

State of Arizona
Recovery Plan

**State and Local Fiscal Recovery
Funds Draft Initial 2021 Report**

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GENERAL OVERVIEW

Executive Summary

On March 11, 2021 the American Rescue Plan was signed into law and established the State and Local Fiscal Recovery Fund (SLFRF). This fund represents a \$4.2 billion allocation to the State of Arizona to respond to the economic and public health impacts from COVID-19 across our communities, residents and businesses. The SLFRF provides funding for the following areas:

- Respond to the pandemic and its negative economic impacts;
- Provide premium pay to workers performing essential work;
- Restore cuts in public services caused by pandemic-induced revenue losses and avoid additional cuts; and
- Invest in water, sewer, or broadband infrastructure.

Arizona is committed to effectively and efficiently utilizing the SLFRF to prioritize health and safety while working with the business community to lay the groundwork for our economic recovery. State leadership is collaboratively reviewing potential initiatives with internal stakeholders, community leaders, other local governmental entities and business partners to ensure these projects produce the most impact as we return stronger, together.

Future recovery reports will provide a detailed project inventory, overall progress to date, and associated impact data to provide a robust and transparent mechanism to communicate this critical work. While many of these aspects are early in the development stages, listed below are the initiatives that have launched to date.

Uses of Funds

The American Rescue Plan State and Local Fiscal Recovery Funds (SLFRF) are wholly dedicated to restoring and expanding the Arizona economy. SLFRF programs will be defined and implemented focusing on Arizona citizens and businesses most in need. The Governor's first priorities target restoring lost jobs, getting citizens back to work, and laying the groundwork for future development by expanding internet broadband availability. Specific programs have been announced and are currently in the early stages of implementation.

Arizona Department of Economic Security's (DES') Back to Work Program

The Back to Work Program helps individuals transition from unemployment and return to the workforce. This program includes return-to-work and education incentives along with child care assistance.

Arizona will set aside \$300 million of federal resources toward this initiative. Eligible individuals who return to the workforce and obtain a full-time job will receive a one-time

incentive of \$2,000, while eligible individuals who obtain a part-time job will receive \$1,000 as a one-time incentive. The incentive will be awarded when the individual has left the unemployment insurance program and completed at least 10 weeks of work with an employer.

The State will also provide \$7.5 million for community college scholarships for currently unemployed workers who are eligible for the Back-to-Work incentives — as well as \$6 million for General Equivalency Diploma (GED) test preparation and exam fees for eligible workers without a high school diploma.

Arizona Department of Transportation (ADOT) Broadband Construction

This program invests up to \$100 million to expand broadband capacity along the I-17 and I-19 corridors. This newly installed conduit will be available for Public Private Partnerships that result in connectivity improvements for K-12 education, higher education, and rural connectivity. These routes will help close the educational achievement gap by providing access to distance learning, expanded research and connectivity opportunities for colleges and universities, expanded and improved options for telemedicine, and support business formation across both physical locations and remote work. This initiative aligns with the State’s current broadband strategy and will take advantage of existing planning efforts.

Arizona Office of Tourism (AOT)

In 2020, Arizona lost almost \$12 billion in overall visitor spending which is close to a 50% reduction. The Visit Arizona Initiative provides \$101 million to a series of programs designed to accelerate tourism recovery, job creation and targeted economic development across the state.



Figure: Tourism Trends January - August 2020 Compared to January - August 2019

Arizona competes with other states to host conferences, expositions, festivals, rodeos, and other events that directly support jobs in the travel and hospitality sectors as well as affiliated businesses. This program will use SLFRF monies to attract productions that draw out-of-state visitors or raise Arizona’s national and international interest and appeal.

The Visit Arizona Marketing Program will allow Destination Marketing Organizations (DMOs) to access funds to help execute targeted plans to attract visitors to destinations across the state.

Outdoor recreation areas attract tourists and are significant benefits for out-of-state conferences and business tourism considering Arizona. State parks, golf courses, trails,

and other attractions can increase their customer experience, improve sustainability, and entice out-of-state visitors with permanent infrastructure improvements provided by this program.

Arizona Department of Economic Security (DES) Unemployment Insurance (UI) Trust Fund

The SLFRF monies provide an opportunity for the state to replenish the Unemployment Insurance (UI) trust fund to pre-pandemic levels. In 2020, the UI trust fund lost 90% of its value as unemployment skyrocketed to historic levels due to public health orders related to COVID-19.

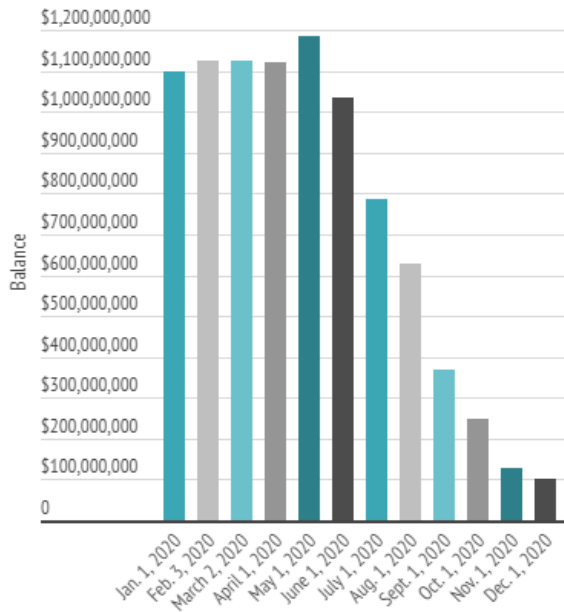


Figure: UI Trust Fund Balance for 2020

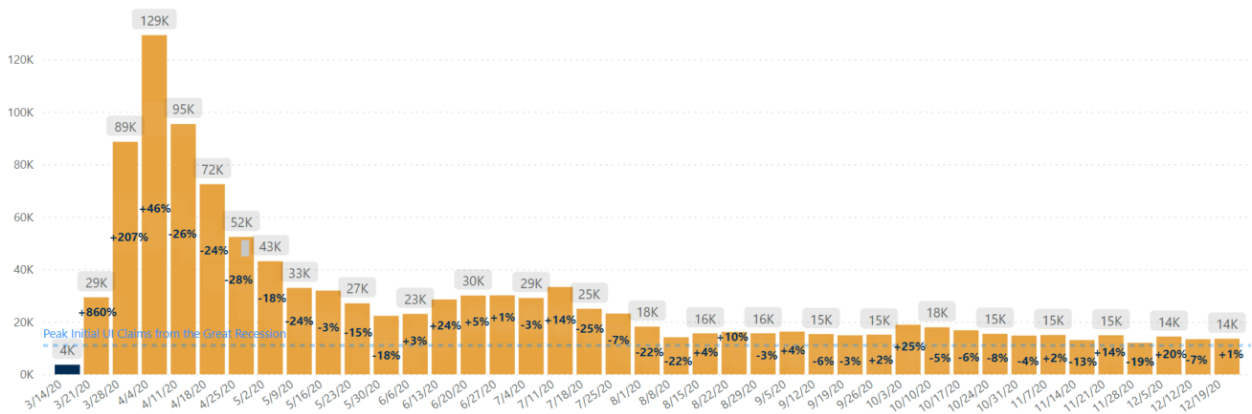


Figure: Initial Unemployment Claims

Employers are directly, negatively impacted by the drop in the fund balance. Increasing the UI trust fund balance reduces the payroll tax burden on local employers to the same level from 2019.

Promoting equitable outcomes

Arizona continually prides itself on targeting assistance to areas of most need. Active programs and initiatives may have specific objectives across one or more aspects such as geography, income or population. The American Rescue Plan state allocation is no different. As projects continue to be defined, designed and announced, the idea of equity will be at the forefront.

In future reports, this section will document our efforts along with desired and actual outcomes. Currently, all of our defined projects are actively developed in preparation for implementation.

Labor Practices

Infrastructure projects are operated under a set of strict set of labor practices monitored, in part, by the Labor Compliance team with the Department of Transportation (ADOT). This team monitors and investigates contractors engaged in construction projects for the purpose of ensuring compliance with Davis-Bacon and related Acts. ADOT, as part of its Disadvantaged Business Enterprise Program, works to ensure compliance with 49 CFR Part 26 that there is an equal opportunity to participate in federal contracts.

Table of Expenses by Expenditure Category

Category		Cumulative expenditures to date (\$)	Amount spent since last Recovery Plan
2	Negative Economic Impacts		
2.8	Contributions to UI Trust Funds	\$758,826,752.00	\$758,826,752.00
7	Administrative and Other		
7.4	Transfers to Nonentitlement Units (States and Territories only)	\$113,365,883.49	\$113,365,883.49