February 11, 2021

Mr. Jeremy Licht, Director  
Rhode Island Pandemic Recovery Office  
One Capitol Hill  
Providence, Rhode Island 02908

Re: State of Rhode Island’s Uses of Coronavirus Relief Fund Payment  
(OIG-CA-21-018)

Dear Mr. Licht:

We would like to thank you and other State of Rhode Island representatives for meeting with our office in August and November 2020 to discuss a matter that had come to our attention regarding the State of Rhode Island’s Coronavirus Relief Fund¹ payment received from the Department of the Treasury (Treasury) under Title VI of the Social Security Act, as amended by Title V of Division A of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Our office had made inquiries concerning allegations that the State intended to withhold Coronavirus Relief Fund proceeds to balance the State’s budget shortfall.

In our November 2020 meeting, you advised that Coronavirus Relief Fund proceeds were not being withheld to cover budget shortfalls despite the Governor’s comments during an interview with a local news station² that the State had taken a cautious approach in withholding funds in case they are needed to balance the budget. At the time of the Governor’s comments, you noted that potential legislation might allow Coronavirus Relief Fund proceeds to be used to backfill revenue shortfalls. It was noted that the State of Rhode Island officials had internal conversations as to whether they would pivot their approach to spending Coronavirus Relief Fund proceeds if the proposed legislation passed allowing prime recipients to fill budget gaps. Subsequent to our meeting, you confirmed by letter, dated November 13, 2020, that allegations of Rhode Island using funds to impermissibly resolve a government revenue shortfall are untrue.

¹ The State of Rhode Island received $1.25 billion from the Department of the Treasury under Title VI of the Social Security Act, as amended by Title V of Division A of the Coronavirus Aid, Relief, and Economic Security Act (P. L. 116-136; March 27, 2020).
Since meeting with you, the Coronavirus Relief Fund was extended by the Consolidated Appropriations Act, 2021 Division N, “Additional Coronavirus Response and Relief,” Title X.\(^3\) Under the “Uses of Funds” requirements of Section 601(d) under Title VI of the Social Security Act, as amended, payments from the Fund may only be used to cover costs that—

- are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19);
- were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
- were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021.

We are following up to advise your office that the use of Coronavirus Relief Fund proceeds to cover revenue shortfalls remains an unallowable use of funds. The recent legislation did not change this requirement as anticipated by your office in our November 2020 meeting. As such, Treasury’s Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal Governments (Updated September 2, 2020)\(^4\) (Guidance) remains in effect, which clarified necessary expenditures and assessment of need as follows:

**Necessary expenditures incurred due to the public health emergency**

The requirement that expenditures be incurred “due to” the public health emergency means that expenditures must be used for actions taken to respond to the public health emergency. These may include expenditures incurred to allow the State, territorial, local, or Tribal government to respond directly to the emergency, such as by addressing medical or public health needs, as well as expenditures incurred to respond to second-order effects of the emergency, such as by providing economic support to those suffering from employment or business interruptions due to COVID-19-related business closures. Funds may not be used to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify under the statute. Although a broad range of uses is allowed, revenue replacement is not a permissible use of Fund payments…

---

\(^3\) P. L. 116-260 (December 27, 2020).

To the extent that payments are used in this manner, our office will seek recoupment of those funds from the State of Rhode Island in accordance with the CARES Act.

Sincerely,

[Signature]

Richard K. Delmar
Acting Inspector General

cc: Stephen T. Milligan, Deputy Assistant General Counsel, Department of the Treasury
Katherine C. Smith, Attorney Advisor, Department of the Treasury
Dorothy Pascale, Chief, Rhode Island Office of Internal Audit