



HENRY McMASTER
GOVERNOR

June 10, 2020

The Honorable Harvey Peeler
South Carolina Senate
Columbia, South Carolina 29201

The Honorable James H. "Jay" Lucas
South Carolina House of Representatives
Columbia, South Carolina 29201

Dear Gentlemen:

As you are aware, the AccelerateSC task force has played a vital role in the safe and swift revitalization of our state's economy. The official recommendations and guidelines produced through this collaborative and public effort have allowed our state to gradually and responsibly remove the limited and targeted measures enacted to combat the COVID-19 virus.

One important charge given to AccelerateSC was the conduct of a thorough and complete review of the federal Coronavirus Aid Relief and Economic Security (CARES) Act. They were also tasked with providing expenditure recommendations to the governor for the \$1.9 billion Coronavirus Relief Fund (CRF) included in the CARES Act for the reimbursement of South Carolina COVID-19 related expenses.

I am providing for the General Assembly's consideration the attached recommendations for the expenditure of CRF funds from the CARES Act. Authorization for the disbursal of CRF funds should be done in two phases. The first phase done this month before the close of the fiscal year to address the most pressing and time sensitive needs. A second phase of needs can be addressed by the General Assembly at a later date.

The suffering and economic damage inflicted by the COVID-19 virus has been dramatic. State and federal employment agencies have been overwhelmed by the unprecedented volume of benefit claims, which has rapidly depleted the balance of our state unemployment insurance trust fund.

The reforms enacted by the General Assembly in the wake of the 2008 Great Recession should not be forgotten, including paying off the billion-dollar unemployment insurance trust fund deficit. Many businesses will not survive paying higher taxes to replenish the fund twice in one decade. This nightmare can be avoided by immediately directing \$500,000,000 be deposited into the unemployment insurance trust fund, with the understanding that additional funds will be necessary as the full impact on the unemployment insurance trust fund is calculated in the coming months.

I believe this may be the most important step we can take toward restoring our state's economic engines to full speed and it will instill a renewed sense of confidence and stability with our business owners, investors and entrepreneurs.

The Honorable Harvey Peeler
The Honorable James H. "Jay" Lucas
June 10, 2020
Page Two

In addition, \$225,000,000 should be directed for the reimbursement of verified and legitimate COVID-19 related expenses incurred after March 1, 2020 by state agencies, local governments, first responders, hospitals, and institutions of higher education. This will allow these government agencies to reconcile their books by the end of this fiscal year.

This spring, the General Assembly moved quickly to direct funds from the contingency reserve account to the Department of Health and Environmental Control (DHEC) to address the COVID-19 pandemic. These funds enabled DHEC to establish and expand statewide testing and laboratory capabilities, add professional personnel and rapidly acquire resources. Up to \$43,000,000 from the CRF should be used to reimburse DHEC for those efforts.

The Emergency Management Division has been tasked with the acquisition and management of the state's stockpile of personal protective equipment with a supply sufficient to last for twenty-eight days. This will require a disbursement of up to \$17,000,000 from the CRF.

Superintendent of Education Molly Spearman has indicated that our state's K-12 students learning progress has been significantly impacted by the closure of schools during the pandemic. It is likely that a significant number of students may return to classrooms in August without sufficient grade level reading and math skills. This may be more problematic among students moving up from kindergarten through eighth grade.

I am recommending that up to \$215,000,000 from the CRF be used to reimburse those public-school districts who provide additional days of classroom instruction before the scheduled start of the school year or expand hours of operation. This will allow for recovery instruction in reading and math, one-on-one instruction, assessment of individual academic needs, counseling and support and services for special needs students.

School districts can use a formative assessment from the state approved list to create pre and post assessments results that will measure outcomes and student progress during the school year. Additionally, up to \$12,000,000 should be directed to reimburse districts for the cost of cafeteria workers' salaries and for the cost of meals to students that are not reimbursed by the United States Department of Agriculture.

Another issue was highlighted because school closures required districts to quickly shift instruction from the classroom to the home. Many rural students were unable to receive online instruction due to the lack of broadband internet service at home. Up to \$250,000 should be directed to reimburse the cost of preparing a statewide broadband plan that identifies specific localized geographic communities lacking access.

Finally, the General Assembly should authorize funds from the CRF be disbursed by the Executive Budget Office only upon validation by the grant management entity procured by the Department of Administration. This process will help ensure compliance with federal law and provide guidance to eliminate any duplication of funding from other state or federal sources.

I have faith in the strength and resilience of South Carolinians. Working together, I am confident that our state will recover and return stronger and more prosperous than ever.

Yours very truly,



Henry McMaster



RECOMMENDATIONS

CARES ACT - CRF EXPENDITURES

JUNE 10, 2020

Recommendation 1: The General Assembly authorize the Department of Administration (Admin) and the Executive Budget Office (EBO) to disburse funds from the Coronavirus Relief Fund (CRF) in two separate phases. The first phase to be done immediately before the close of the fiscal year in order to address the most pressing and time sensitive COVID-19 reimbursement needs. A second phase of needs should be addressed by the General Assembly at a later date.

Recommendation 2: Prior to the expenditure of any funds, Admin and EBO shall be authorized to work with the professional grant services entity procured pursuant to Act 135 of 2020 and recommend the appropriate source of funds for each expenditure to maximize the benefit of all available state, other, or federal funds for the state of South Carolina. These expenditures and limits are contingent upon recipients having applied for or received federal funding from other available sources first. This review process will help ensure compliance with federal law and provide guidance to eliminate any duplication of funding from other state or federal sources. South Carolina must be an example of fiscal integrity and should report publicly to our taxpayers how funds are spent and the impact of those funds on the acceleration of our economy.

Recommendation 3: The General Assembly authorize Admin and EBO to disburse funds from the CRF - as prescribed in Recommendations 1 and 2 - before June 30, 2020 for the following purposes:

- At least \$500,000,000 should be deposited in the South Carolina Unemployment Insurance Trust Fund. The objective is to ensure that the Unemployment Insurance Trust Fund is replenished to the balance that was in the Fund on February 29, 2020, pre-COVID. Additional funding will be required as the full impact on the unemployment insurance trust fund is calculated in the coming months.
- The Department of Administration should be authorized to use up to \$10,000,000 in CRF monies for the cost of procuring professional grant management services that will assist the state in ensuring accountability and transparency in the disbursement of federal funds. In addition, all state funds appropriated to the Department of Administration pursuant to Act 135 of 2020 should be refunded to the Fiscal Year 2018-2019 Contingency Reserve Fund.

- Up to \$150,000,000 should be used to reimburse state agencies, including institutions of higher education and the South Carolina Technical College System, for expenditures directly related to the coronavirus pandemic and incurred between March 1, 2020 and June 30, 2020.
- Up to \$75,000,000 should be used to reimburse counties and municipalities, including first responders and law enforcement, for expenditures directly related to the coronavirus pandemic and incurred between March 1, 2020 and June 30, 2020.
- Up to \$17,000,000 should be expended by the Emergency Management Division to create a 28-day personal protective equipment state stockpile for front-line health care workers and first responders of state agencies and local governments.
- Up to \$43,000,000 should be used to reimburse the South Carolina Department of Health and Environmental Control to perform testing and contact tracing of individuals.
- The Department of Administration, working with the professional grant management services provider, shall determine if funds expended by the Department of Health and Environmental Control pursuant to Act 116 of 2020 are eligible for reimbursement by the Coronavirus Relief Fund. To the extent possible, all state funds appropriated to the Department of Health and Environmental Control pursuant to Act 116 of 2020 should be refunded to the Fiscal Year 2018-2019 Contingency Reserve Fund. *NOTE: This item was not considered by AccelerateSC and is being recommended after consultation with Admin, EBO and the professional grant services entity.*
- Up to \$12,000,000 should be used to reimburse school districts for the cost of cafeteria workers' salaries and for the cost of meals to students that are not reimbursed by the United States Department of Agriculture. Only allowable costs incurred between March 16, 2020 and June 30, 2020 may be reimbursed. The South Carolina Department of Education should coordinate the allocation of funds to school districts and charter schools.
- Authorize up to \$215,000,000 of CRF monies to be used to reimburse public school districts for the cost of providing unbudgeted instructional support beyond the statutory number of days and hours required by state law. The objective is to focus on students in kindergarten through grade 8 whose learning was most impacted by the pandemic.

The funds would be expended for the following services provided between July 1 and December 30, 2020:

- Summer academic recovery camps in reading and mathematics;
- Adding a week of instruction to the fall semester;
- Adding instructional hours to the normal school day for one-on-one or small group intervention;
- Counseling for students needing social and emotional supports; and
- Provision of services and supports for students with special needs.

To assist school districts in budgeting, the \$215 million would be allocated to districts accordingly: \$400 per student for each student enrolled in kindergarten through grade 8 using the 135-day student head counts for Fiscal Year 2019-20.

To ensure that the funds are spent on students most impacted by the pandemic, districts would be required to assess each student enrolled in kindergarten through grade 8 using a pre and post formative assessment from the state approved list. The results of these assessments will be used to evaluate the impact of the pandemic on each student's learning in reading and mathematics, to determine the academic needs of each student, to identify the academic interventions for each student, and then to evaluate the impact of the interventions provided. If a district opts to provide the summer academic recovery camps, then the students would be assessed at the beginning and end of the camp. All students would be assessed during the first two weeks of school to identify students needing additional support and the supports to be provided. All students would then be assessed again in November or December to measure the impact of the interventions provided. The results of the pre- and post- assessments must be submitted to the Department of Education which, in turn, must provide the information to the Education Oversight Committee for evaluation of the pandemic's impact on student learning and the impact of the interventions on student learning.

Each district would be required to identify the strategies used and document the services received by each student. Each district would also report to the Department of Education on how funds were expended (personnel, fringe, transportation, etc.) and whether expenditures were made in accordance with requirements determined by the Department and the professional grants management services provider.

- Authorize up to \$20,000,000 in CRF monies to be expended to procure mobile hotspots and monthly service through December of 2020 for 100,000 households. Eligibility would be limited to households with an annual income of 250 percent or less of the poverty level that also have a child attending a public or private school (K-12) or a public or private college, university or technical college. School districts, private schools, and institutions of higher learning would be responsible for distributing the hotspots and ensuring that appropriate security measures are installed on each hotspot. Priority should be given to households in school districts with a poverty index of 86 percent or greater, which is the criteria used for the Rural School District and Economic Development Closing Fund.
- Authorize up to \$250,000 in CRF monies to be expended for a state broadband plan that identifies and prioritizes communities in our state where access to broadband has impeded the delivery of remote learning, remote working and telehealth for the most vulnerable population of South Carolinians impacted by COVID-19. The plan must identify the role that public and private broadband operators can play in addressing the state's broadband plans. It is the responsibility of the General Assembly to identify a state agency or entity to create or procure a broadband plan.

SUMMARY OF RECOMMENDATIONS

Phase 1

| Expenditure of Coronavirus Relief Fund for: | |
|---|------------------------|
| Unemployment Insurance Trust Fund to replenish to pre COVID-19 level | \$500,000,000 |
| Professional grant management services for accountability and transparency in expenditure of CARES Act monies | \$10,000,000 |
| State agencies, including institutions of higher education and technical colleges, for COVID-19 expenses incurred between March 1 and June 30, 2020 | \$150,000,000 |
| Counties and municipalities, including first responders and law enforcement, for COVID-19 expenses incurred between March 1 and June 30, 2020 | \$75,000,000 |
| Creation of 28-day state stockpile of personal protective equipment for front-line health care workers and first responders of state agencies and local governments | \$17,000,000 |
| Department of Health and Environmental Control (DHEC) for testing and contact tracing | \$43,000,000 |
| Replenish state Contingency Reserve Fund for eligible COVID-19 expenses incurred by DHEC per Act 116 of 2020 | \$45,000,000 |
| School districts for cost of providing meals to students during pandemic, which were not reimbursed by US Department of Agriculture | \$12,000,000 |
| School districts for cost of unbudgeted instructional support in summer and fall of 2020 whose learning was significantly impacted during the pandemic | \$215,000,000 |
| Purchase of mobile hotspots for households in poverty who have children in public or private K-12 schools or in public or private colleges or universities to ensure remote learning occurs this fall if in-class learning is disrupted by COVID-19 | \$20,000,000 |
| Create state broadband plan to identify and prioritize communities where access to broadband impeded remote learning, remote working, and telehealth during pandemic | \$250,000 |
| TOTAL: | \$1,087,250,000 |