

Commonwealth of Kentucky
Recovery Plan

**State and Local Fiscal Recovery
Funds**
July 31, 2022 Report

Commonwealth of Kentucky Recovery Plan

Executive Summary

In response to the pandemic and the economic recovery, the Commonwealth of Kentucky has taken official actions to obligate 99.4 percent of Kentucky's \$2,183,237,291 State and Local Fiscal Recovery Fund allocation to critical economic recovery and pandemic response activities.

President Biden signed the American Rescue Plan Act on March 11, 2021. Governor Andy Beshear, 19 days later, signed bipartisan legislation enacted by the Kentucky General Assembly that made specific appropriations during its 2021 Regular Session, from the State Fiscal Recovery Fund totaling \$1,167,934,174 in state fiscal year 2021-2022. Recently, Governor Beshear signed several pieces of legislation enacted by the Kentucky General Assembly from the 2022 regular session that appropriated an additional \$1,002,640,900 from Kentucky's State and Local Fiscal Recovery Fund allocation. The total obligations of the Fund now amount to \$2,170,575,074.

In response to the pandemic and the economic recovery, the Commonwealth of Kentucky has devoted State and Local Fiscal Recovery Fund resources to the following uses:

Unemployment Insurance Trust Fund - Repayment of federal loan and Deposit to the Trust Fund - \$505,731,673.91 was expended to fully repay Kentucky's federal loan to its unemployment insurance trust fund. An additional \$242,628,900 has been deposited into Kentucky's Unemployment Insurance Trust Fund. The two actions total to \$748,360,574.

Water and Sewer infrastructure - \$554,000,000 is devoted to water and sewer infrastructure projects across the Commonwealth. Governor Andy Beshear speaking about the Cleaner Water Program, "Quality drinking water and well-maintained sewer systems are fundamental to keep Kentuckians safe and to build a better Kentucky. This funding boost will make a real difference in cities and counties across Kentucky while also creating jobs. This is a chance for us to upgrade our systems without raising costs on Kentuckians. It's a real chance to be transformative."

Broadband infrastructure - \$137,231,000 has been appropriated to expand broadband services to unserved areas of Kentucky. Governor Andy Beshear in a recent announcement said, "In today's technology-dependent society, access to reliable, high-speed internet can no longer be considered a luxury available only to those who can afford it. In fact, broadband is foundational to our future economic growth, particularly in areas of the state previously deemed unprofitable to serve. During the pandemic, we have seen just how critical reliable internet access is for all of us to stay informed, safe and connected to work, school, health care, friends and family. And now, we look to our broadband community to tell us how they would use the funds available to support the construction, development or improvement of broadband access across the commonwealth, with our unserved communities receiving first priority."

Assistance to Nonprofit Organizations – A total of \$107,600,000 has been appropriated to assist nonprofit organizations with \$75,000,000 targeted to the negative economic impacts of COVID-19 to entities that serve disproportionately affected populations.

Tourism Recovery – To address the negative economic impacts of COVID-19 on Kentucky's tourism sector, \$75,000,000 has been allocated to assist Kentucky's regions in marketing and other assistance to recover from the pandemic.

COVID-19 Community Testing - \$60,827,225 has been allocated for COVID-19 community testing across the Commonwealth including funding for postsecondary education institutions.

Healthcare Workforce – One of the public health effects that was either surfaced or exacerbated by the pandemic has been the need for a larger healthcare workforce. To address that issue \$57,000,000 has been appropriated for three programs to expand the healthcare-specific educational pathways, to help grow and strengthen the pipeline of nursing professionals and other healthcare providers in the Commonwealth, providing a mechanism to rapidly respond to the state’s immediate healthcare workforce needs, and to provide student loan repayment for eligible healthcare workers within the Commonwealth.

Senior Meals – Another area that was significantly impacted by the pandemic was the expanded need to deliver nutritional meals to Kentucky’s senior citizens. The pandemic highlighted the waiting list of eligible seniors in the existing senior meals programs. The Commonwealth initially addressed the waiting list with funding from the CARES Act’s Coronavirus Relief Fund. Upon its exhaustion, \$36,200,000 is devoted to continuing to fill the gap through the next two years.

COVID-19 prevention and mitigation in vulnerable or congregate settings - \$30,809,308 is appropriated for COVID-19 prevention and mitigation in vulnerable and congregate settings, including adult and juvenile correctional facilities and county jails.

Child Care - \$24,000,000 is provided to continue the \$2 per child increase in the Child Care Assistance Program provider reimbursement rate over the next two years. One of the most significant negative economic effects of the pandemic was to the child care provision sector. Mitigation efforts required the shutdown and then distancing measures to ensure the safety of children and workers. This funding is to continue to support eligible families with an increased daily rate as an effort to maintain capacity in child care centers so that families can maintain employment.

Premium Pay - \$12,124,892 was provided to support premium pay for the security staff in Kentucky’s adult and juvenile correctional facilities.

Monoclonal Antibody Treatment - \$8,441,075 was dedicated to the provision of monoclonal antibody treatments throughout the state.

Provision of Government Services - \$318,711,000. The revenue replacement provisions of the State and Local Fiscal Recovery Fund permit state governments to use these funds for the provision of government services within a capped amount determined by a formula.

Uses of Funds

Using the expenditure category typology set forth by the U.S Department of Treasury’s reporting requirements, the \$2,183,237,291 appropriated for the State Fiscal Recovery Fund covers the following uses of funds.

Public Health (EC 1)

COVID-19 prevention and mitigation in vulnerable or congregate settings - \$30,809,308 is appropriated for COVID-19 prevention and mitigation in vulnerable and congregate settings, including adult and juvenile correctional facilities and county jails. The majority of the funds, \$24,875,108 is allocated for various prevention and mitigation efforts in Kentucky’s adult and juvenile correctional facilities. These include the purchase of personal protective equipment and to address ventilation measures in the adult correctional institutions, as well as conducting wastewater treatment testing as an

advance indicator of the level of infection in the institutions' population. For county jails, \$5,934,200 has been allocated to reimburse county jails for eligible prevention and mitigation expenses. In Kentucky, a significant number of adjudicated state felons, especially for shorter sentenced felons, are housed in county jails. County jails which are a part of Kentucky's county governments, working with public health guidance, need fiscal assistance to contend with the necessary extra costs to mitigate infection of COVID-19 while carrying out their public safety function of holding pre-trial persons, misdemeanants, and designated state felons.

Healthcare Workforce – A total of \$57,000,000 has been appropriated for four strategies to improve the healthcare workforce in Kentucky. The pandemic has exacerbated an already problematic situation with the availability of a sufficient number of healthcare workers.

The Commonwealth West Healthcare Workforce Innovation Center is being established from a \$38,000,000 allocation to provide accessible, healthcare-specific educational pathways in the western region of the state for postsecondary, high school, and nontraditional students to address decreased student enrollment in healthcare-related fields, resulting in expanding the pipeline of qualified healthcare workers and reducing the shortage of qualified medical staff across the Commonwealth. The center will be a health education, innovation, and simulation facility located in Owensboro, Kentucky that offers a combination of instruction and hands-on experiential learning opportunities to students pursuing nursing and allied health credentials. The funding is to assist in the initial start-up and operating costs of the center, including but not limited to faculty, personnel, facility, equipment, and furnishings in the form of a grant to be administered by the Kentucky Community and Technical College System and distributed to the collaborating partners and organizations in accordance with the agreements established for the center.

An allocation of \$10,000,000 is provided for a new Healthcare Workforce Initiative to help grow and strengthen the pipeline of nursing professionals and other healthcare providers in the Commonwealth, providing a mechanism to rapidly respond to the state's immediate healthcare workforce needs. The dedicated pool of funding will be directed to Kentucky's universities and community and technical colleges to support and grow programs dedicated to training healthcare providers in disciplines leading to professional certification or licensure.

The Healthcare Worker Loan Relief Program administered by the University of Kentucky through the Center of Excellence in Rural Health is allocated \$4,000,000. The statewide program is designed to provide student loan repayment for eligible healthcare workers within the Commonwealth.

An allocation of \$5,000,000 is devoted to Area Health Education Centers (AHECs), a collaborative between the University of Louisville Health Sciences Center, the University of Kentucky Medical Center and eight regional centers. The AHECs work to improve the recruitment, distribution, and retention of health care professionals (particularly in primary care) in medically underserved areas throughout the state commonwealth.

Community Testing - \$60,827,755 is appropriated to provide COVID-19 community testing across the Commonwealth including funding for postsecondary education institutions. The delivery mechanism was the utilization of testing services from the University of Kentucky and through contracts with various laboratory services. The goal of the project was to provide the necessary capacity for community testing.

Monoclonal Antibody Treatment - \$8,441,076 is allocated for the distribution of monoclonal antibody treatment. The Department for Public Health entered into an agreement with the Kentucky Hospital Research and Education Foundation. This method of statewide distribution was initiated by the federal government due to supply shortages and the extraordinary demand across the nation. Through this

mechanism, State health departments subsequently identify which sites in their respective jurisdictions receive the product and the amount each site receives.

Negative Economic Impacts (EC 2)

Unemployment Insurance Trust Fund - To address one of the most severe negative economic impacts of the pandemic, the unprecedented job losses that took place in the spring of 2020 that was necessary to prevent the spread of infection, \$505,731,673.91 was expended to fully repay Kentucky's federal loan to its unemployment insurance trust fund. An additional \$242,628,900 has been deposited into Kentucky's Unemployment Insurance Trust Fund. The outcomes of these two actions result in businesses in Kentucky, especially small businesses that were especially hit hard by the pandemic, from incurring significant increases in state unemployment insurance taxes to repay the federal loan which was largely the result of necessary job reductions associated with mitigation efforts to slow the spread of the COVID-19 infection. This action will remove a potential barrier to Kentucky's economic recovery that the pandemic caused. State unemployment insurance trust funds are financed from employers through taxes and other payments to the trust fund based on their experience with the reduction of employees that was not the fault of the laid-off employees. Kentucky's employers, by law, bear the responsibility of repaying the federal loan and for building back up the trust fund balance. This is a business expense that had nothing to do with market forces; but had everything to do with the pandemic. The devotion of State Fiscal Recovery Funds to repay the federal loan relieves Kentucky employers from the extra expenses of paying for the repayment while most of them are struggling with the pandemic. This is a necessary response to the negative economic impacts of the pandemic. The outcome results in businesses in Kentucky, especially small businesses that were especially hit hard by the pandemic, from incurring significant increases in state unemployment insurance taxes to repay the federal loan that otherwise would take place if not for the use of the State Fiscal Recovery Fund. This action will remove a potential barrier to Kentucky's economic recovery that the pandemic caused.

Tourism Recovery – To address the negative economic impacts of COVID-19 on Kentucky's tourism sector, \$75,000,000 has been allocated to assist Kentucky's regions in marketing and other assistance to recover from the pandemic. The tourism industry in Kentucky is an \$8.9 billion enterprise and was significantly impacted by COVID-19's mitigation efforts. The funding is crucial for recovery of Kentucky's tourism industry, which supports economic growth in both rural and urban communities. Governor Andy Beshear recently announced, "Kentucky is a world-class tourism destination, full of unique experiences that travelers and Kentuckians alike travel far and wide to enjoy."

The funding is divided into four pools and will be distributed to eligible tourism and destination marketing organizations that apply and show the impact COVID-19 had on their group.

- Pool one: \$15 million will be used for statewide tourism marketing efforts.
- Pool two: \$25 million will be used in a grant program for tourism commissions to market their communities.
- Pool three: \$25 million will be used to attract meetings and conventions.
- Pool four: \$10 million will be used for multicounty collaborative destination marketing.

Assistance to Nonprofit Organizations – To address the negative economic impacts from COVID-19 on Kentucky nonprofit organizations, \$75,000,000 has been appropriated to provide direct relief payments to eligible nonprofit organizations. Eligible nonprofit organizations will be entitled to apply for a one-time assistance grant of a maximum amount of \$100,000 per organization, not to exceed the net negative revenue difference between the organization's calendar year 2020 and calendar

year 2021 financial statements. Eligible nonprofit organizations are based in Kentucky providing services to Kentuckians; providing services to the following populations most affected by COVID-19: People living at or below the federal poverty level; people experiencing homelessness; communities of Color; minimum or low-wage employees displaced by business closures; older adults living at or below the federal poverty level; people who are immunocompromised or medically fragile; immigrant and refugee communities; people with limited English proficiency; people with disabilities; people without health insurance; victims of domestic violence or child abuse; children in need of services; and workers without access to paid sick leave. An additional \$32,600,000 has been appropriated to assist specific nonprofit organizations with their recovery from the pandemic.

Child Care Assistance - \$24,000,000 is provided for a \$2 per child increase in the Child Care Assistance Program provider reimbursement rate over the next two years. One of the most significant negative economic effects of the pandemic was to the child care provision sector. Mitigation efforts required the shutdown and then distancing measures to ensure the safety of children and workers. This funding is to continue to support eligible families with an increased daily rate as an effort to maintain capacity in child care centers so that families can maintain employment.

Senior Meals Program - Another area that was significantly impacted by the pandemic was the expanded need to deliver nutritional meals to Kentucky's senior citizens. The pandemic highlighted the waiting list of eligible seniors in the existing senior meals programs. The Commonwealth initially addressed the waiting list with funding from the CARES Act's Coronavirus Relief Fund. Upon its exhaustion, \$36,200,000 is devoted to continuing to fill the gap through the next two years.

Water, sewer, and broadband infrastructure (EC 5)

Water and Sewer Infrastructure - a total of \$554,000,000 is devoted to water and sewer infrastructure projects across the Commonwealth. Governor Andy Beshear announced the first tranche of \$250 million Cleaner Water Program in June, 2021. The Kentucky General Assembly, upon the recommendation of Governor Beshear, appropriated an additional \$304,000,000 for water and sewer infrastructure during the 2022 legislative session. The legislation governing the disposition of the funds allocated funding to Kentucky's 120 counties based on their proportion of the state's population. A portion of the funding, \$50 million, is directed to grants to utilities to provide drinking water services to unserved, rural customers or to utilities under a federal consent decree. This component directly targets communities that have not been sufficiently served as well as the major urban areas of the Commonwealth that are contending with federal consent decrees. Quality drinking water and well-maintained sewer systems are fundamental to keep Kentuckians safe and to build a better Kentucky. This funding boost will make a real difference in cities and counties across Kentucky while also creating jobs. This funding will be transformative. Expedited progress in the deployment of these funds has already been made. Project applications from most of Kentucky's 120 counties have been received and are under review. The Commonwealth has used its existing statewide water planning and project management system that is used to carry out the existing clean water and drinking water state revolving fund programs to collaborate with water systems across the state and to expedite the application process.

Over 400 project applications from all of Kentucky's 120 counties have been received and are under review, in process of completing agreements, or agreements have been executed. The Commonwealth has used its existing statewide water planning and project management system that is used to carry out the existing clean water and drinking water state revolving fund programs to collaborate with water systems across the state and to expedite the application process.

Broadband Infrastructure - A total of \$137,231,000 is devoted to expanding broadband services to unserved and underserved areas of Kentucky. The pandemic has highlighted the necessity of having

access to affordable high-speed internet service to all households and businesses. It can no longer be considered a luxury available only to those who can afford it. In fact, broadband is foundational to our future economic growth, particularly in areas of the state previously deemed unprofitable to serve. This \$300 million, when combined with at least a 50 percent match, will result in a significant step toward universal broadband coverage. To address those most severely impacted by the pandemic, a priority will be placed on communities that have no access to broadband service, the unserved. The first round of broadband deployment awards resulted in approximately \$90 million that will serve over 34,000 unserved households and businesses touching 36 Kentucky counties. The expected outcomes include the provision of reliable, affordable, high-speed broadband service with speeds of at least 100 megabits per second for both download and uploads to households and businesses that are currently unserved. These funds represent the first statewide public funds available to award grants for the deployment of broadband infrastructure. The expected outcomes include the provision of affordable, high-speed broadband service with speed of at least 100 megabits per second to households and businesses that are currently unserved. These funds represent the first statewide public funds available to award grants for the deployment of broadband infrastructure. The Commonwealth has also devoted the entirety, \$182,769,000 of its allocation from the federal Coronavirus Capital Projects Fund to broadband deployment. Together with the SLFR funds, \$300,000,000 will be devoted to broadband deployment.

Another \$20,000,000 has been appropriated to support broadband deployment in unserved areas through the reimbursement of pole replacement costs. House Bill 315 from the 2022 regular session of the Kentucky legislature established a process of application and awarding for costs of pole replacement for constructing fiber optic cabling for broadband projects that will enable broadband service to unserved areas of Kentucky with at least 100 megabits per second for both download and uploads. This is an adjunct program to the \$117.2 million for the broadband deployment fund from SLFR funds. This project will facilitate the construction of broadband networks and will minimize the potential for disputes between broadband providers and utility pole owners that could delay that deployment to Kentucky locations.

Premium Pay (EC 4) - \$12,124,892 was provided to support premium pay for the security staff in Kentucky's adult and juvenile correctional facilities.

Revenue Replacement (EC 6)

A total of \$318,711,000 in Revenue Replacement use of funds is in Kentucky's Recovery Plan. These uses range from the financing of the operations of adult correctional institutions, the renovation of school buildings, the addition of math and science curriculum resources to all of Kentucky's school districts, programs that support the victims of crime, the improvement of the Commonwealth's electronic court records system, and the repair of Kentucky's statewide arts center facility.

Promoting equitable outcomes

The U.S. Department of Treasury incorporated supplemental reporting requirements after the American Rescue Plan Act was passed in developing the administrative requirements of the State Fiscal Recovery Fund program. This included elements around the promotion of equitable outcomes of various types.

Water, Sewer, Broadband Infrastructure

The substantial devotion of over \$670 million to water, sewer and broadband infrastructure will advance equitable outcomes due to the preponderance of needs in rural Kentucky areas. These investments will result in addressing prior inequities. The broadband infrastructure projects will be targeted to the unserved areas of Kentucky with an emphasis on areas that have no high-speed internet service. There is an

incentive provision in the underlying legislation that provides a higher share of funding to unserved areas with low-density populations. That approach will achieve one of the most important equity issues that enables those without high-speed internet or slow internet to join the modern economy, education, health care and workforce elements of society. The Commonwealth will be able to identify demographic and economic information on these unserved areas once projects have been approved to construct the infrastructure necessary to deliver broadband services. There are many rural areas of the state based on existing mapping information that are unserved by broadband. When the Kentucky General Assembly directed \$500 million in funds for water and sewer infrastructure, the state legislative text directed the allocation of funds and established funding caps for each of the 120 Kentucky counties in proportion to their share of the state's population. Another \$50 million was directed to be available to those areas of Kentucky that were unserved for drinking water or were under federal consent decrees. This aspect of the water and sewer infrastructure funding will directly bear on promoting equitable outcomes, as delivering clean drinking water service to an area that is unserved clearly addresses an economic equity issue by instituting that necessary service. Also, the four areas of Kentucky that are under a federal consent decree are comprised of the top three most urban populations in the state. Those areas also include the highest number and highest concentration of minorities in Kentucky.

Unemployment Insurance-Repayment of Federal Loan

The repayment of Kentucky's unemployment insurance federal loan also contains elements of economic equity. The severe reduction in employment at the onset of the pandemic impacted heavily certain sectors with a heavy impact on small businesses. Nonfarm employment in Kentucky dropped by about 240,000 jobs in the second quarter of 2020. The leisure and hospitality services sector lost 31 percent of these jobs with a concentration in small businesses. Unemployment insurance (UI) benefits are funded from taxes paid by employer. The COVID-19 pandemic created an unprecedented surge in state unemployment insurance claims, and UI benefits have played an important role in helping individuals who have been negatively impacted by the pandemic and associated economic downturn. However, the impact of the extraordinary demand for UI benefits had a dramatic effect on Kentucky's UI trust fund balances. Kentucky's UI trust fund balance was approximately \$550 million on April 1, 2020. By the end of June 2020, less than 90 days into the COVID-19 pandemic, the UI trust fund was insolvent, and Kentucky began borrowing from the Federal government under Title XII to meet State unemployment insurance benefit payments. The Commonwealth last dealt with Title XII loans during the Great Recession, and the experience of repaying the loans was a long and difficult experience for employers in Kentucky. The ability to utilize the federal State Fiscal Recovery Fund for the repayment of Kentucky's outstanding Title XII loans will save employers in the Commonwealth over \$537.8 million in increased State and Federal UI taxes.

The unemployment insurance program in Kentucky is designed so that the employers that lay off their employees with greater frequency face higher UI taxes than employers that maintain a better record of avoiding layoffs. Each business' layoff history determines that business's experience rating, and the employer's experience rating determines that business's UI tax rate. Kentucky has multiple UI tax rate schedules, depending the current solvency of the UI trust fund, and each rate schedule has a range of rates, whereby employers with poor experience ratings are subject to the higher tax rates, while employers with better experience ratings pay lower rates. As a result of a declining trust fund balance, all employers will pay a higher UI tax rate regardless of their experience rating. The impact of COVID-19 would have triggered the maximum change possible in the rate schedules in Kentucky, as employers would have moved from Schedule A, with a range of 0.3% to 9.0% of taxable wages, to Schedule E, with a range of 1.0% to 10% of taxable wages. Based on estimates from the University of Kentucky, the average tax rate for employers in the Commonwealth was expected to increase by 60.5%, from 1.62% to 2.60% of taxable wages, representing an increased UI tax burden on Kentucky employers of approximately \$177.8 million.

In addition to the State mechanisms for recovering from insolvency, the Federal Title XII program has a built-in repayment mechanism for repayments of loans for States that have outstanding balances. After a state has a loan balance on January 1st for two consecutive years, the State will be deemed a FUTA credit reduction state. Employers in the state will lose 0.3% of their 5.4% FUTA credit towards Federal UI tax payments for each year the borrowing State has an outstanding loan balance. The FUTA credit reduction of 0.3% is applied to the Federal taxable wage base of \$7,000 and results in a penalty for employers of \$21 per employee. The proceeds from the credit reduction are applied to the outstanding loan balance, and the credit reduction increases by 0.3% each additional year that a State has an outstanding balance. Based on the past experience of Kentucky during the Great Recession, the Commonwealth would have been expected to have faced at least three years of reduced FUTA credits, costing employers in the Commonwealth approximately \$360 million in additional FUTA taxes.

The impact of the potential increases in UI taxes have a greater incidence on smaller businesses, as unemployment taxes represent a greater share of business expenses. In Kentucky, Census data shows that of the approximate 91,000 business establishments, over 88,500 establishments have fewer than 100 employees. As the economy recovers from the impact of COVID-19, these small firms are struggling to regain their economic footing, and providing relief from a dramatic increase in the UI tax rates paid by these firms will help them continue their recovery.

Assistance to Nonprofit Organizations

Of the allocation of SLFR funds to nonprofit organizations, the bulk of the funding, \$75,000,000, is targeted to organizations that serve many of the disproportionately impacted populations of Kentucky. These are organizations that provide services to: people living at or below the federal poverty level; people experiencing homelessness; communities of Color; minimum or low-wage employees displaced by business closures; older adults living at or below the federal poverty level; people who are immunocompromised or medically fragile; immigrant and refugee communities; people with limited English proficiency; people with disabilities; people without health insurance; victims of domestic violence or child abuse; children in need of services; and workers without access to paid sick leave.

Senior Meals Program

Another vulnerable population that will receive additional services is by expanding the delivery of nutritional meals to Kentucky's senior citizens to eligible seniors in the existing senior meals programs, but were previously on a waiting list.

Performance

The repayment of the federal unemployment insurance loan can be best measured by the amount of additional business expenses that will be foregone as a result of the use of the State Fiscal Recovery Funds for that purpose, including the heavy percentage of employers that are small businesses and the structure of unemployment insurance taxes with its cap on the wage base that imposes a higher incidence on small businesses, who were among the hardest hit by the pandemic.

For water and sewer infrastructure, the performance measures that will be used are the same that are used for the Clean Water and Drinking Water State Revolving Fund (SRF) programs, including the number of Kentucky households and businesses that will attain drinking water services and improved water and sewer services, as well as the median household income data for each project's area.

The broadband infrastructure projects will reveal the number of unserved (less than 10 megabits per second download and 1 megabit per second upload) households and businesses that will achieve affordable access to high-speed internet services (a minimum of 100 megabits per second download and

upload). The Commonwealth will examine methods of measuring other benefits related to the project areas that are more remote and have less dense populations. These areas best reflect the circumstances in which the broadband service market has failed because households and businesses are in geographic locations that have not been commercially feasible to provide broadband services.

Community Engagement

As mentioned in the Executive Summary, the American Rescue Plan Act was effective on March 11, 2021 and the Kentucky General Assembly was required to adjourn its legislative session by April 1, 2021. There was very little time available to discern all the competing uses of the State Fiscal Recovery Fund and to engage in a broad set of engagement. Leading up to and during the 2022 session of the General Assembly, both the Executive and Legislative branches received numerous requests and solicitations from constituencies across the Commonwealth seeking relief from the economic impact from the pandemic.

The business community, particularly the Kentucky Chamber of Commerce, reached out to the Governor to strongly advocate for the use of federal pandemic relief and recovery funds to relieve Kentucky businesses from having to incur the costs of repaying the federal loan to the unemployment insurance trust fund that was primarily due to the pandemic. At Governor Andy Beshear's recommendation, the legislature appropriated from the State Fiscal Recovery Fund the \$505,731,673.91 that was owed to fully repay Kentucky's federal loan to its unemployment insurance trust fund from the State Fiscal Recovery Fund. The legislature recently devoted an additional \$242,628,900 to the trust fund that will ensure that employers are not burdened with tax increases that would otherwise be triggered due to the trust fund's balance amount. Governor Andy Beshear previously allocated \$203.5 million from the federal Coronavirus Relief Fund to Kentucky's unemployment insurance trust fund that kept Kentucky from increasing its federal loan amount. Governor Beshear also devoted over \$76.4 million from the Coronavirus Relief Fund for the state matching portion of the Lost Wages Assistance program, resulting in over \$305 million in pandemic-related unemployment insurance benefits to Kentuckians.

After the approval of the first tranche of \$250 million from the State Fiscal Recovery Fund for water and sewer infrastructure by the Kentucky legislature in March, 2021, an outreach effort began. This outreach effort involved communicating and working with all of the water utilities, both special district and municipal, and county and city governmental officials, to make them aware of the availability of funds and the possible eligible uses. This effort was coordinated by the Kentucky Infrastructure Authority (KIA) and the Kentucky Department of Local Government.

The Commonwealth of Kentucky has a Water Resource Information System (WRIS) that has been in place for more than 20 years. It is the first step in planning for and financing water and wastewater projects, was chosen as the application portal for the Cleaner Water Program grants. KIA coordinated Zoom meetings and phone calls with the Area Development Districts (ADDs), regional government coordinating bodies, letting each Water Management Coordinator and Executive Director know the type of funding available, the criteria for project selection, the eligible project types, the application process and deadlines, and the timeline for funding awards. The information was also shared with legislative committees, Kentucky League of Cities, Kentucky Association of Counties and the Kentucky Water and Wastewater Operators Association members. The Water Management Coordinators at the ADDs conducted meetings with each County Water Management Council for the purpose of reaching a consensus on the split of county allocation funds and explained there were two other types of available funding to the water/wastewater utilities.

The WRIS Portal also serves as the statewide registry for water and wastewater projects in the Commonwealth of Kentucky. Multiple funding sources require applicants to have a completed Project Profile within the WRIS including the Clean Water and Drinking Water State Revolving Fund (SRF), Community Development Block Grants (CDBG), Appalachian Regional Commission (ARC), Delta Regional Authority, State and Federal Line Item Grants, and Coal Severance Grants. The WRIS Project Profile is the project database that populates the e-Clearinghouse portal for review by all state agencies.

Labor Practices

There are no workforce practices outlined in the Annual Recovery Report reporting guidance that are reportable for the appropriated uses of the State Fiscal Recovery Fund. Kentucky is not a “little” Davis-Bacon state. The procurement of design and construction services for water, sewer and broadband infrastructure will be the responsibility of the utilities and follow the same practices as the state revolving fund programs administered by states through the Environmental Protection Agency. As with the broadband infrastructure funding, recipients will be required to report on their labor practices.

Use of Evidence

The devotion of the bulk of Kentucky’s allocation of State Fiscal Recovery Funds are to programs such as the unemployment insurance trust fund contributions and the infrastructure funding, mitigation efforts, assistance to nonprofits and to Kentucky’s tourism recovery are not the type of uses of the fund that strongly relate to the type of social actions that are determinative through evidence-based interventions. The social and economic benefits from the availability of clean drinking water, environmentally compliant wastewater systems, and affordable access to high-speed internet are public good benefits that inure to both households, businesses, and Kentucky communities. The investment into Kentucky’s healthcare workforce is one area where evidence-based practices will be applied. At the same time, these are primarily existing programs or the expansion of programs needed in certain regions of the state.

Project Inventory

The following are the projects for which we have reported expenditures through June 30, 2022 via the Project and Expenditure Report.

Community Testing 721 – A, \$60,777,225 Expenditure Category 1.2-COVID-19 Testing

Project Overview: The project funded community testing across the Commonwealth including funding for postsecondary education institutions. These funds were expended between early February, 2022 and early July, 2022. The delivery mechanism was the utilization of testing services from the University of Kentucky and through contracts with various laboratory services. The goal of the project was to provide the necessary capacity for community testing during this time period. Testing guidance was in compliance with CDC guidelines. No rigorous evaluation of this project is planned to build evidence. The project has no relationship to climate change or Justice40 initiative.

Prevention in State Correctional Facilities 527 – 03, \$30,809,308 Expenditure Category 1.4-Prevention in Congregate Settings

Project Overview: The project funded COVID-19 prevention and mitigation in adult and juvenile correctional facilities and county jails. The funds are available from early January, 2022 through June, 2024. The project includes the purchase of personal protective equipment and to address ventilation measures in the adult correctional institutions, as well as conducting wastewater treatment testing as an advance indicator of the level of infection in the institutions’ population. The goal of the project is to

reduce the spread of infection in these facilities. No rigorous evaluation of this project is planned to build evidence.

The project has no relationship to climate change or Justic40 initiative.

Deposit to Unemployment Insurance Trust Fund 142 – 02, \$242,628,900 Expenditure Category 2.28-Contributions to UI Trust Fund

Project Overview: Deposit to the unemployment insurance trust fund to prevent tax increases on Kentucky employers resulting from COVID-19. The deposit was made in accordance with the final rule. The expenditure was made in June, 2022. The goal of this project was to obviate the need for a tax increase on employers due to the extensive unemployment caused by mitigation measures in 2020. No rigorous evaluation of this project is planned to build evidence.

The project has no relationship to climate change or Justic40 initiative.

Senior Meals 725 – A, \$36,200,000 Expenditure Category 2.1-Household Assistance: Food Programs

Project Overview: Expanded the delivery of nutritional meals to Kentucky's senior citizens to eligible seniors in the existing senior meals programs, but were previously on a waiting list. The objective is to continue to fill this gap in service to this disproportionately impacted population for the next two years. The timing of expenditures will be from June, 2022 through June, 2024. The funding flows through the Area Agencies on Aging that carry out the regular senior meals programs. The goal of the project was to provide nutritional meals to all eligible senior citizens. No rigorous evaluation of this project is planned to build evidence.

The project has no relationship to climate change or Justic40 initiative.

Premium Pay for Correctional Institution Employees 527 – 01, \$12,194,891.91 Expenditure Category 4.1-Public Sector Employees

Project Overview: The project was to support premium pay for the security staff in Kentucky's adult and juvenile correctional facilities. The objective was to recognize the extra efforts of that staff in these institutions within a congregated setting and to assist in the retention of employees performing a constitutionally required function. The timing of the expenditures was in December, 2021. No rigorous evaluation of this project is planned to build evidence.

The project has no relationship to climate change or Justic40 initiative.

Infrastructure Clean Water Drinking Water Administration 082 – 01, \$39,399.15 Expenditure Category 7.1-Administrative Expenses

Project Overview: The establishment of an infrastructure funding program for clean water and drinking water projects requires the necessary planning, communication, application establishment and review, and assistance agreement preparation. The timing of the expenditure is between October, 2021 and July, 2022. No rigorous evaluation of this project is planned to build evidence.

The project has no relationship to climate change or Justic40 initiative.

Local Jail Prevention in Congregate Settings 527 – 02, \$5,934,200 Expenditure Category 1.4-Prevention in Congregate Settings

Project Overview: The project was to cover the additional costs for COVID-19 prevention and mitigation in adult correctional facilities. The objective was to minimize the spread of infection and to mitigate its effects on this congregate population. No rigorous evaluation of this project is planned to build evidence.

The project has no relationship to climate change or Justic40 initiative.

Monoclonal Antibody Treatment 721 – 01, \$8,441,075 Expenditure Category 1.6-Medical Expenses

Project Overview: The project was to distribute monoclonal antibody treatments throughout the state. The objective was to reduce the severity of COVID-19 for infected Kentuckians. No rigorous evaluation of this project is planned to build evidence.
The project has no relationship to climate change or Justic40 initiative.

Contributions to the Unemployment Insurance Trust Fund 142 – 01, \$505,731,673.91 Expenditure
Category 2.28-Contributions to UI Trust Fund

Project Overview: This project was to fully repay Kentucky's federal loan to its unemployment insurance trust fund. The timing of the project's expenditures was in July, 2021. No rigorous evaluation of this project is planned to build evidence.
The project has no relationship to climate change or Justic40 initiative.

Ineligible Activities: Tax Offset Provision

This is not applicable to the Commonwealth of Kentucky's decisions on the use of the State Fiscal Recovery Fund to-date. The reporting of information on this element will be as scheduled.