

## CARES ACT STEERING COMMITTEE MEETING MINUTES

Governor's Conference Room and ZOOM  
Wednesday, May 13, 2020  
4:00-5:00 PM

### ATTENDEES

The Honorable Asa Hutchinson, Governor  
Congressman French Hill  
Dr. Nate Smith, Secretary of the Department of Health

### **STEERING COMMITTEE MEMBERS**

Chair, Elizabeth Smith, Secretary of the Department of Inspector General  
Stephanie Williams, Chief of Staff for Secretary Nate Smith  
(Sitting in for Vice Chair, Dr. Greg Bledsoe - Department of Health Designee)  
Larry Walther, Secretary of the Department of Finance and Administration  
Mike Preston, Secretary of the Department of Commerce  
Cindy Gillespie, Secretary of the Department of Human Services  
Amy Fecher, Secretary of the Department of Transformation and Shared Services  
Jami Cook, Secretary of the Department of Public Safety  
Johnny Key, Secretary of the Department of Education  
Bill Gossage, Governor's Office Representative  
Senator Missy Irvin  
Senator David Wallace  
Senator Will Bond  
Representative Lane Jean  
Representative Michelle Gray  
Representative Fred Allen

### AGENDA

1. Welcome & Opening Remarks: Governor Hutchinson
2. Distinguished Guest: Congressman French Hill
3. Approval of Minutes: Secretary Elizabeth Smith
4. CARES Act Fund Allocations: Governor Hutchinson
  - a. Disbursement of funds
  - b. Discussion of upcoming proposals
5. Open for Business Grant Program Update: Secretary Mike Preston
6. Revised Rules of Procedure: Senator Missy Irvin
7. ALC Report: Secretary Elizabeth Smith

### **WELCOME & OPENING REMARKS**

Secretary Elizabeth Smith called the meeting to order and noted all members of the Steering Committee are present.

Governor Hutchinson thanked Madam Chairman Smith and noted Representative Fred Allen and Representative Lane Jean are present in the room today, in addition to special guest Congressman French Hill. The Governor noted Congressman Hill has a great financial background and serves on key financial committees in Congress. The Governor noted Congressman Hill has agreed to share a few thoughts on the CARES Act from a federal perspective and emphasized the importance of the Congressman's guidance.

The Governor reminded that the Steering Committee is focused on \$1.25 billion of CARES Act funding that came to the state and noted the group is being careful about how that money is being spent.

### **DISTINGUISHED GUEST: CONGRESSMAN FRENCH HILL**

Congressman French Hill thanked the Governor for his steady leadership and expressed appreciation for Dr. Nate Smith, Dr. Greg Bledsoe, Director AJ Gary, Secretary Mike Preston, and all Cabinet members and staff that are working tirelessly for our state during this time. Congressman Hill also thanked the general assembly for their leadership in collaborating with the executive branch in fighting COVID-19 and making difficult spending decisions during this period of economic stress.

Congressman Hill stated he has admired Arkansas' financial stewardship following the 2001 recession, the attacks of 9/11, and during the 2008/2009 financial crisis, and expressed that once again our state is stepping up and leading effectively.

Congressman Hill outlined the below actions taken by the U.S. Congress and the Trump Administration along with the unprecedented actions of the Federal Reserve:

- The federal budget is approximately \$4.5 trillion in a typical year, and that can be further divided to include over \$3 trillion in mandatory spending and approximately \$1.5 trillion of annually appropriated funds for everything from aircraft carriers, to national parks, to support for education.
- Since March 4<sup>th</sup>, 2020, Congress has appropriated \$3 trillion to fight coronavirus and get the economy back to full capacity. This means that across four bills in eight weeks' time, Congress has appropriated 60% of what they normally appropriate for a full fiscal year.
- The Board of Governors of the Federal Reserve System, using powers under section 13(3), has the ability to leverage \$450 billion in appropriated funds to the U.S. Treasury to inject an additional \$4.5 trillion of liquidity into the economy.
- Between direct appropriations and the extraordinary efforts of the Federal Reserve, we have the capacity to inject \$8 trillion into the American economy, which is nearly 60% of our annual gross domestic product.

Congressman Hill listed the below ways that Arkansas is directly benefiting:

- As of May 8, 2020, over 38,000 small businesses in the state have been approved for \$3.3 billion in Paycheck Protection loans.

- The Small Business Administration has injected more than \$100 million in emergency loans and grants to Arkansas businesses.
- Congress has supported healthcare providers and hospitals, including rural hospitals with \$586 million coming to Arkansas. This is a substantial initial contribution and there is more to come for health systems.
- Congress has forwarded \$128 million to Arkansas for education for K-12 purposes and over \$120 million has been provided for higher education to our colleges and universities, including \$60 million directly for students.
- The CARES Act forwarded approximately \$30 million to the Governor in discretionary emergency relief funds for use in education. Congressman Hill noted the importance in looking at gaps in the federal Department of Education impact for our campuses and encouraged the committee to review and consider smaller schools that are aiding many disadvantaged students, including our well-regarded historically black institutions.

Congressman Hill noted that out of \$3 trillion in appropriated funds, over \$700 billion is coming directly to the states and localities, and the Steering Committee has the important responsibility of advising on the use of \$1.25 billion of these funds

Congressman Hill encouraged the group to keep our cities and counties in mind while considering uses for this fund, as they have incurred significant expenses in fighting COVID-19. Congressman Hill added that cities and counties have helped school districts, declared certain positions essential, incurred increasing expenses to keep their staff healthy, dealt with challenges regarding county jail facilities, and maintained vital emergency services.

Congressman Hill stated that while the CARES Act prohibits states from using CARES Act funds to replace lost sales or income tax revenue, there are many COVID-related gaps where one could think creatively, with appropriate legal advice.

Congressman Hill noted to keep in mind that one of the most important facilities that has been crafted is organized by the Federal Reserve, which is the Municipal Liquidity Facility, and while this facility is geared towards larger cities and counties that maintain an active bond rating, it is conceivable that the Arkansas Development Finance Authority (ADFA) could be a useful issuer if a political subdivision in Arkansas were to require short-term financing.

Congressman Hill expressed that it has been a pleasure and an honor to be here today and he is grateful for the invitation to address the committee. Congressman Hill closed by emphasizing that the federal delegation is at the side of the committee, the Governor, and the general assembly as we work together to get our families back to work safely and to get our economy back to full capacity. The Congressman opened the floor for questions.

The Governor thanked Congressman Hill and reiterated that both Congressman Hill and the entire delegation have been very responsive and have established a good line of

communication. The Governor noted that additional legislation is being worked and he looks forward to seeing the result of the federal delegation's labors.

## **Discussion**

Representative Jean asked Congressman Hill what he anticipates in terms of help for cities and counties.

Congressman Hill noted the amount of money that has been provided is unprecedented and this is a challenging topic, but the general consensus is to see where the gaps are and to also see the implications of how the economy reopens, because it will not be uniform across the states.

Congressman Hill noted we are blessed here in Arkansas through the leadership of the Governor and the general assembly, and we are one of the least impacted states in terms of consumer spending and layoffs.

Congressman Hill noted that Congress also has concerns about long-term spending in certain states and how to balance that issue, so this is still under debate in the House and the Senate, but he is hoping for a consensus that reflects bipartisan priorities.

Congressman Hill noted decisions will be made by analyzing how money has been spent, how effectively it is being used, and how economies are opening up.

Senator Irvin thanked Congressman Hill for everything he has been doing and noted the delegation has been very available and present for those who are working with constituents.

Senator Irvin noted that the Medicare funding is predicated on how much commercial insurance companies pay in reimbursements, and ours is lower than most other places in the country so that resulted in less money coming to Arkansas. Senator Irvin emphasized that one of her biggest concerns is making sure our healthcare infrastructure is stabilized and prepared for the future. Senator Irvin asked Congressman Hill if he anticipates any additional movement in terms of hospitals or healthcare infrastructure.

Congressman Hill noted he thinks about 70% of hospital related appropriations have been made and that there is more to come. The Congressman agreed that our Medicare funds should be balanced with other states and noted that the delegation is sensitive to that issue. Congressman Hill also noted the delegation will advocate for an additional "true-up" for Arkansas.

The Governor thanked Congressman Hill for his time and Congressman Hill departed.

## **CARES ACT FUND ALLOCATIONS**

The Governor noted he understands the need for advance consideration, and he will not be asking for any votes for approvals today. The Governor shared that today he would

like to outline what he sees as the next round of spending decisions to be made, which comes down to the infrastructure needed for testing, tracing, vaccinations, and preparing for upticks or a possible resurgence of COVID next year.

The Governor noted he has asked what the needs are from the Department of Health and from Higher Education. The Governor mentioned one item we need is an antibody testing capability and he has asked the University of Arkansas for Medical Sciences (UAMS) and the Department of Health to look into that.

The Governor outlined three items that form an important part of our capability to be ready for the fall:

- 1) Department of Health: The Governor noted the numbers listed below have not been fully vetted yet and Dr. Smith will be available next week to answer questions.
  - a. Personal Protective Equipment: \$2 million
  - b. Laboratory Testing Equipment and supplies: \$9 million
  - c. Contract Tracking: \$20 million
  - d. IT Equipment (Hardware and software): \$4 million
  - e. Quarantine Facility: \$1 million
  - f. Vaccine Administration: \$30 million
  - g. Additional amount for miscellaneous items

The Governor noted this totals about \$71 million that would be needed over the next 12 months and he has asked the Department of Health to put this proposal in writing and submit it to the Steering Committee for evaluation. The Governor stressed that these needs are critical and clarified that we hope to have a vaccine and want to be prepared with the infrastructure to administer that vaccine. The Governor invited Dr. Smith to give additional comments in reference to this investment.

Dr Smith thanked the Governor and pointed out the three largest parts of this proposal: the first is laboratory testing which is critical for the fall; the second is contact tracing and case investigation which is important for getting COVID-19 under control; and the third is aspirational, in hopes that we will have a vaccine. Dr. Smith clarified the vaccine would not be ready this fall but would come later.

- 2) Higher Education: The Governor noted Dr. Bobbitt will be available next week to answer questions, and this proposal's concept is to build a testing capacity for higher education that will be available across the state through five testing sites. The Governor noted this would allow for rapid testing of college students and personnel if there are positive tests or a potential outbreak on campuses. The Governor added that contact tracing and deep cleaning would also be included in this proposal, which are needed to allow education to continue.

The Governor noted higher education would partner with UAMS and the Department of Health so the five labs would be available and centric for 2-year and 4-year campuses all across Arkansas to allow quick responses for safe campuses. The Governor shared the estimated cost is \$15 million and clarified that this is preliminary information.

- 3) Antibody Testing Infrastructure: The Governor noted the Department of Health and UAMS are currently able to test for positive cases, but we also want the ability to perform antibody tests which can determine who has had COVID before and provide a greater body of information. The Governor noted the proposal would be designed to allow 3,000 tests per day which would require equipment, personnel, and infrastructure. The Governor shared the amount for this proposal is undetermined at this time and asked if Dr. Smith would like to comment.

Dr. Smith noted both items are critical for response and emphasized the importance of colleges and universities having the ability to rapidly respond as they come back in the fall. Dr. Smith also noted that if we have the ability to perform antibody testing in the state, we do not have to find outside resources and the information could be arranged systematically to show how the infection has spread and how many people have actually had it.

The Governor thanked Dr. Smith and expressed the desire for these items to be considered by the Steering Committee during their next meeting. The Governor reiterated that the information will be put into proposals for the committee to review.

The Governor noted a few items for the agenda further down the line:

- The Governor shared that the Arkansas Public Broadcasting Service (Arkansas PBS) will be submitting a request to build infrastructure for coverage across all corners of the state. The Governor noted that K-12 online education has depended upon Arkansas PBS because some rural areas do not have broadband capacity.
- The Governor noted the Emergency Management Society will want to make a presentation at some point to propose that ambulances and emergency medical technician (EMT) providers receive compensation for their services provided during COVID-19. The Governor noted that cost has been estimated at \$9.1 million and more details will be gathered.
- The Governor reminded that the general assembly has approved appropriations for \$147 million for the Open for Business grants and added that he thinks it is appropriate for a minimum of 25% of the \$1.25 billion to be used for economic development. The Governor noted this would allow for another \$164 million to be used for additional economic assistance down the road.
- The Governor noted the broadband necessity in the state is something that will need to be discussed in the future as well.

## **Discussion**

Representative Fred Allen asked the Governor how much money Arkansas PBS will need. The Governor noted the estimate is \$11.5 million but that has not been vetted.

Senator Missy Irvin thanked the Governor for what he has laid out and asked if we will be able to “spend” the money on vaccines and put it away for when we actually need the vaccine. Senator Irvin reminded that the guidelines say we must spend the money by a certain date. The Governor noted he has not received all of that information from Dr. Smith and his team but clarified that if we spend the money on equipment, infrastructure, and personnel by December 30<sup>th</sup> it would fit within the guidelines. The Governor added he would like to wait for Dr. Smith to answer those questions in detail next week.

The Governor turned the meeting over to Madam Chairman Smith and departed.

## **APPROVAL OF MINUTES**

Secretary Elizabeth Smith noted the minutes from the last meeting were sent to committee members electronically prior to today’s meeting. Representative Lane Jean motioned to approve the minutes; Representative Fred Allen provided a second; the vote was called, and the minutes were approved.

## **Note on Allocation of Funds**

Secretary Smith displayed a chart showing that 57% of the funds have not yet been allocated and 43% of the funds have been either allocated or reserved. Secretary Smith clarified that the 43% includes the full 25% that the Governor recommended to go toward economic recovery.

## **OPEN FOR BUSINESS GRANT PROGRAM UPDATE**

Secretary Mike Preston thanked Madam Chairman Smith and fellow committee members for their good work on this. Secretary Preston reminded that \$147.7 million in requests was received through the program and the Arkansas Legislative Council (ALC) approved appropriations to cover that amount. Secretary Preston provided the below breakdown:

- 12,233 applications were received.
- There are about 250,000 employees that these businesses cover, which is roughly 25% of the entire Arkansas workforce.
- 94% of the requests received were for businesses with 50 employees or fewer.
- 46% of the applications were for women and minority owned businesses.

Secretary Preston noted it was agreed with the legislature that 75% of the funding would go toward businesses with 50 employees or fewer, so his team reviewed the applications and determined that, in order to meet that 75% requirement, not all of the \$147 million

will be spent. Secretary Preston noted he has discussed with the Governor and Chairs of the ALC and they have agreed on the below:

- Businesses with 50 employees or fewer (94% of the applications received) will be fully funded at 100% of their requested amount which will get us to 75% of the funding.
- Businesses with 50-100 employees will receive approximately 70% of their requested amount.
- Businesses with 100 employees or more will be capped at \$50,000 per business.

Secretary Preston noted this brings the total amount to potentially be awarded to \$124,594,530.

Secretary Preston also noted that 46% of the applications fit into the category of minority and women-owned businesses and provided the below breakdown:

- 4,100 applications from women-owned businesses, which is 34% of the applications
- 3,258 applications from minority-owned businesses, which is 27% of the applications
- 231 applications from disabled veteran-owned businesses, which is 2% of the applications
- \$28 million requested for women-owned businesses, which is 19% of the funding
- \$22 million requested for minority-owned businesses, which is 15% of the funding
- \$1.3 million requested for disabled veteran-owned businesses, which is 1% of the funding

Secretary Preston noted one other area of discussion is the disbursement of funds and that, once qualified, he would like to fund the grants as quickly as possible. Secretary Preston specified that half of the grant will be given to the businesses up-front via immediate direct deposit, then the businesses will be asked to submit receipts before the second half is disbursed. Secretary Preston clarified it will be up to the businesses to verify receipts.

## **Discussion**

Representative Fred Allen asked what the timeframe is for getting the first check to businesses. Secretary Preston noted his team has partnered with the Department of Finance and Administration (DFA) to review the list and make sure there are no delinquent taxpayers, which would disqualify a business, and that process should be complete this week. Secretary Preston noted his team of 20 people will then review all 12,000 applications and those that meet the requirements should be determined as early as next week so the direct deposits can start being sent.



Representative Allen asked if it is safe to say the money could possibly be in the business's hands by the end of this month. Secretary Preston answered yes.

Senator Missy Irvin motioned to recommend \$24,594,530 be approved in addition to the \$100 million previously approved by the committee, which would bring us to the total of \$124,594,530.

Representative Lane Jean provided a second. Secretary Elizabeth Smith called for a vote, none opposed, and the motion passed.

Senator Irvin asked for clarification on whether the receipts are to verify the amount provided in the first half, or if the additional payments sent out will be based on the receipts. Secretary Preston answered both – the receipts will verify what the businesses have already been given and what they are expected to receive next. Secretary Preston explained that businesses may or may not need the second half and it is possible that the money may not all be spent.

Representative Jean asked if the businesses are going to be required to pay the money back if their receipts do not total up to the first half. Secretary Preston noted the application did specify that if the requirements are not met the funds can be called back.

Secretary Smith noted that the legislative council did recommend that any funds not used would be returned back to the CARES Act fund.

### **REVISED RULES OF PROCEDURE**

Secretary Smith thanked Senator Missy Irvin for working so hard on these rules with the Bureau of Legislative Research (BLR).

Senator Irvin thanked Secretary Smith for communicating throughout the weekend and working through this and noted that every word in the revised Rules of Procedure document is important. Senator Irvin asked the committee if there were any questions.

Secretary Larry Walther motioned to accept the rules that Senator Irvin has proposed; Senator Will Bond provided a second; the vote was called, none opposed, and the motion passed.

Secretary Smith emphasized that these Rules of Procedure will be helpful for the Steering Committee and pointed out Section 3: “All requests shall be submitted in writing and shall include the request and all supporting documentation. Supporting documentation shall include the anticipated economic impact of the program or purchase that is the subject of the request; an estimate of the business entities or individuals that will be eligible for assistance, if applicable; the agency that will receive or distribute the funds, if applicable; and any other relevant or supporting data or information.”

Secretary Smith noted the Steering Committee has approved a process for state agencies to make requests, so now Secretary Smith and her team are working with DFA to create

a process for non-state agencies to make requests and that will be brought to the committee.

Secretary Smith noted we do have an opportunity for public comments in the Rules of Procedure, but we will need an actual process set up to receive the three types of requests listed below:

- 1) Public comments related to proposals
- 2) An opportunity for the public to present to the committee if they have a proposal
- 3) An opportunity for the public to submit ideas for how to administer the funds

Secretary Smith noted Bill Gossage will look into processes for how we will receive these requests, whether through an email, a website, or another avenue.

### **ALC REPORT**

Secretary Smith noted the ALC has asked that the Steering Committee provide them with a report, so she will be attending the ALC meeting on Friday to discuss the work that has been done. Secretary Smith added she will have the chart showing the percentages that are allocated/unallocated and she will review the specific areas that have already been spent.

Senator Will Bond noted he thinks legislators would like a document that shows all of the money that has come in from the federal government, not just the \$1.25 billion, and added that there is confusion among the legislature as to what has been allocated and what is available.

Secretary Smith shared that she met with DFA to discuss this earlier and clarified that the \$1.25 billion that the Steering Committee is evaluating relates to the Coronavirus Relief Fund *within* the CARES Act, so when we talk about CARES Act funding people may think we are talking about something different.

Secretary Smith agreed that the Steering Committee does need to be aware of the different federal funds being sent so they can ensure the same need is not being addressed twice but added there may be certain situations where an entity would need both types of funding. Secretary Smith noted DFA is working hard to assess that and will provide the information to the committee so we can meet the needs of the state of Arkansas.

### **CONCLUSION**

Secretary Smith noted the next meeting will be on next Wednesday, May 20, 2020 at 4:00pm via Zoom.

The meeting was adjourned.