

# Economic and Revenue Update

## *A Briefing for the Money Committees*

**Aubrey L. Layne Jr., MBA, CPA**

Secretary of Finance

Commonwealth of Virginia

[www.finance.virginia.gov](http://www.finance.virginia.gov)

May 2021

# Topics for Discussion

- National and State Economic Indicators
- April Year-to-Date Revenue Collections, Fiscal Year 2021
- Next Steps
- Overview of the *American Rescue Plan Act* (ARPA)

# National and State Economic Indicators

- According to the preliminary estimate, real GDP rose at an annualized rate of 6.4 percent in the first quarter of 2021, following 4.3 percent in the fourth quarter of 2020.
- Payroll employment rose by 266,000 jobs in April, below expectations.
  - The March gain was revised down from 916,000 to 770,000.
- The national unemployment rate rose from 6.0 to 6.1 percent in April, driven by an increase in the labor force.
- Initial claims for unemployment fell by 92,000 to 498,000 during the week ending May 1, the lowest level since the pandemic began.
- The Conference Board's index of leading indicators rose 1.3 percent in March, stronger than expected, and follows a drop of 0.1 percent in February.
- The Conference Board's index of consumer confidence jumped from 109.0 to 121.7 in April after increasing from 90.4 to 109.0 in March. Both the current conditions and expectations components increased for the month.
- The Institute of Supply Management index unexpectedly fell from 64.7 to 60.7 in April. It has remained above the expansionary threshold of 50.0 since June.

# National and State Economic Indicators

- Driven by rising energy prices, the CPI rose 0.6 percent in March and stands 2.6 percent above March 2020.
  - Core inflation (excluding food and energy prices) rose 0.3 percent, and has increased 1.6 percent from last year.
- At its April meeting, the Federal Reserve left the federal funds target rate unchanged at the range of 0.0 to 0.25 percent.
- In Virginia, payroll employment fell 4.5 percent in March compared with last year. Northern Virginia fell 4.6 percent; Hampton Roads employment fell 4.1 percent, and Richmond-Petersburg fell 5.6 percent.
- The seasonally adjusted unemployment rate fell 0.1 percentage point to 5.1 percent and stands 2.5 percentage points above March of last year.
- The Virginia Leading Index fell 0.6 percent in March after rising 0.3 percent in February.
  - Auto registrations and future employment decreased for the month, while initial unemployment claims rose and the U.S. leading index advanced.
  - The indexes for all metro areas except Northern Virginia decreased for the month.

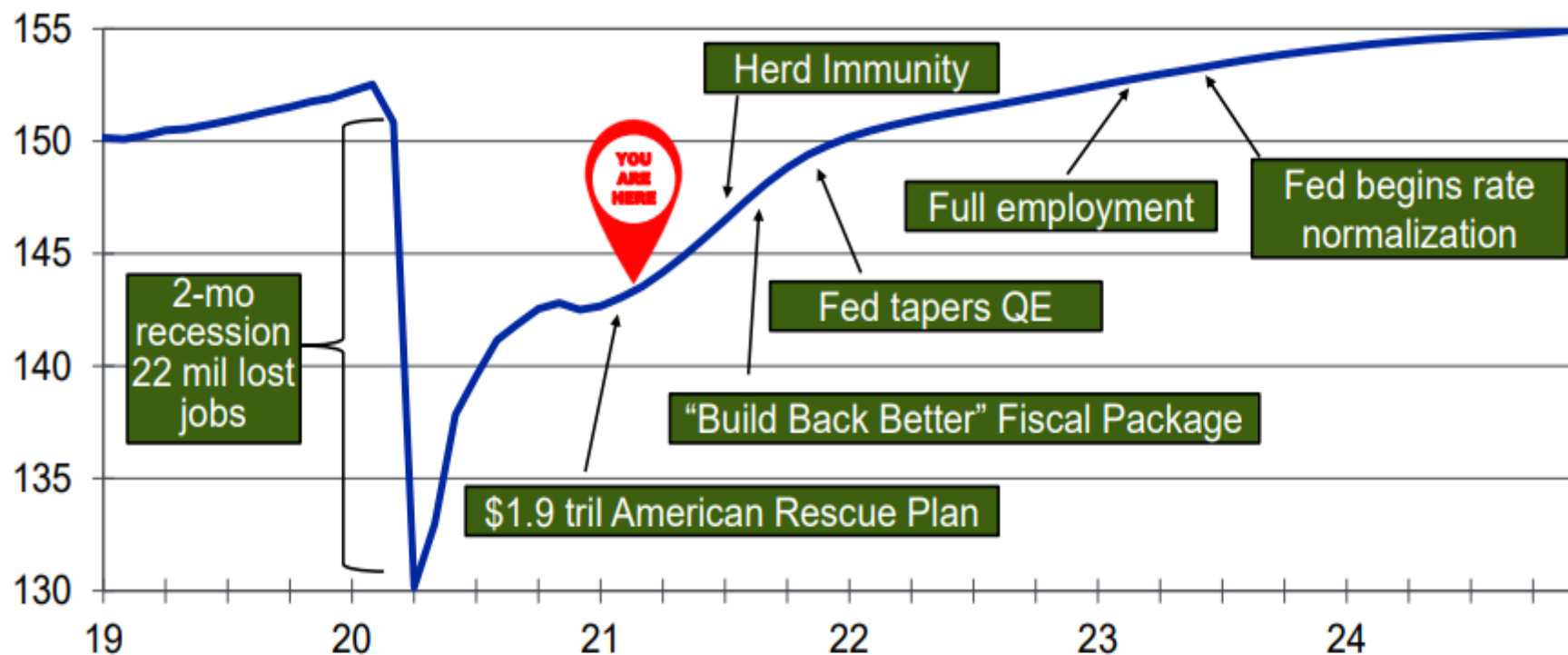
# THE WALL STREET JOURNAL.

*Headlines – May 13, 2021*

- ***Consumer-price rise of 4.2% for year is biggest since 2008, fueling worries of a rate hike***
- ***Three Price Trends To Watch Closely***
  - **Returning to normal:** airfares
  - **Transitory:** used-car prices
  - **Rising costs:** restaurant meals
- ***Demographics Help Squeeze Labor Supply***
  - Population growth in the past decade was slowest in generations
- ***Lowest-Cost Housing Markets See the Biggest Price Increases***
  - The rising prices could lock some families out of homeownership.
- ***Deficit Hit Record for Year's First 7 Months***
  - \$1.9 trillion deficit from October through April

# The Pandemic Economy Roadmap

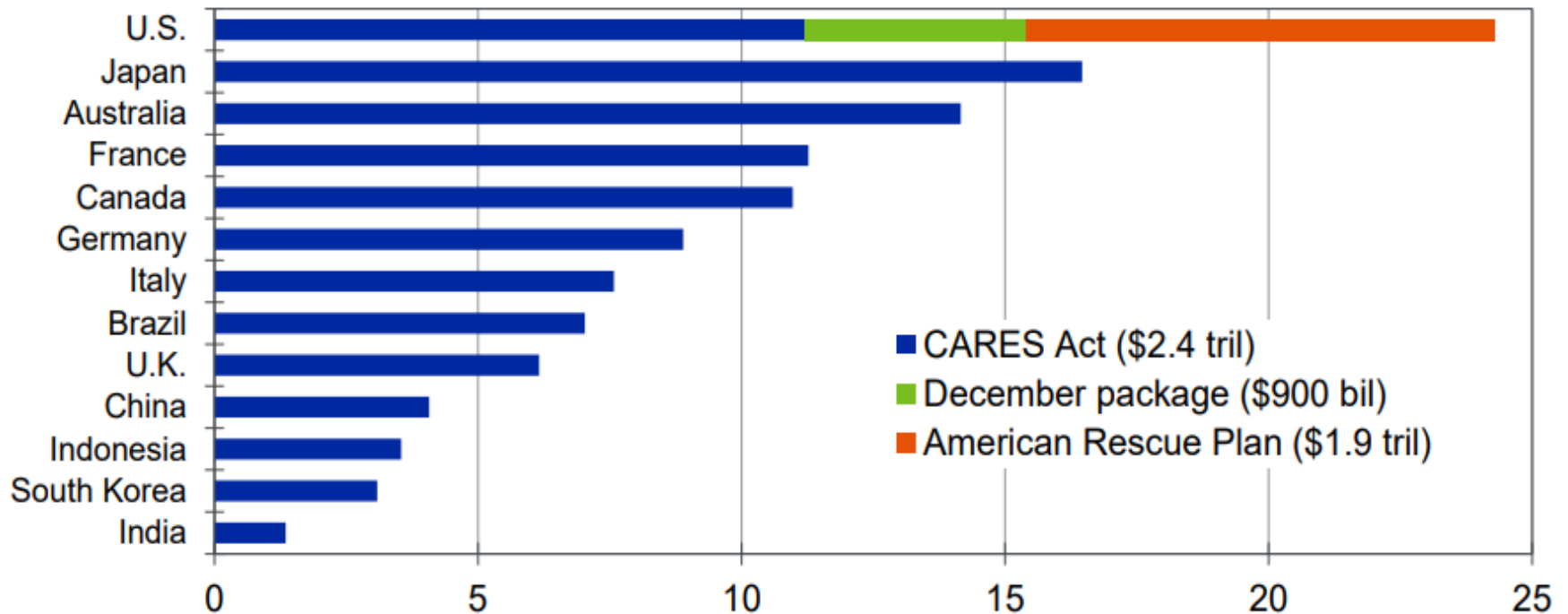
U.S. payroll employment, Moody's Analytics Baseline Scenario, mil



Sources: BLS, Moody's Analytics

# Record Level of Fiscal Support

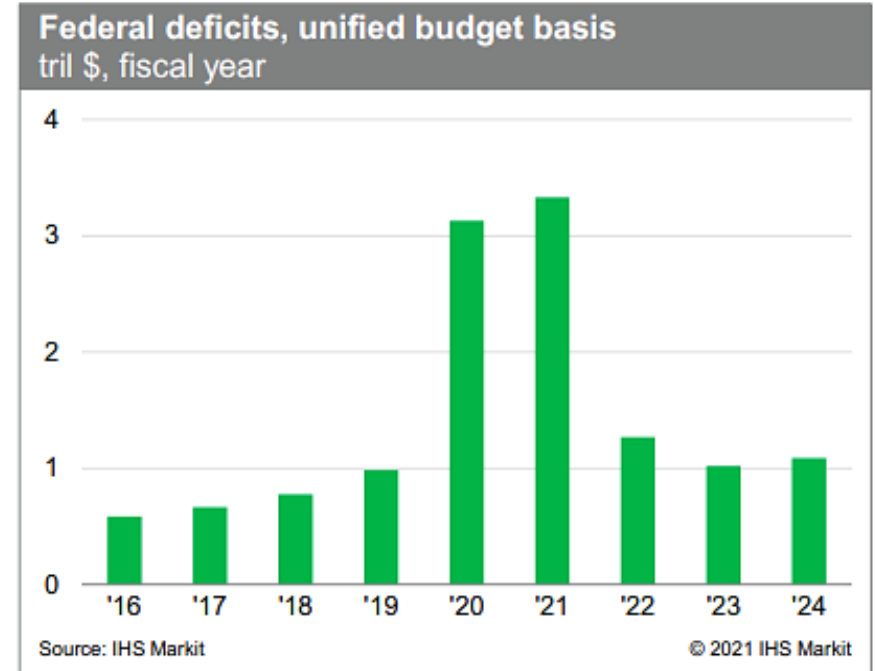
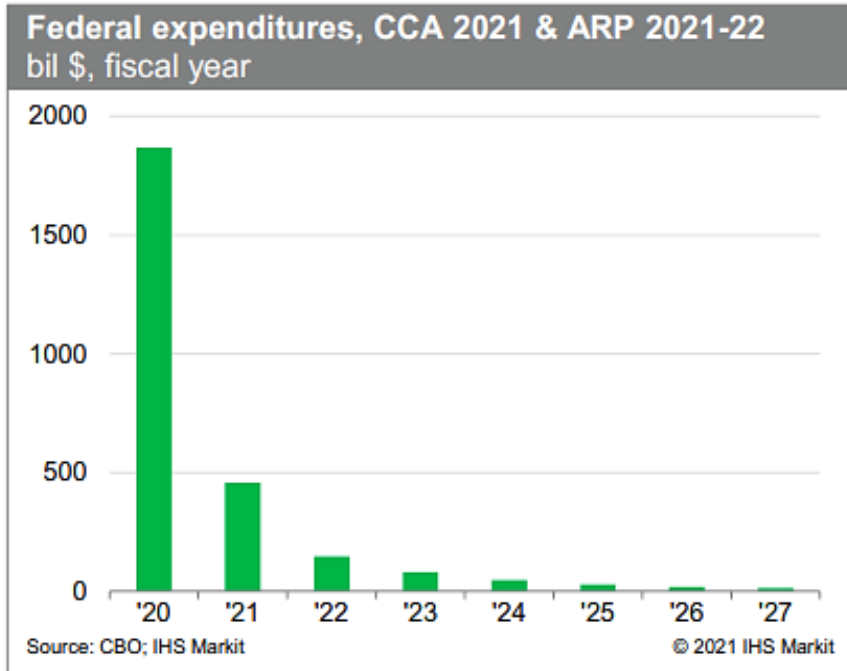
Pandemic fiscal support, % of 2019 GDP



Sources: BEA, Moody's Analytics

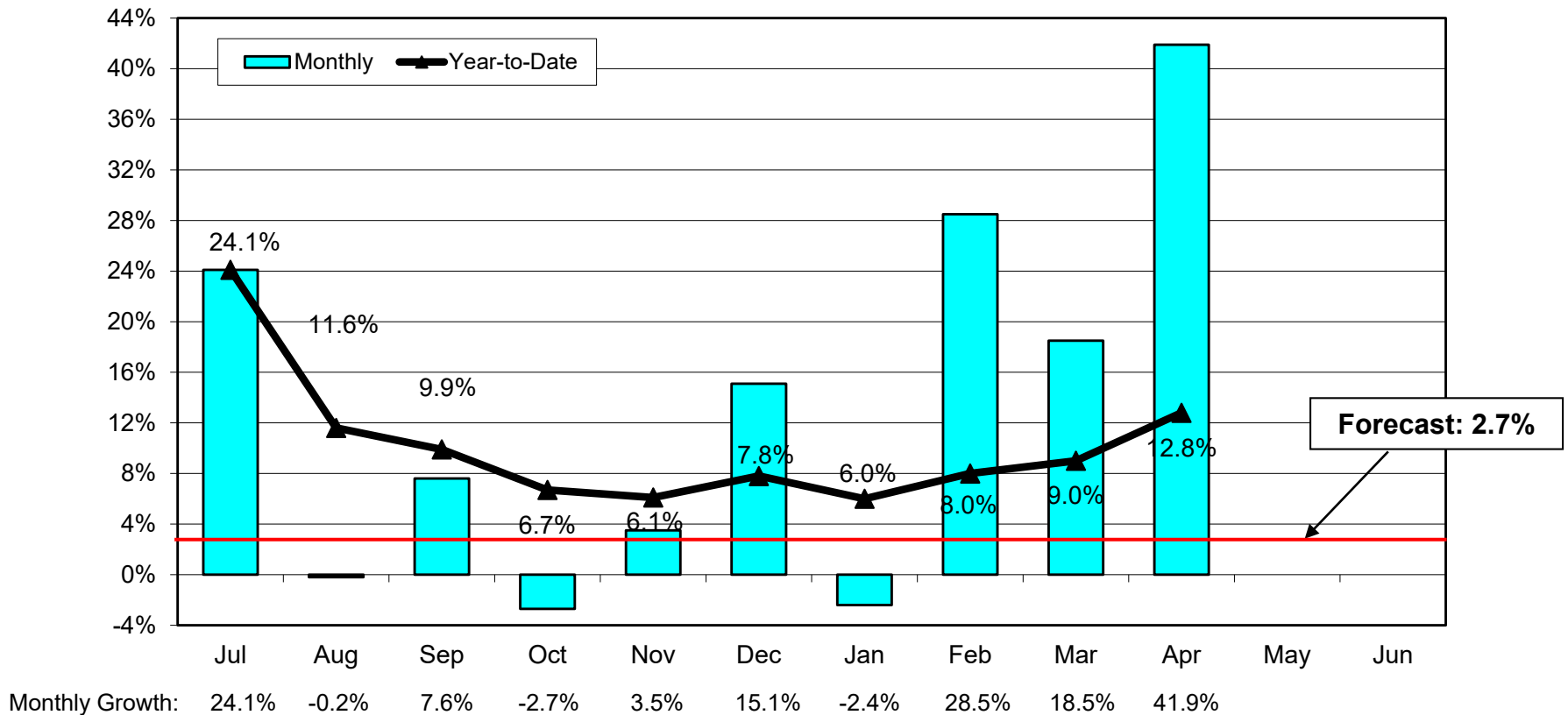
## Unprecedented, if temporary, federal fiscal expansion

Together, the Consolidated Appropriations Act and the American Rescue Plan Act commit nearly \$3 trillion for pandemic relief.



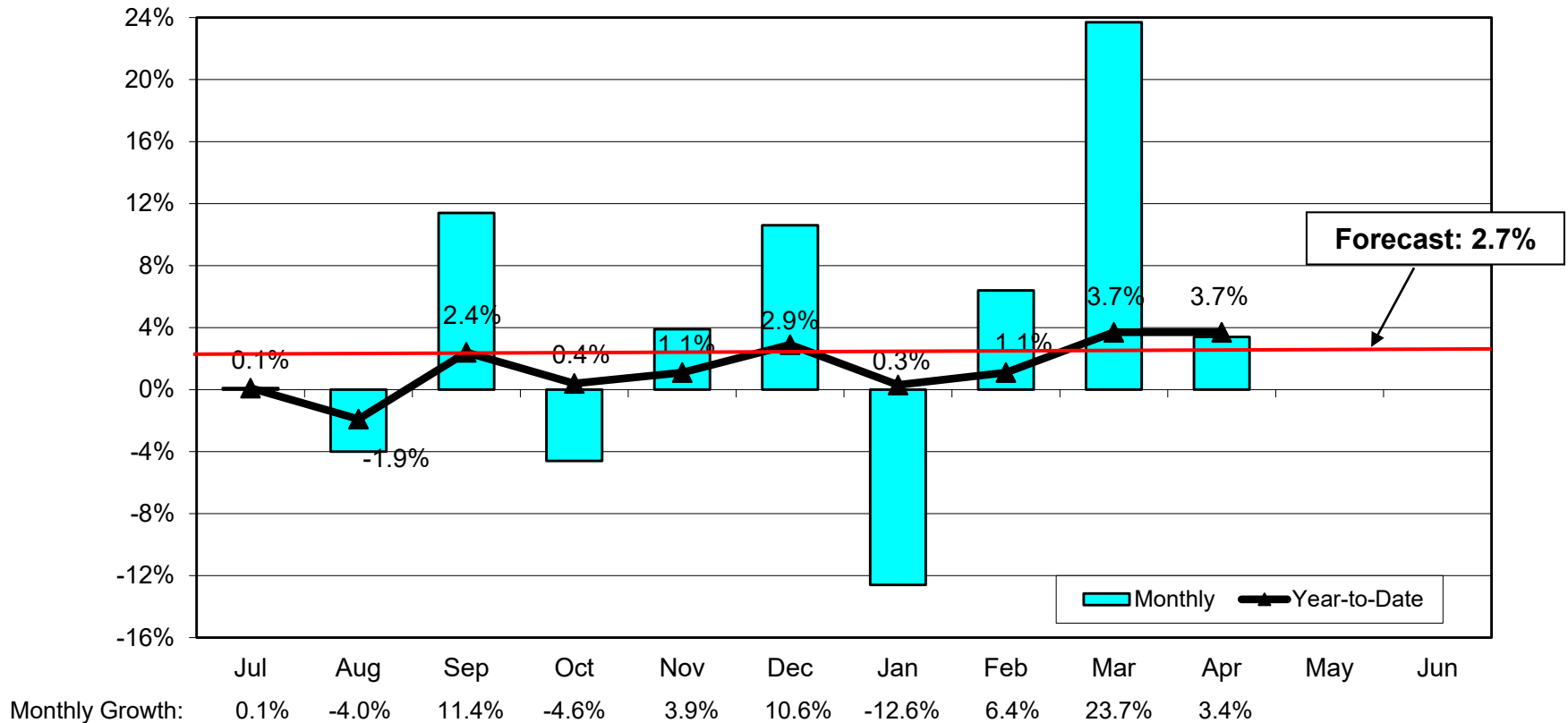


## Growth in Total General Fund Revenue Collections FY21 Monthly and Year-to-Date



- Total general fund revenues increased 41.9 percent in April.
  - Over 80 percent of the monthly increase is due to a return to normal filing dates for corporate and individual income tax payments. Only individual final payments normally due May 1 are now due May 17, matching the Federal due date.
  - There were also strong receipts in sales and recordation taxes.
- On a year-to-date basis, total revenues increased 12.8 percent, ahead of the annual forecast of 2.7 percent growth.

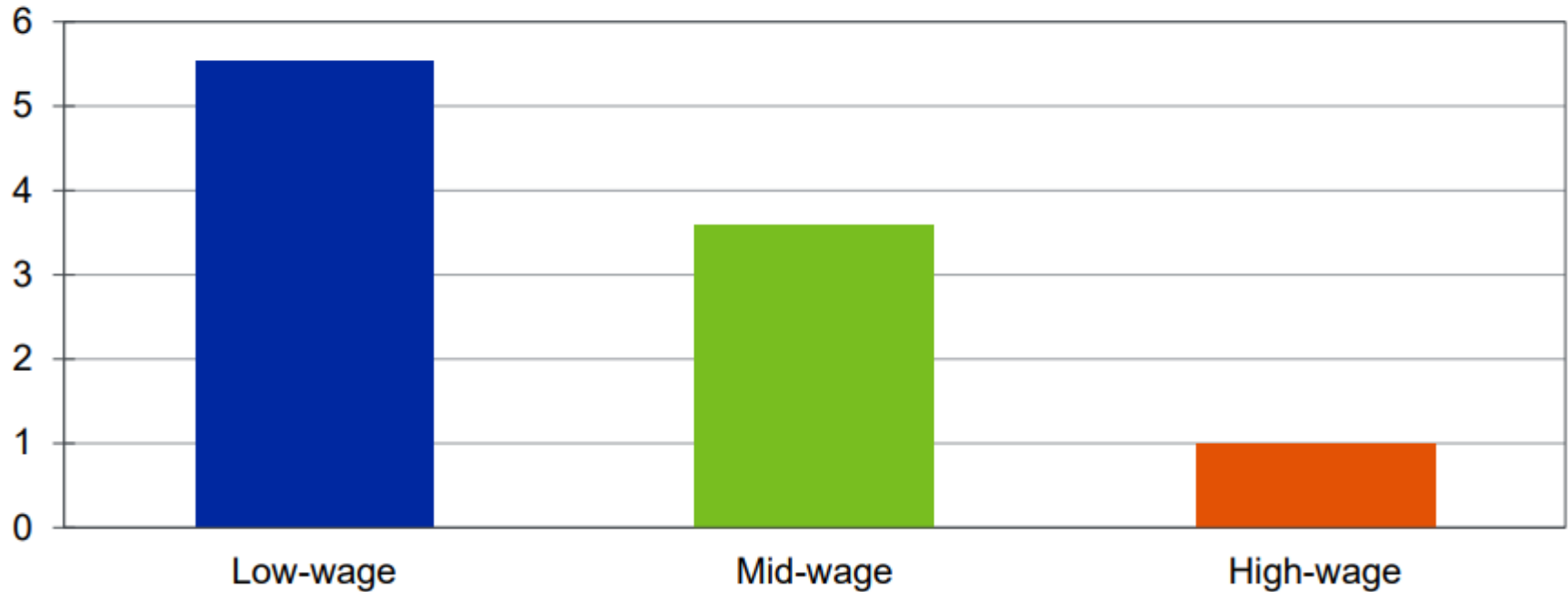
## Growth in Withholding Tax Collections FY21 Monthly and Year-to-Date



- Collections increased 3.4 percent in April.
  - There was one fewer Wednesday deposit day that fell into March this year.
- Year-to-date, withholding collections have increased 3.7 percent compared with the same period last year, ahead of the projected annual growth of 2.7 percent.

# High-Wage Earners Less Impacted

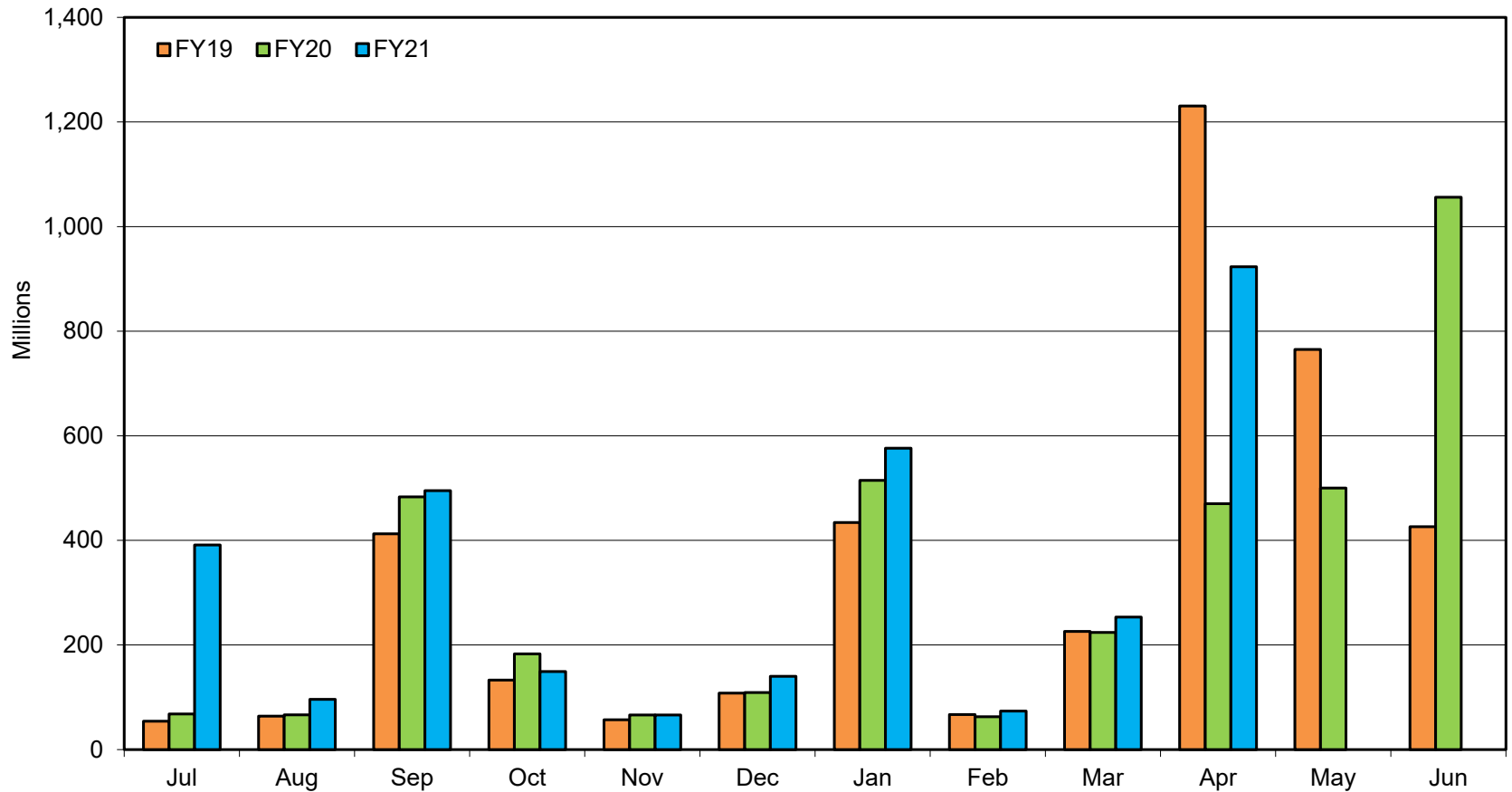
Payrolls not yet recovered since Feb 2020



Sources: BLS, Moody's Analytics

# Nonwithholding Tax Collections

FY19 – FY21 Monthly



- April receipts were up significantly as the May 1 filing date for final tax year 2019 and the first estimated payment for tax year 2020 was moved to June 1 last year.
- There is no equivalent historical data to compare this year or last year for analysis.

## Individual Income Tax Refunds

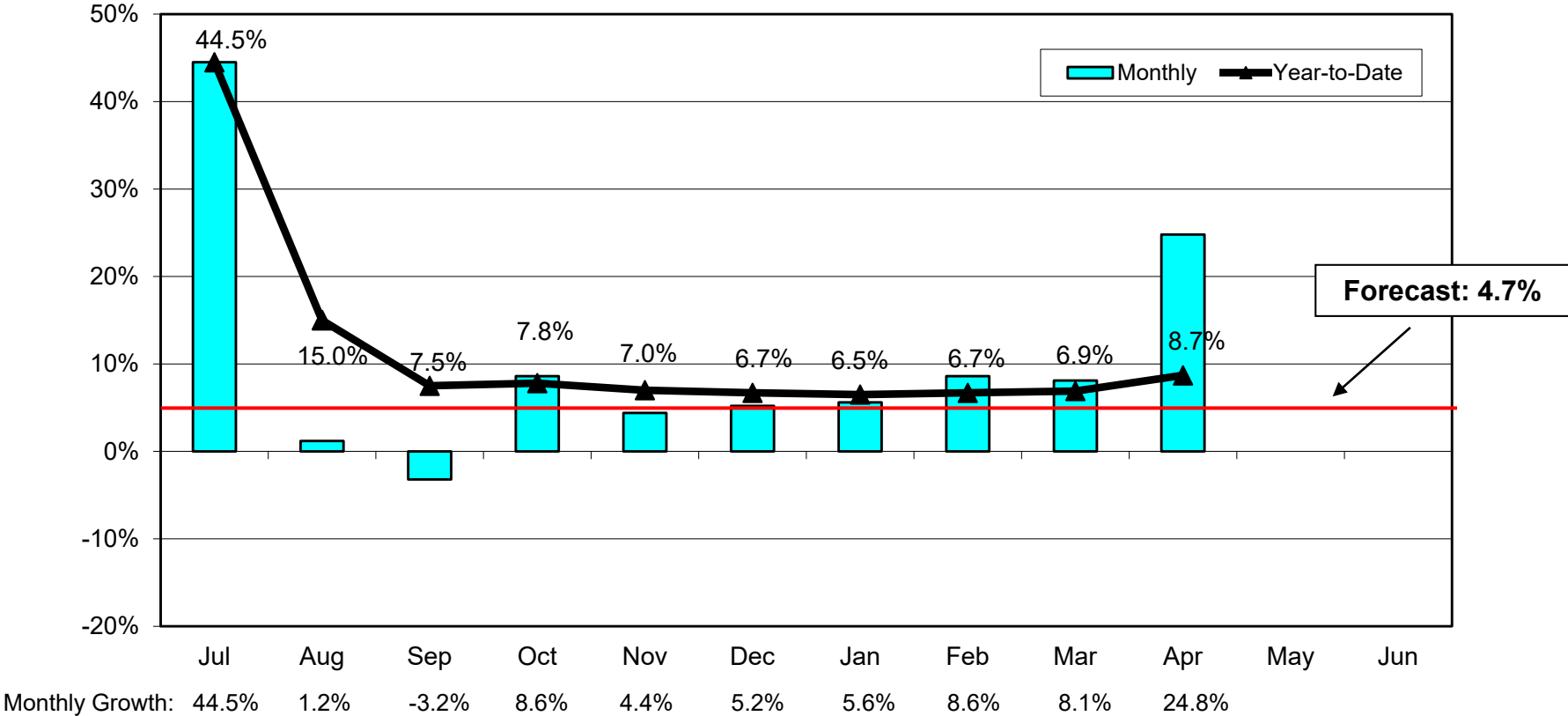
- Through April, TAX has issued \$1,496.6 million in individual refunds compared with \$1,513.8 million in the same period last year, a 1.1 percent decrease as compared to the annual estimate of 23.7 percent growth.
- During the first three months of the main filing season, TAX issued about 1.9 million refunds as compared to last year's 2.1 million.
  - Fewer refund returns may be processed due to high unemployment in part-time and full-time workers last year.

## Net Individual Income Tax

- Through the first ten months of the fiscal year, collections of net individual income tax increased 11.1 percent from the same period last year, ahead of the annual estimate of 0.6 percent growth.

# Growth in Sales Tax Collections

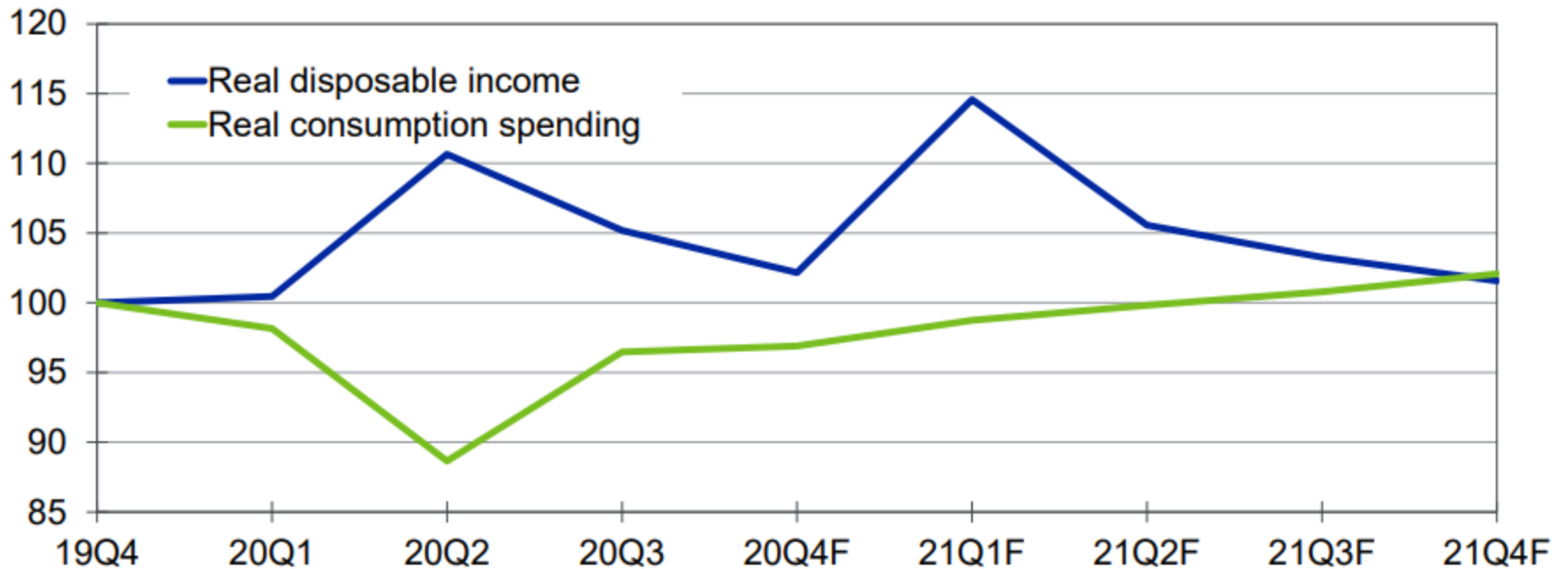
## FY21 Monthly and Year-to-Date



- Collections of sales and use taxes, reflecting mainly March sales, increased 24.8 percent in April as parts of the economy are opening and price inflation is occurring.
  - Strength in sales tax collections were broad-based, except for grocery store sales as there was no hoarding of groceries like there was last March as the pandemic began.
- On a year-to-date basis, collections increased 8.7 percent, ahead of the annual estimate of 4.7 percent growth.

# Disruptions Damaged Spending, Not Incomes

Per capita indices, COVID-19 pandemic recovery, 2019Q4=100



Sources: Moody's Analytics

# Recent Inflation Trends

## *Commodity Prices Over Last Year:*

<b>Lumber</b>	<b>+265%</b>	<b>WTI Crude</b>	<b>+210%</b>
<b>Gasoline</b>	<b>+182%</b>	<b>Brent Crude</b>	<b>+163%</b>
<b>Heating Oil</b>	<b>+107%</b>	<b>Corn</b>	<b>+84%</b>
<b>Copper</b>	<b>+83%</b>	<b>Soybeans</b>	<b>+72%</b>
<b>Silver</b>	<b>+65%</b>	<b>Sugar</b>	<b>+59%</b>
<b>Cotton</b>	<b>+54%</b>	<b>Platinum</b>	<b>+52%</b>
<b>Natural Gas</b>	<b>+43%</b>	<b>Palladium</b>	<b>+32%</b>
<b>Wheat</b>	<b>+19%</b>	<b>Coffee</b>	<b>+13%</b>

Source :The Most Important News, 4/21/2021

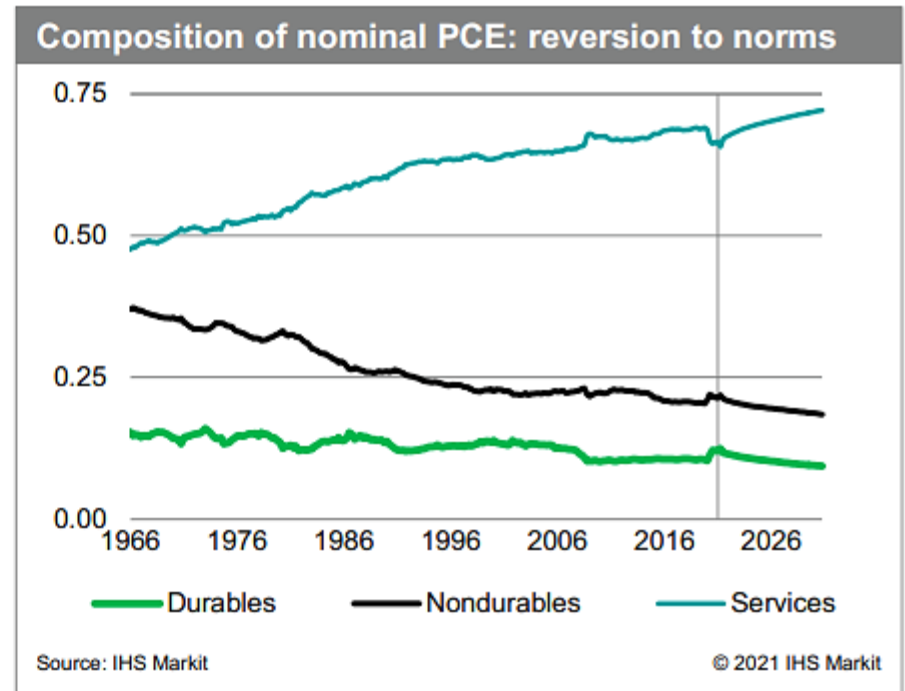
<http://themosimportantnews.com/archives/and-the-federal-reserve-is-trying-to-convince-us-that-inflation-isnt-a-problem>



## Transitions in consumer spending

The composition of personal consumption expenditures will shift back toward the pre-pandemic allocation.

- During pandemic, composition of PCE shifted
  - Shares devoted to services affected by social distancing dropped sharply; shares devoted to goods, both durables and nondurables rose
  - Durable goods can “produce” leisure and entertainment service substitutes; nondurables include food at home
- This shift will unwind as services recover
  - Aided by overshooting in spending on durables, impact of higher rates on big ticket items
  - Switch back from eating at home to eating out
  - With associated implications for employment, etc



# Net Corporate Income Tax Collections

- Corporate estimated and final payments were due on the normal schedule of April 15.
- Collections were \$387.3 million for corporations deciding to pay this month as compared to \$149.9 million received last April.
- April to June receipts will be analyzed in July as to how companies performed in final payments for tax year 2020 and their two estimated payments for tax year 2021 as compared to last year when due dates were pushed to June 1 for final payments and the first estimated payment.

# Recordation and Insurance Premiums Tax

## Recordation

- In April, collections increased 41.3 percent compared to last year. Year-to-date collections have increased 40.6 percent compared to last year as compared to the forecast of 24.4 percent growth.

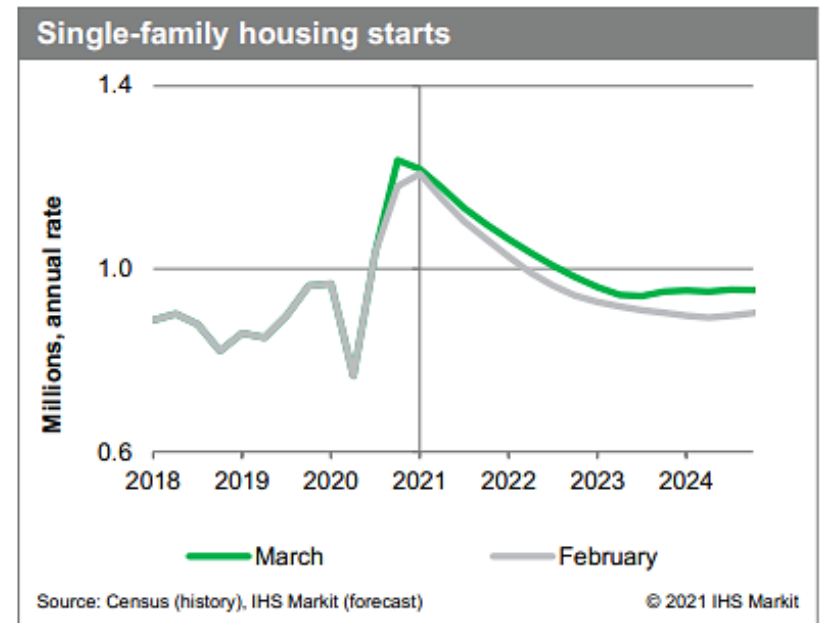
## Insurance

- Collections for the month were \$144.5 million as compared to \$141.7 million last April.
  - The activity represents estimated payments due April 15.
- For the fiscal year to-date, net insurance premiums tax collections are \$221.3 million compared with \$223.8 million during the same period last year.

## Housing near peak

A unique set of forces has boosted housing activity during the pandemic, but both demand and supply factors will limit / reverse recent strength

- Housing starts have been boosted by:
  - Low mortgage rates, high stock prices
    - Second homes
  - Geographic shifts, partly COVID-related
  - February dip only partly weather-related
- But headwinds are gathering
  - Starts > household formations
    - Downwardly revised projected household formations
  - Affordability: mortgage rates & prices both rising
  - Supply (chain) issues: lots, labor, lumber, chips



# Summary of Fiscal Year 2021 Revenue Collections Chapter 552 Forecast

July through April

Percent Growth over Prior Year

<u>Major Source</u>	As a % of Total Revenues	<u>YTD Actual</u>	<u>Annual Estimate</u>	<u>Variance</u>	<u>May-Jun Req'd to Meet Est.</u>	<u>Prior Year May-Jun</u>
Withholding	61.6 %	3.7 %	2.7 %	1.0 %	(2.4) %	(5.2) %
Nonwithholding	17.8	40.1	4.4	35.7	(47.2)	30.6
Refunds	(10.2)	(1.1)	23.7	(24.8)	142.5	32.4
Net Individual	69.2	11.1	0.6	10.5	(36.9)	5.4
Sales	17.4	8.7	4.7	4.0	(11.4)	(9.5)
Corporate	5.8	59.2	27.4	31.8	(56.5)	56.6
Wills (Recordation)	2.7	40.6	24.4	16.2	(49.6)	7.4
Insurance	1.4	(1.1)	(12.7)	11.6	(31.6)	2.0
All Other Revenue	3.5	(2.7)	(4.0)	1.3	(6.9)	(1.0)
<b>Total</b>	<b>100.0 %</b>	<b>12.8 %</b>	<b>2.7 %</b>	<b>10.1 %</b>	<b>(32.7) %</b>	<b>4.3 %</b>
<b>Total less Nonwithholding and Corporate</b>		<b>6.0 %</b>	<b>0.8 %</b>	<b>5.2 %</b>	<b>(22.9) %</b>	<b>(8.1) %</b>

- Due to the return of normal filing dates, outside the May 17 filing date for individual income tax payments, a meaningful comparison will not be available until preliminary close.

# Next Steps

- **May**
  - Key payments from individual nonwithholding due May 1 are now due May 17 for final payments for tax year 2020, estimated payments due May 1 for tax year 2021 remain unchanged.
- **June**
  - Individual, corporate and insurance companies have estimated payments due June 15.

# **Overview of the *American Rescue Plan Act***

# ***American Rescue Plan Act (ARPA)***

## ***Pandemic Relief Funding to State, Local, Territorial, and Tribal Governments***

Within the ARPA, Congress has allocated approximately \$350 billion to the ***Coronavirus State and Local Fiscal Recovery Funds*** for eligible state, local, territorial, and Tribal governments to respond to the COVID-19 emergency and to bring back jobs.

These allocations include:

<b>Type</b>	<b>Amount</b> (\$ billions)
States & District of Columbia	\$195.3
Counties	\$65.1
Metropolitan Cites	\$45.6
Tribal Governments	\$20.0
Territories	\$4.5
Non-Entitlement Units of Local Government	\$19.5



# Coronavirus State and Local Fiscal Recovery Funds

*Virginia's estimated share of these recovery funds totals more than \$7.2 billion*

These funds will be distributed directly by the U.S. Treasury to the state, counties, and metropolitan cities.

Type	Estimated Amounts
State	\$4,293,727,162
Counties	\$1,657,924,506
Metropolitan Cities	\$618,276,089
Non-Entitlement Units of Local Government	\$633,753,549
<b>TOTAL</b>	<b>\$7,203,681,306</b>

Source: Federal Funds Information for States

- States that have experienced a net increase in the unemployment rate of more than 2 percentage points from February 2020 to the latest available data as of the date of certification will receive their full allocation of funds in a single payment; other states will receive funds in two equal tranches.

# Coronavirus State and Local Fiscal Recovery Funds

*The Commonwealth also will receive the shares that must be distributed to non-entitlement units of government.*

## Non-Entitlement Units

- States are required to distribute recovery funding to eligible local governments that are classified as non-entitlement units (NEU).
- Non-entitlement units are generally local governments with populations of less than 50,000.
- States are responsible for enforcing a statutory requirement that limits distributions to no more than 75 percent of the non-entitlement units' most recent budget.
- Jurisdictions classified as non-entitlement units cannot receive this funding directly from U.S. Treasury and cannot request funding through the Treasury Submission Portal.
- Funding amounts for non-entitlement units are available only in aggregate at the state level at this time. U.S. Treasury expects to provide further guidance on distributions to non-entitlement units in the coming days.
- State governments that make a request for their own funds will be considered to have requested funding for their non-entitlement units as well.
- Following receipt of this funding from U.S. Treasury, each state is required to distribute these funds to its non-entitlement units within 30 days unless granted an extension by Treasury.

# Coronavirus State and Local Fiscal Recovery Funds

*Recovery funds are targeted to support households, small businesses, impacted industries, essential workers, and communities hardest hit by the pandemic crisis.*

## **Objectives for use of these funds as stated by the U.S. Treasury include:**

- Support for urgent COVID-19 response efforts to continue to decrease spread of the virus and bring the pandemic under control
- Replacement of lost revenue for eligible state, local, territorial, and Tribal governments to strengthen support for vital public services and help retain jobs
- Support for immediate economic stabilization of households and businesses
- Addressing systemic public health and economic challenges that have contributed to the unequal impact of the pandemic

**These funds also can be used to make necessary investments in water, sewer, and broadband infrastructure.**

# Coronavirus State and Local Fiscal Recovery Funds

*Recovery funds must be used to meet pandemic response needs and rebuild a stronger, more equitable economy.*

## Recipients may use these funds to:

- **Support public health expenditures** to fund COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff
- **Address negative economic impacts caused by the public health emergency** including economic harm to workers, households, small businesses, impacted industries, and the public sector
- **Replace lost public sector revenue** to provide government services to the extent of the reduction in revenue experienced due to the pandemic
- **Provide premium pay for essential workers** offering additional support to those who have and will bear the greatest health risks because of their service in critical infrastructure sectors
- **Invest in water, sewer, and broadband infrastructure** making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet

U.S. Treasury has published an [Interim Final Rule](#) to implement this program.

# In addition to the recovery funds, Virginia will receive more than \$6.6 billion from other ARPA sources:

Federal Agency	ARPA Funding Category	Virginia's Estimated Share
US Treasury	Capital Project Fund (US Treasury)	\$221,739,237
US Treasury	Homeowner Assistance Fund (US Treasury)	\$258,444,431
US Treasury	Emergency Rental Assistance (US Treasury)	\$450,746,248
US Treasury	State Small Business Credit Initiative (US Treasury)	\$188,416,173
US Dept of Education	Elementary & Secondary School Emergency Relief (ESSER) - (US DOE)	\$2,109,490,751
US Dept of Education	Elementary & Secondary School Emergency Relief Homeless Children and Youth (ESSER) - (US DOE)	\$13,818,290
US Dept of Education	Emergency Assistance to Non-Public Schools (US DOE)	\$46,344,360
US Dept of Education	Higher Education Emergency Relief Fund (HEERF) - Public & Non-Profit Institutions (US DOE)	\$833,391,896
US Dept of Education	Higher Education Emergency Relief Fund (HEERF) - Proprietary Institutions (US DOE)	\$10,490,129
US Dept of Education	IDEA - Grants to States (US DOE)	\$62,352,541
US Dept of Education	IDEA - Preschool (US DOE)	\$4,781,823
US Dept of Education	IDEA - Infants and Toddlers (US DOE)	\$6,117,160
US Dept of Health and Human Services - Administration for Children and Families	Child Care & Development Block Grant (ACF)	\$304,876,959
US Dept of Health and Human Services - Administration for Children and Families	Child Care Stabilization Grants (ACF)	\$488,605,381

## Other Sources of ARPA Funding *(continued)*

Federal Agency	ARPA Funding Category	Virginia's Estimated Share
US Dept of Health and Human Services - Administration for Children and Families	Child Care Entitlement to States (ACF)	\$13,193,617
US Dept of Health and Human Services - Administration for Children and Families	Head Start (ACF)	\$16,557,000
US Dept of Health and Human Services - Administration for Children and Families	Low-income Home Energy Assistance Program (ACF)	\$90,218,680
US Dept of Health and Human Services - Administration for Children and Families	Pandemic Emergency Assistance (ACF)	\$15,744,856
US Dept of Health and Human Services - Administration for Children and Families	Community-based Child Abuse Prevention (ACF)	\$6,231,546
US Dept of Health and Human Services - Administration for Children and Families	Child Abuse State Grants (ACF)	\$2,523,805
US Dept of Health and Human Services - Administration for Community Living	Supportive Services (ACL)	\$11,109,729
US Dept of Health and Human Services - Administration for Community Living	Home Delivered Meals (ACL)	\$10,868,214
US Dept of Health and Human Services - Administration for Community Living	Congregate Meals (ACL)	\$7,245,476
US Dept of Health and Human Services - Administration for Community Living	Preventive Services (ACL)	\$1,062,670
US Dept of Health and Human Services - Administration for Community Living	Family Caregivers (ACL)	\$3,463,008

## Other Sources of ARPA Funding *(continued)*

Federal Agency	ARPA Funding Category	Virginia's Estimated Share
US Dept of Health and Human Services - Administration for Community Living	Title VII Long-term Care Ombudsman (ACL)	\$241,516
US Dept of Health and Human Services - Centers for Disease Control	Epidemiology and Lab Capacity for School Testing (CDC)	\$257,085,647
US Dept of Health and Human Services - Centers for Disease Control	COVID-19 Vaccine Preparedness Adjustment (CDC)	\$77,125,694
US Dept of Health and Human Services - Centers for Disease Control	Expand Genomic Sequencing (CDC)	\$5,589,242
US Health Resources and Services Administration	Community Health Centers - Expanded Access to COVID-19 Vaccines, Build Vaccine Confidence (HRSA)	\$79,907,625
US Dept of Health and Human Services - Substance Abuse and Mental Health Services Admin	Mental Health Block Grant (SAMHSA)	\$35,637,440
US Dept of Health and Human Services - Substance Abuse and Mental Health Services Admin	Substance Abuse Block Grant (SAMHSA)	\$33,861,111
Department of Agriculture - Food and Nutrition Service	WIC Cash Value Vouchers Increase (USDA)	\$9,196,982
Department of Agriculture - Food and Nutrition Service	SNAP 3-Year State Administrative Expense Grants (USDA)	\$19,217,240
Department of Agriculture - Food and Nutrition Service	Commodity Supplemental Foods Program (CSFP) (USDA)	\$15,394
Housing and Urban Development	HOME Investment Partnerships Program - Entitlement (HUD)	\$57,258,054

## Other Sources of ARPA Funding *(continued)*

Federal Agency	ARPA Funding Category	Virginia's Estimated Share
Housing and Urban Development	HOME Investment Partnerships Program - Non-entitlement (HUD)	\$39,724,473
Department of Labor	Unemployment Insurance Extension Implementation Grants (US DOL)	\$275,000
Department of Transportation	FTA Nonurbanized Area Formula - (US DOT)	\$1,495,144
Department of Transportation	FTA Urbanized Area Formula - (US DOT)	\$795,377,600
Department of Transportation	Enhanced Mobility of Seniors & Persons with Disabilities - State (US DOT)	\$890,896
Department of Transportation	FTA Intercity Bus Formula	\$2,307,909
Department of Homeland Security - FEMA	Emergency Management Performance Grants (FEMA)	\$2,297,623
Department of Homeland Security - FEMA	Emergency Food and Shelter Program (FEMA)	\$3,656,390
Institute of Museum and Library Services	Institute of Museum and Library Services (IMLS)	\$3,871,764
National Endowment for the Arts	National Endowment for the Arts - State Arts Agencies	\$871,100
National Endowment for the Humanities	National Endowment for the Humanities - State Councils	\$1,081,800
<b>Total</b>		<b>\$6,604,819,624</b>

*NOTE: Some of the "Other Sources" may go directly to recipients such as local governments.*



# Overview of the *American Rescue Plan Act*



## COMMONWEALTH of VIRGINIA

Office of the Governor

Aubrey L. Layne, Jr.  
Secretary of Finance

May 11, 2021

The Honorable Janet D. Howell  
Chairwoman  
Finance & Appropriations Committee  
Senate of Virginia  
P.O. Box 2608  
Reston, Virginia 20195-0608

The Honorable Luke Torian  
Chairman  
Appropriations Committee  
Virginia House of Delegates  
4222 Fortuna Plaza #659  
Dumfries, Virginia 22025

Dear Senator Howell and Delegate Torian:

Thank you for our recent conversations regarding the legislative intent behind the language in paragraphs I.1. and I.2. of Item 479.10 of Chapter 552, 2021 Acts of Assembly, Special Session I, (the 2021 Appropriation Act). As we discussed, this language is intended to preserve the legislature's authority to appropriate funds received from, "*Any direct federal aid, approved by the U.S. Congress since January 1, 2021, that is provided to assist the Commonwealth with the revenue and economic impacts resulting from COVID-19...*"

Our shared understanding of this language is that it is intended to retain the General Assembly's prerogative over the appropriation of any new federal stimulus funds that might be of a discretionary nature. It is not intended to prevent the administrative appropriation of federal funds provided for very specific and limited purposes as directed by federal law or regulation.

The most recent example that we discussed was the additional/extended unemployment benefits made available to the Virginia Employment Commission, which are for the direct benefit of the individuals who qualify for the federally established unemployment benefit. There is no discretion to use these funds for any other purpose.

As such, and based on our shared understanding, the Governor signed the attached decision brief directing the Department of Planning and Budget to administratively appropriate any such federal funds received for the payment of unemployment benefits. Without this authorization, the benefits that are due to qualified individuals would be delayed until such time as a new appropriation bill could be passed by the General Assembly and enacted into law. In the absence of the new budget language, the Department of Planning and Budget normally would approve this appropriation action based on the authority you have provided in the Appropriation Act.

The Honorable Janet D. Howell  
The Honorable Luke Torian  
May 11, 2021  
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As we continue to receive federal guidance and gain a better understanding of the *American Rescue Plan Act* (ARPA), there likely will be other similar funds that are so strictly controlled by the federal guidelines that the same interpretation may apply, and thus should be appropriated administratively to avoid delays in service delivery. The same might be true for any additional legislation that Congress and the President may adopt, such as an infrastructure funding bill. If we discover additional new federal grants that do not offer discretion over the use of the funds, I will notify you in advance if the Governor intends to direct the Department of Planning and Budget to administratively appropriate the relevant funding.

The Governor wants you to have the opportunity to object to his intended administrative action, so I ask that you respond to me in writing of your objection after you receive my communication of his intended action. If I don't receive a written objection by the fifth business day following that notice, I will instruct the Department of Planning and Budget to proceed with establishing the administrative appropriation.

This process preserves the legislative authority to appropriate discretionary federal funds as you intended while allowing the business of state agencies to continue where possible. Additionally, these non-discretionary items will be presented in the Governor's next budget (and/or any special session) for your legislative action.

Please let me know if you have any questions or concerns about my planned course of action.

Sincerely,

Aubrey L. Layne, Jr.

Enclosure

c: The Honorable Ralph S. Northam  
The Honorable Eileen Filler-Corn  
The Honorable Charnie Herring  
The Honorable Richard L. Saslaw  
The Honorable Mamie E. Locke  
Anne Oman  
April Kees  
Dan Timberlake

**Decision Brief**  
for  
The Honorable Ralph S. Northam

**Request:** The Virginia Employment Commission (VEC) requests administrative appropriation of all federal funds associated with paying and administering unemployment benefits extended under the American Rescue Plan Act (ARPA). These benefits are expected to approach and potentially exceed \$2.0 billion in the current fiscal year, FY 2021. Normally, authority for administrative appropriation of federal funds such as this is given to the Director of the Department of Planning and Budget through the general provisions of the appropriation act; however, the current appropriation act (Chapter 552, 2021 Acts of Assembly, Special Session I, enacted on April 7, 2021), contains provisions that appear to prohibit such administrative approvals and reserve the appropriation authority for the General Assembly.

The authority to administratively appropriate these funds rests with the interpretation of the following appropriation act language expressing the General Assembly's intent to retain appropriation authority for: *"Any direct federal aid, approved by the U.S. Congress since January 1, 2021, that is provided to assist the Commonwealth with the revenue and economic impacts resulting from COVID-19..."*

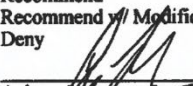
Based on conversations with the staff directors of the House Appropriations Committee and the Senate Finance and Appropriations Committee and the legislative leadership including the Chairpersons of these committees, the consensus appears to be that the General Assembly's intent was to retain legislative prerogative over the appropriation of any federal stimulus funds that might be of a discretionary nature. The attached document (Appropriation of Federal Unemployment Claims) was sent to the staff directors on March 26, 2021, as a means to facilitate these discussions.

Accordingly, this language would not apply to the appropriation of federal unemployment benefits since these funds may only be used for the specific purposes established in federal law.

**Recommendation:** Based on the shared understanding that the appropriation act language was intended only to retain the General Assembly's legislative prerogative over the appropriation of any federal stimulus funds that might be of a discretionary nature, the Department of Planning and Budget recommends approval of the administrative appropriation increases requested by the VEC to carry out administration of specific federal unemployment benefit programs. Otherwise, the benefits that are due to qualified individuals will be delayed.

  
Daniel S. Timberlake, DPB Director 4/22/2021  
Date

**CONCURRENCE**

<p><b>Secretary of Commerce and Trade:</b></p> <p>Recommend <input checked="" type="checkbox"/></p> <p>Recommend w/ Modification <input type="checkbox"/></p> <p>Deny <input type="checkbox"/></p> <p>VIA EMAIL (ATTACHED) <span style="float: right;">04/23/2021</span></p> <p>Brian Ball <span style="float: right;">Date</span></p>	<p><b>Secretary of Finance:</b></p> <p>Recommend <input checked="" type="checkbox"/></p> <p>Recommend w/ Modification <input type="checkbox"/></p> <p>Deny <input type="checkbox"/></p> <p></p> <p>Aubrey J. Lyne, Jr. <span style="float: right;">4/22/2021 Date</span></p>
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**APPROVAL**

Approve       Approve w/Modification       Deny

Governor:  4/23/2021  
Date  
Ralph S. Northam