties: **\$5.7 billion**; cities: **\$3.3 billion**; and NEU: **\$1.4 billion**
- Funds to cities and counties were awarded directly. NEUs are units of government that serve populations 50,000 and less; TDEM is the state administrator of these funds, based on allocations provided by the US Treasury
- Funds have until December 31, 2024 to be obligated and December 31, 2026 to be fully expended

## Coronavirus Relief Fund (CRF)

- Awarded in the CARES Act to counties and cities with populations greater than 500,000
- Texas eligible units of local government award: **\$3.2 billion**
- Cities and counties with populations less than 500,000 received CRF from the state's \$8.1 billion award. This was administered by TDEM and was collectively **\$583.1 million**
- Funds had to be expended by December 31, 2021; states have until September 30, 2022 to finalize reporting of obligations and expenditures

## Provider Relief Funds (PRF)

- Awarded in the CARES Act, PPPHCEA, CRRSA, and ARPA
- Awards to state health services entities (ex. HHSC, health science centers): **\$303.4 million**
- In addition to certain state agencies, 32,569 eligible health care providers and centers in Texas received PRF awards, totaling **\$9.3 billion**
- PRF was awarded to eligible providers who diagnose, test, or care for individuals with possible or actual cases of COVID-19 and who have health care related expenses and lost revenue that is attribute to COVID-19
- Funds to be expended within 12 to 18-months of receipt of award



# COVID-19 Funds Reporting Requirement

SB 8 Sec. 49 (87<sup>th</sup> Third Called Special Session) requires the LBB to compile and post on their website a quarterly report on the expenditures and uses of COVID-19 funding. For each agency or institution, the report must include:

- The anticipated award amount by federal COVID bill for each program/award
- The amount expended for each program/award
- The balance of funds for each program/award
- The uses of funds for each program/award
- The performance period end date for each program/award

For other political subdivisions, the website page will provide links to external guidance and reports, such as the US Treasury's compilation of city and county Coronavirus Local Fiscal Recovery Funds quarterly reports

**[https://www.lbb.texas.gov/Covid-19\\_Reporting.aspx](https://www.lbb.texas.gov/Covid-19_Reporting.aspx)**

# Infrastructure Investment and Jobs Act (IIJA)

- Passed on November 15, 2021, the Infrastructure Investment and Jobs Act (IIJA) authorized a total of \$1.2 trillion to State, local, and tribal governments, Institutes of Higher Education, public-private partnerships, and other various entities.
- Most appropriations for IIJA will be made available to states in annual tranches. More specifically, of the \$1.2 trillion, Texas is currently estimated to receive **\$36.3 billion** between FFY 2022-2026. These estimates are subject to change as federal guidance and apportionments continue to be released.
- The primary focus of the bills 300+ apportionments are dedicated to broadband, cybersecurity, disaster response, and transportation, environment, and energy infrastructure.
- Some of the aforementioned allocations are dedicated to certain local governments and other entitlement units. The total amount expected to the state will remain unknown until pass-through awards are released and reported in future quarters.
- Finally, while the IIJA provided funding and/or contract authority for most of the 300+ programs, 24 programs will require Congress to provide annual appropriations. For instance, the IIJA authorized \$100 million toward Reducing Lead in Drinking Water but the program was left unfunded at passage. In turn, Congress included \$22 million in the Consolidated Appropriations Act for FFY22 and the President's FFY23 request includes \$182 million.

# IIJA Programs

As of May 2022, approximately 35 apportionments have been made available to Texas. These funds are dedicated to building new programs or increasing baseline funding for pre-existing programs. Some of the largest FFY 22 apportionments include:

The National Highway Performance Program - **\$2.84 billion**

Surface Transportation Block Grants - **\$1.38 billion**

Clean Water and Drinking Water State Revolving Funds - **\$507.7 million**

Airport Infrastructure Grants - **\$241.6 million**

Orphaned Well Site Plugging, Remediation, and Restoration - **\$107.6 million**

The National Electric Vehicle Infrastructure (NEVI) Program - **\$60.4 million**

# IIJA Programs (Continued)

## **The National Electric Vehicle Infrastructure (NEVI) Program - \$60.4 million**

- A newly created program designed to build out a national electric vehicle charging network along the Interstate Highway System and build on prior advancements from Alternative Fuel Corridors efforts. The NEVI formula program also seeks to create an interconnected network to facilitate data collection, access, and reliability.
- 5-year tranches; \$407 million FFY22-26; federal cost-share is 80 percent. Third parties may fund state's share; reimbursement based; funds may be combined with other eligible USDOT EV charging infrastructure projects if the eligibility requirements are met for both programs and the total Federal cost-share does not exceed 80 percent; states must submit program to FHWA to receive awards or awards may then be allotted to local jurisdictions.
- TXDOT released their plan for public comment on May 20, 2022 and appear consistent with federal guidance.

# IIJA Programs (Continued)

## Orphaned Well Site Plugging, Remediation, and Restoration - \$107.6 million

- Funding focuses on building out well plugging programs, remediating high-priority wells, and collecting additional data regarding the number of orphaned wells in states. These grants to states are available through three separate subprograms – Initial Grants, Formula Grants, and Performance Grants. Currently, Texas is has received funding from the following phases: Initial Grant Eligibility - \$25 million, Phase One Formula Eligibility - \$82.6 million, and the total Formula Funding + Initial Grant equals \$343.7 million (The remaining \$236.1 million will become available as federal formulas continue to be finalized).Funds must be obligated within 5-6 years of when the award was received by RRC.
- Formula considers job losses in each state from Mar 2020 – Nov 2021, the number of document orphaned oil and gas wells, and the estimated cost of cleaning the total number of wells. Improvements in state data, combined with more accurate Bureau of Labor Statistics job loss data, will allow the Department to ensure that the final formula funding for states is based on the best information available.
- Eligible uses include: Inventory, site characterization, down-hole well plugging, surface remediation, removal of surface equipment, restoration of native species habitat impacted by orphaned wells and associated infrastructure, measurement and tracking of air and water pollution due to orphaned wells, identification and remediation of disproportionate health and environmental impacts of orphaned wells on communities of color, low-income communities, and tribal and indigenous communities.

# IIJA Programs (Continued)

## **State and Local Cybersecurity Grant Program - \$7.6 million**

- For development, implementation, and revision of State cybersecurity plans owned or operated by the State. \$1 billion total to be allocated over 4 years. Texas allocation (in millions): \$38.23 FY22-FY26 (FY22: \$7.65; FY23: \$15.3; FY24: \$11.47; FY25: \$3.82).
- Federal Cost-Share: State and local cost share is 10 percent for FY22 and FY23, 20 percent for FY23, 30 percent for FY24, and 40 percent for FY25.
  - States are required to distribute at least 80% of funds to local governments, including 25% of funds to rural areas.

## **Broadband Equity, Access, And Deployment Program (B.E.A.D.)**

- For broadband planning, deployment, and adoption projects. \$42.45 billion nationally. Texas allocation at least \$100 million.
- Initial Funding: \$5 million to support broadband planning efforts, including building capacity in state broadband offices and outreach and coordination with local communities. Requires 5-year action plan to be submitted by Comptroller Broadband office within 270 days of receiving initial planning funds.
- Remaining funding will be distributed based on a formula that considers the number of unserved and high-cost locations in the state, based on the maps to be published by the Federal Communications Commission in 2022.

## **The National Highway Performance Program - \$2.84 billion**

- This preexisting program provides advanced funding through annual tranches for the construction of new NHS facilities and ensures that federal highway construction funds are used to meet performance targets established by the State management plan. Texas allocation (in billions): \$14.8 FY22-FY26 (FY22: \$2.84, FY23: \$2.9, FY24:\$3, FY25: \$3, FY26: \$3). Funding is distributed as a lump sum to all federal highway programs, deductions are made for select programs then remainder is divided among the programs by a percentage – 63.7 percent for NHPP.
- Federal Cost-Share: 100 percent for certain safety improvements, workforce development, and innovative project delivery methods; 90 percent for US Interstate System projects; and 80 percent for all other projects and activities.
- The IIJA increased baseline spending for NHPP and broadened eligible uses to include resiliency improvements and activities to protect segments of the NHS from cybersecurity threats.



# LEGISLATIVE BUDGET BOARD

## **Contact the LBB**

Legislative Budget Board

[www.lbb.texas.gov](http://www.lbb.texas.gov)

512.463.1200