

SAO offers the following suggestions for the Legislature’s consideration in order to reduce the risk that ineligible projects will receive awards:

Prior to further consideration of appropriations for Capital Investment Program and Grand List Enhancement Program

1. Require ACCD to provide written documentation to the committees of jurisdiction (Senate Committee on Economic Development, Housing and General Affairs, House Commerce, House and Senate Appropriations) that addresses the risks we have identified in our pre-expenditure analysis including the following:
  - a. An itemized list of applications with a brief summary of the proposed project (the name of the applicant may be withheld but the corporate type should be provided. For each of these applications, the following shall be provided:
    - Intended beneficiary of the capital expenditure
    - The specific economic harm(s) identified for small businesses/nonprofits and/or households and description of the evidence that the applicant provided to substantiate the harm
    - The total amount of capital investments planned, and the CIP amount requested
    - A determination of whether the capital investments qualify as an enumerated use
    - For unenumerated uses, describe factors that demonstrate the use is related and proportional to the harm.
    - Whether and how duplication of benefits was assessed for the applicant
  - b. Draft and final plans for program design and implementation, including the draft SRF questionnaire submitted to the CFO for approval, application review manuals, and other documents that show how ACCD is assessing economic harm and analyzing whether proposed capital investments are related to and proportional to the economic harm caused by COVID-19.
2. Require ACCD to provide answers to SAO regarding the questions posed about current CIP applicants and CIP and GLEP eligibility review processes.

**Alternative approach:** The Committee could eliminate nearly all program risk with a fairly straightforward pivot of the CIP by limiting eligibility to federally “enumerated uses.” These uses, which include affordable housing, childcare, and housing rehabilitation depending upon community conditions, seem consistent with legislative and Administration priorities. Nearly all of the risk described in our memo is associated with the highly variable, non-enumerated uses currently envisioned by the Agency.

Additional “Safeguard” Amendments to S.263 to Reduce Risk of Ineligible Awards

Require ACCD to document analysis of impacted industries, beyond tourism, travel, and hospitality, if any, and to reach consensus with the legislative economist on impacted industries.

Require ACCD to document analysis of disproportionately impacted groups of small businesses or geographic areas beyond QCTs, if any, and to reach consensus with the legislative economist on disproportionately impacted groups of small businesses or geographic areas.

## Attachment I: SAO Suggestions for Information Requests to ACCD and Legislative Changes

Require ACCD to document analysis of disproportionately impacted households beyond low-income households (as defined in Final Rule) and households residing in QCTs, if any, and to reach consensus with the legislative economist.

Require CFO approval of SRF Questionnaire for CIP prior to finalization of awards to applicants under Act 74(2021).

Require CFO approval of SRF Questionnaire for CIP and GLEP prior to commencement of any additional or new application periods under S.263.

Require an additional review, by one of the State's affordable housing partners, for proposed awards of \$250,000 or more for construction of new affordable housing or conversion of vacant or abandoned properties to affordable housing. The partner also should be consulted to ensure affordable housing projects are eligible under the National Housing Trust Fund or the Home Investment Partnerships Program as required by the Final Rule.

Require an additional review, by one of the State's childcare partners, for proposed awards of \$250,000 or more for childcare facility projects.

Note: The recommendation regarding consultation with housing and childcare partners is intended to ensure that the award would not be in conflict with other state-funded activity in those two sectors.

Require applicants seeking \$250,000 or more for unenumerated uses to provide a written justification modeled on that required under the Final Rule and that ACCD make the written justification available to the Joint Fiscal Office prior to approval of an award.