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STATE OF NEW HAMPSHIRE



GOVERNOR'S OFFICE
for

EMERGENCY RELIEF AND RECOVERY

August 26, 2022

The Honorable Karen Umberger, Chairman
Fiscal Committee of the General Court and

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Pursuant to RSA 14:30-a, VI, the Governor's Office for Emergency Relief and Recovery (GOFERR) requests authorization to accept and expend funds in the amount of \$12,400,000 in American Rescue Plan Act (ARPA) State Fiscal Recovery Funds (SFRF) for the Local Employer Recoupment Extension Program to enable businesses with the ability to enter into loans to help reduce the near term burden of recoupment previously associated with CARES Act funded awards and risk of funds due repayment entering into collections, effective upon Fiscal Committee and Governor and Council approval through June 30, 2023. This is an allowable use of ARPA SFRF funds under Section 602 (c)(1)(C) for the provision of government services to the extent of the reduction in revenue. **100% Federal Funds.**

Funds are to be budgeted in FY2023 in the following accounts:

01-02-002-020210-24690000 ¹ ARP GRANTS AND DISBURSEMENTS		<u>FY2023</u>	<u>FY2023</u>	<u>FY2023</u>
<u>CLASS</u>	<u>ACCOUNT</u>	<u>CURRENT MODIFIED BUDGET</u>	<u>BUDGET REQUEST</u>	<u>REVISED BUDGET</u>
EXPENDITURES				
040 – Indirect Costs	501587	\$750,250	\$375,000	\$1,125,250
041 – Audit Fund Set Aside	500801	\$189,866	\$12,400	\$202,266
042 - Additional Fringe Benefits	500620	\$60,500	\$0	\$60,500
072 – Grants Federal	500575	\$124,080,032	\$0	\$124,080,032
085 - Interagency Xfr Out of Fed Fn	5885XX	\$3,019,499	\$0	\$3,019,499
103 - Contracts for Op Services	502664	\$2,449,800	\$0	\$2,449,800
TOTAL EXPENSES		\$130,549,947	\$387,400	\$130,937,347
SOURCE OF FUNDS				
000 – Federal Funds	400338-16	\$130,549,947	\$387,400	\$130,937,347
TOTAL REVENUE		\$130,549,947	\$387,400	\$130,937,347

¹ All direct program costs will be accounted for using activity 00FRF602GS0203A-D and all administrative and indirect costs will be accounted for using activity 00FRF602GS0203Z. Accounting classifications may be subject to technical changes at the discretion of the Department of Administrative Services' Division of Accounting Services.

01-02-002-020210-24XX0000 ² LOCAL EMPLOYER RECOUP EXT PROG		FY2023	FY2023	FY2023
CLASS	ACCOUNT	CURRENT MODIFIED BUDGET	BUDGET REQUEST	REVISED BUDGET
EXPENDITURES				
072 – Grants Federal	500575	\$0	\$12,012,600	\$12,012,600
TOTAL EXPENSES		\$0	\$12,012,600	\$12,012,600
SOURCE OF FUNDS				
000 – Federal Funds	400338-16	\$0	\$12,012,600	\$12,012,600
TOTAL REVENUE		\$0	\$12,012,600	\$12,012,600

EXPLANATION

In June 2020, as New Hampshire faced extreme economic uncertainty due to the onset of COVID-19, GOFERR began deployment of over \$500 million of CARES Act CRF funds in support of the State's economy. These funds were provided to nearly 12,000 small businesses through the Main Street Relief Fund (MSRF), MSRF2, and the Self-Employed Livelihood Fund (SELF) programs. Awards under these programs were based on projected losses, providing grants for up to 17% of those losses in MSRF1 and SELF and 25% in MSRF2.

In the vast majority of cases these programs made a significant difference for businesses hit by the economic downturn during COVID-19, in many cases keeping those businesses open and employees working. The benefits of this approach cannot be overstated, and the speed with which the State's economy has recovered in comparison to other states is evidence of that fact. In fact, many businesses ended up doing better in 2020 than they had anticipated, which triggered a federally-required "recoupment" of a prorated portion of those funds.

Initially the number of businesses facing recoupment totaled approximately 3,000. With the assistance of the New Hampshire Department of Revenue Administration, GOFERR developed new programs to help thousands of business owners reduce their recoupment burden with programs ranging from repayment plans to COVID-19 expense reimbursement programs.

As a result of these efforts, roughly 90% of those businesses initially in recoupment were able to see their federally-imposed burden reduced or eliminated. Fewer than 300 business (representing about 2.5% of all MSRF 1, MSRF 2, and SELF awardees) remain with outstanding payment owed on their awards, representing approximately \$12.4 million.

The program being requested herein will be aimed at reducing this number even further. Taking advantage of the longer time horizon for expenditures under ARPA SFRF, GOFERR is requesting

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funding to offer no-interest loans with a repayment period of up to two years. By transferring these obligations from CARES Act CRF to ARPA SFRF, this approach would assist businesses in need, ensure federal relief funds remain in the State and its recovering economy, as well as enable repaid funds to be reused for other ARPA SFRF eligible purposes upon reallocation.

These businesses that remain in recoupment not only face continued negative economic impacts of the pandemic but also the burden of repaying in some cases large portions of their initial CARES Act CRF award in a short period of time or the potential of seeing those funds owed enter collections. This requested program would help relieve some of that burden at a time when these small businesses need continued support to further their recovery. This program would also be accessible to other business entities experiencing a similar burden that received CARES Act funded awards and are in recoupment, such as recipients of awards in the General Assistance Preservation (GAP) Fund.

The Local Employer Recoupment Extension Program must operate during a limited window in September in order to meet the CARES Act CRF related deadline of September 30, 2022, for the expenditure of those funds.

As has been the case with funds repaid to date, CARES Act CRF funds received prior to September 30, 2022, will be transferred to the State's UI Trust Fund in accordance with the existing and authorized CARES Act CRF waterfall, but any awards left unpaid following that deadline would likely have to be returned to U.S. Treasury once collected.

Funds are budgeted as follows:

Class 040 = Indirect Costs

Class 041 = Audit Fund Set-Aside = .001 of federal funds payable to DAS for audit fees

Class 072 = Grants out of Federal Funds as described in the explanation

In the event that Federal Funds are no longer available, General Funds will not be requested to support this program.

Respectfully submitted,



Taylor Caswell
Executive Director, GOFERR