

COMMONWEALTH OF VIRGINIA

AMERICAN RESCUE PLAN ACT

STATE AND LOCAL FISCAL RECOVERY
FUNDS (SLFRF)

PRESENTATION TO HOUSE APPROPRIATIONS
COMMITTEE

SEPTEMBER 13, 2022



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

Overview of Presentation

- Reminder About Stimulus Funds Coming to Virginia
- Review of Purpose and Allowed Uses of Federal SLFRF Dollars
- Federal SLFRF Appropriation Decisions through June 30, 2022
- Summary of Agency Obligations and Expenditures through June 30, 2022
- Highlights from State Agency Feedback Survey

Stimulus Funds Coming to Virginia

- The Commonwealth has received in excess of \$100 billion from six different federal relief packages since March 2020 as well as the Infrastructure Investment and Jobs Act (IIJA).
- The **Coronavirus Relief Fund (CRF)** within the CARES Act and the **State and Local Fiscal Recovery Fund** within the American Rescue Plan Act (ARPA) are the two largest, flexible pots of federal funding available to the Commonwealth to address COVID-19 and its impact on Virginia communities.
- DOA is monitoring state agency expenditures from Virginia's \$4.3 billion SLFRF allocation from the ARPA and supporting them as they report quarterly programmatic and expenditure data.

How Can Federal ARPA/SLFRF Be Used?

Federal ARPA/SLFRF funds may be used to:

- Respond to the far-reaching public health and negative economic impacts of the pandemic, by supporting the health of communities, and helping households, small businesses, impacted industries, nonprofits, and the public sector recover from economic impacts
- 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 sectors
- Replace lost public sector revenue, using this funding to provide government services up to the amount of revenue lost due to the pandemic
- Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, to support vital wastewater and stormwater infrastructure, and to expand affordable access to broadband internet



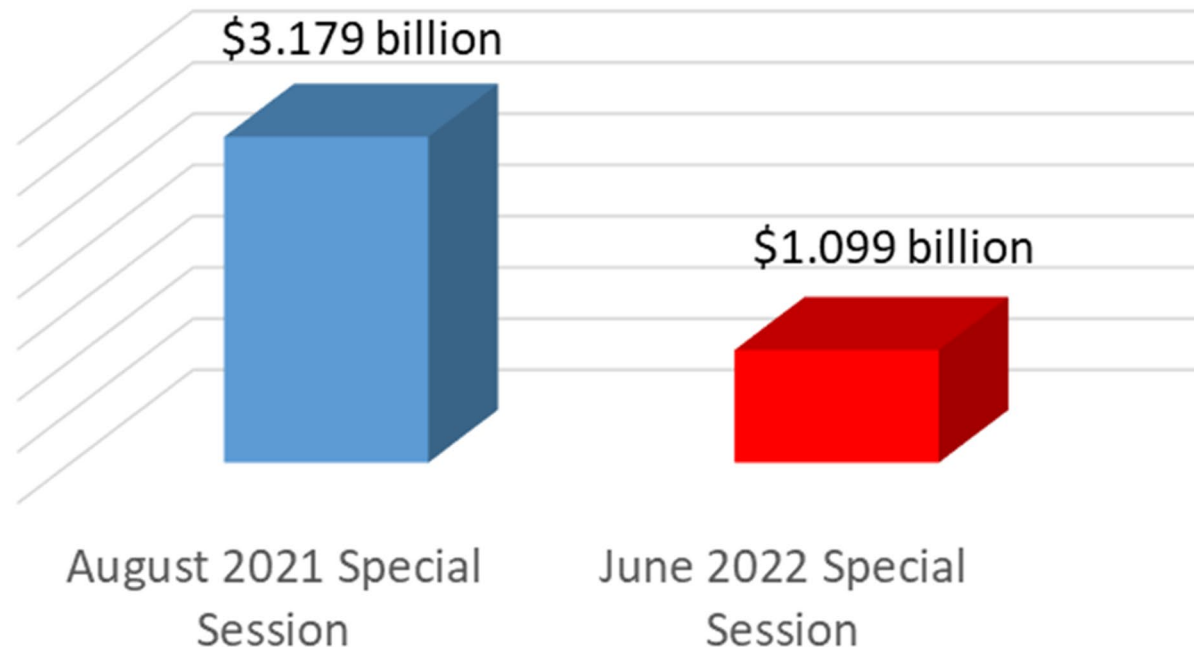
Funds must be obligated by December 31, 2024 and expended by December 31, 2026

Federal SLFRF Appropriations by Legislative Session

Nearly All Federal ARPA Funds
Have Been Appropriated

*Roughly \$15 million
from the SLFRF
remains
unappropriated.*

*Thirty-eight (38) state
agencies are currently
implementing 116
different projects.*

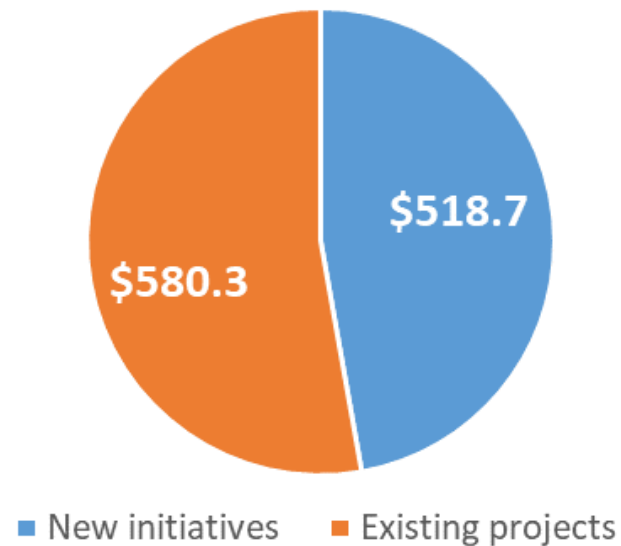


*Fourteen (14) state
agencies have begun
implementing 32
new projects effective July
1, 2022.*

Overview of Appropriations Approved During the 2022 Special Session in June

- The General Assembly approved \$1.099 billion in new federal SLFRF appropriations during the 2022 Special Session, split almost equally between new initiatives and existing projects.

2022 Special Session Appropriations
(Federal ARPA dollars in millions)



Overview of Appropriations Approved During the 2022 Special Session (cont'd)



Existing projects that received additional appropriations include:

- Combined sewer overflow projects for Richmond, Lynchburg, and Alexandria **(\$165 million)**
- VDH commitments to drinking water, modernization of the Department's administrative systems and electronic health records, and investments in behavioral health disorders **(\$141 million)**
- Rebuild Virginia **(\$130 million)**
- Ongoing salary increases for direct care staff at Virginia's state hospitals **(\$58 million)**



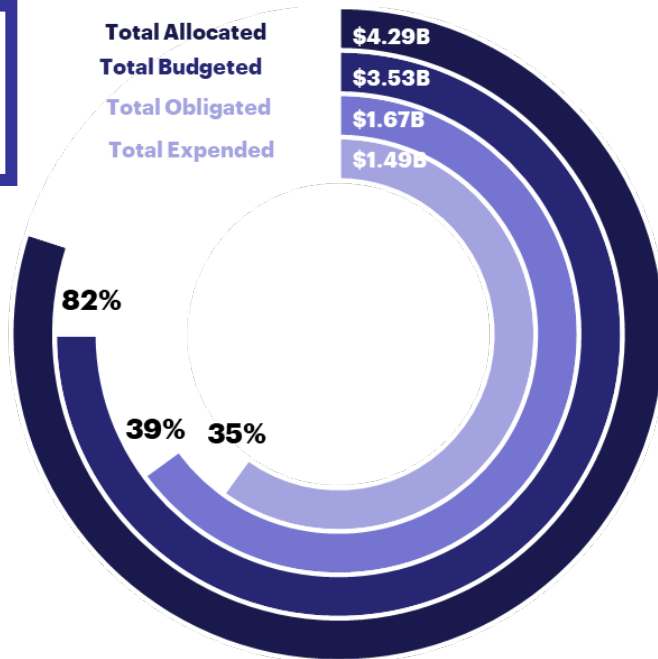
New initiatives authorized in the budget include:

- Pandemic bonus payments within the K-12 system **(\$130 million)**
- Wastewater treatment projects at DEQ **(\$76 million)**
- Grants to law enforcement for training, equipment and supplies **(\$75 million)**
- Funding for unreimbursed COVID-19-related costs at Virginia hospitals and resources to continue rate increases for community-based Medicaid waiver service providers **(\$72 million)**

Summary of Agency Obligations and Expenditures through June 30, 2022

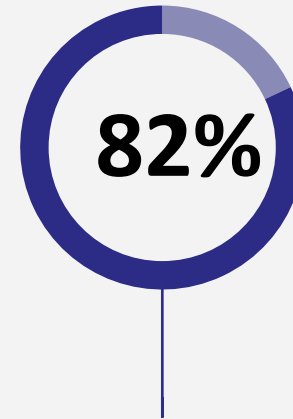
VA Progress in Utilizing SLFRF Award

Only \$3.1 billion was appropriated during August 2021 Special Session.



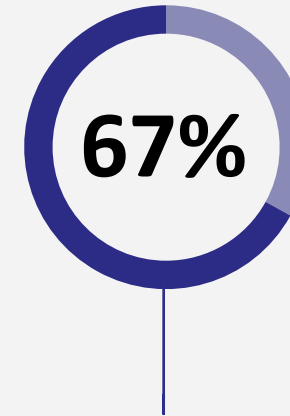
\$173.4 M obligated in the quarter ended June 30, 2022
\$185.6 M expended in the quarter ended June 30, 2022

Agency-Level Analysis

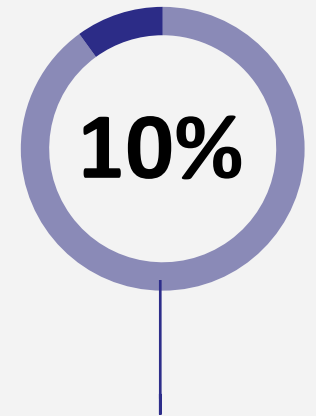


Out of 38 agencies, 82% (or 31 agencies) have obligated and/or expended funds

Project-Level Analysis



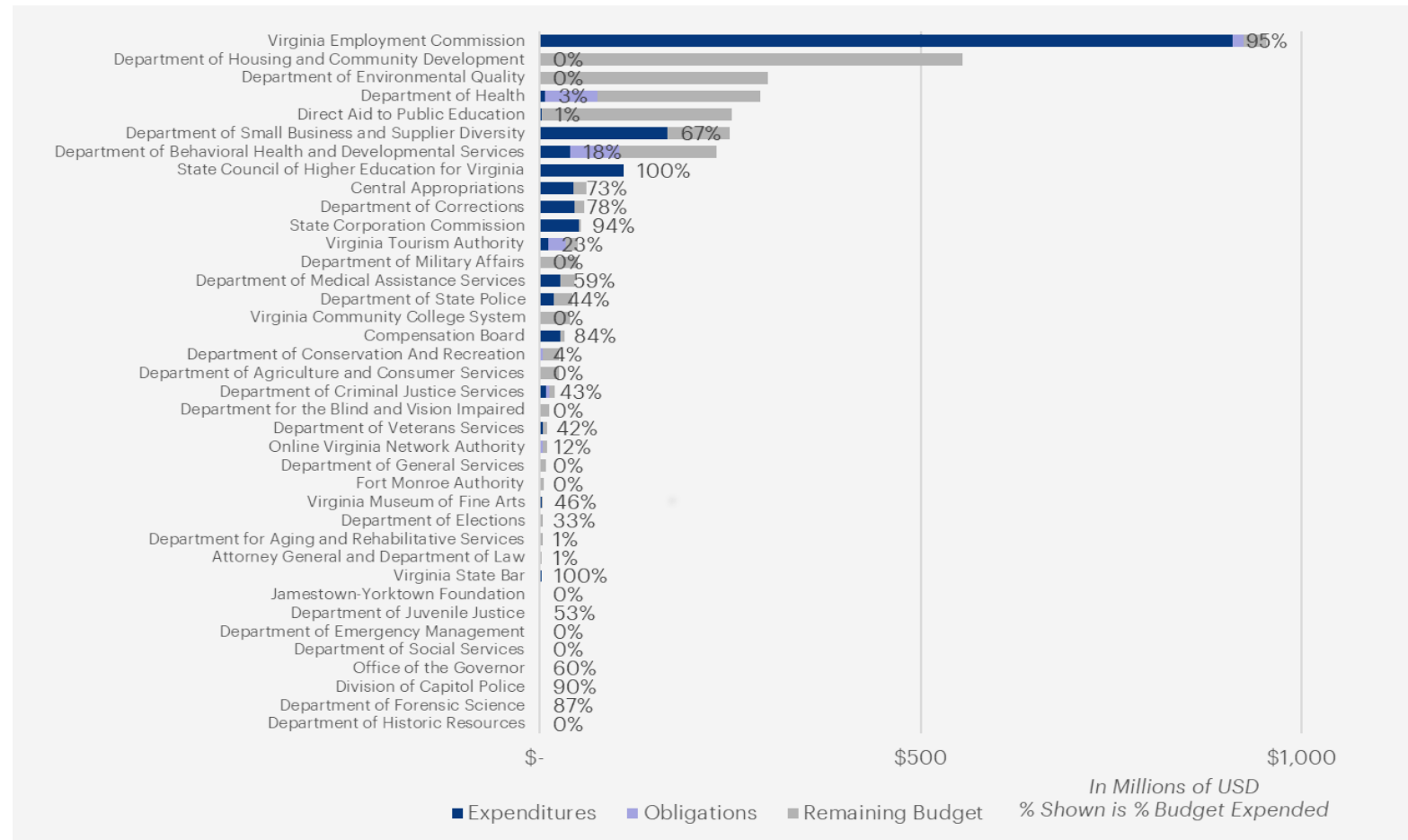
Out of 116 projects, 67% (or 78 projects) have obligated and/or expended funds



Out of 116 projects, 10% (or 12 projects) have fully expended funds

Most Agencies Have Started Obligating and Expending Funds

Expenditures as a Portion of Total Budget by Agency



50% of agencies have expended at least 20% of their SLFRF budget

14 projects reported expenditures for the first time this reporting cycle

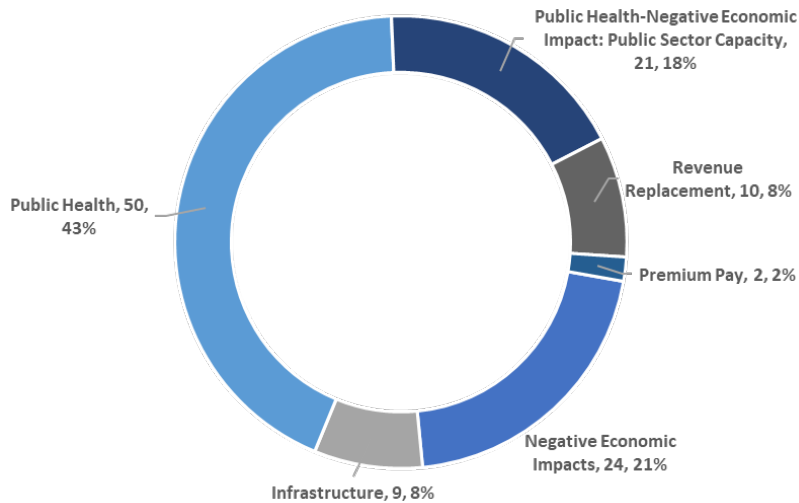
7 agencies have not yet reported obligations
(DBVI, VDACS, DEQ, DHCD*, VDSS, VCCS, Fort Monroe)

*DHCD has obligated funds but was unable to complete reporting on time.

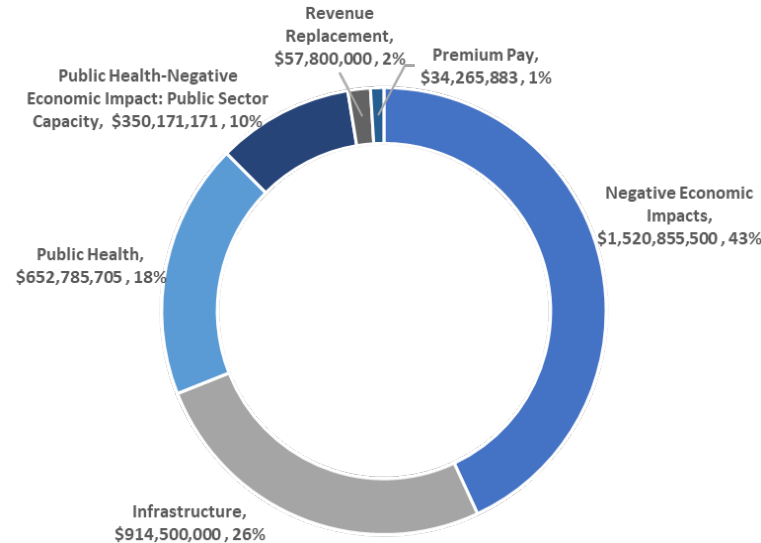
Note: The obligations reflect the difference between the cumulative obligations and cumulative expenditures.

Overview of Funded Projects

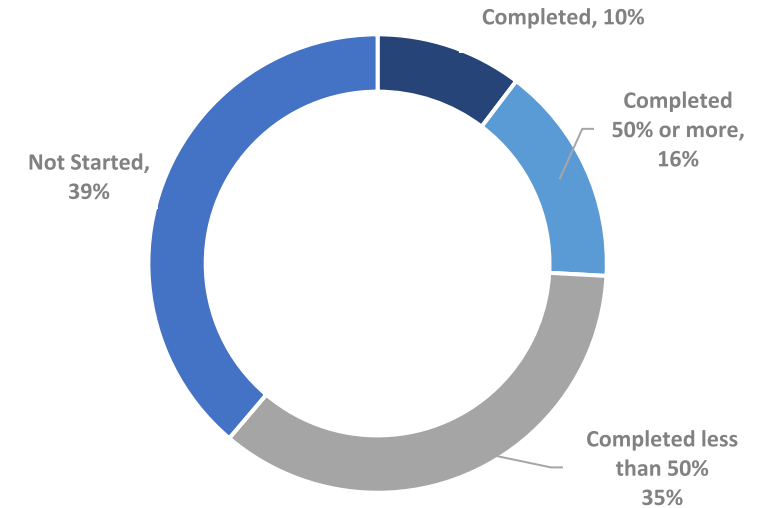
Project Expenditure Categories (EC) by their share in Total Number of Projects



Project Expenditure Categories by their share in Total Adopted Budget



Project Status of Completion



Charts based on projects as of 6/30/2022



Overall Key Takeaways:

- Virginia has projects in **6 out of 7 ECs**.
- **Public Health** is the EC with the higher number of projects, while **Negative Economic Impact** is the EC with higher percentage of budget
- **26%** of projects are completed or at least 50% completed



Number of Projects Key Takeaways:

- **Public Health** has the most projects (50).
- **Premium Pay** has the least amount of projects (2).

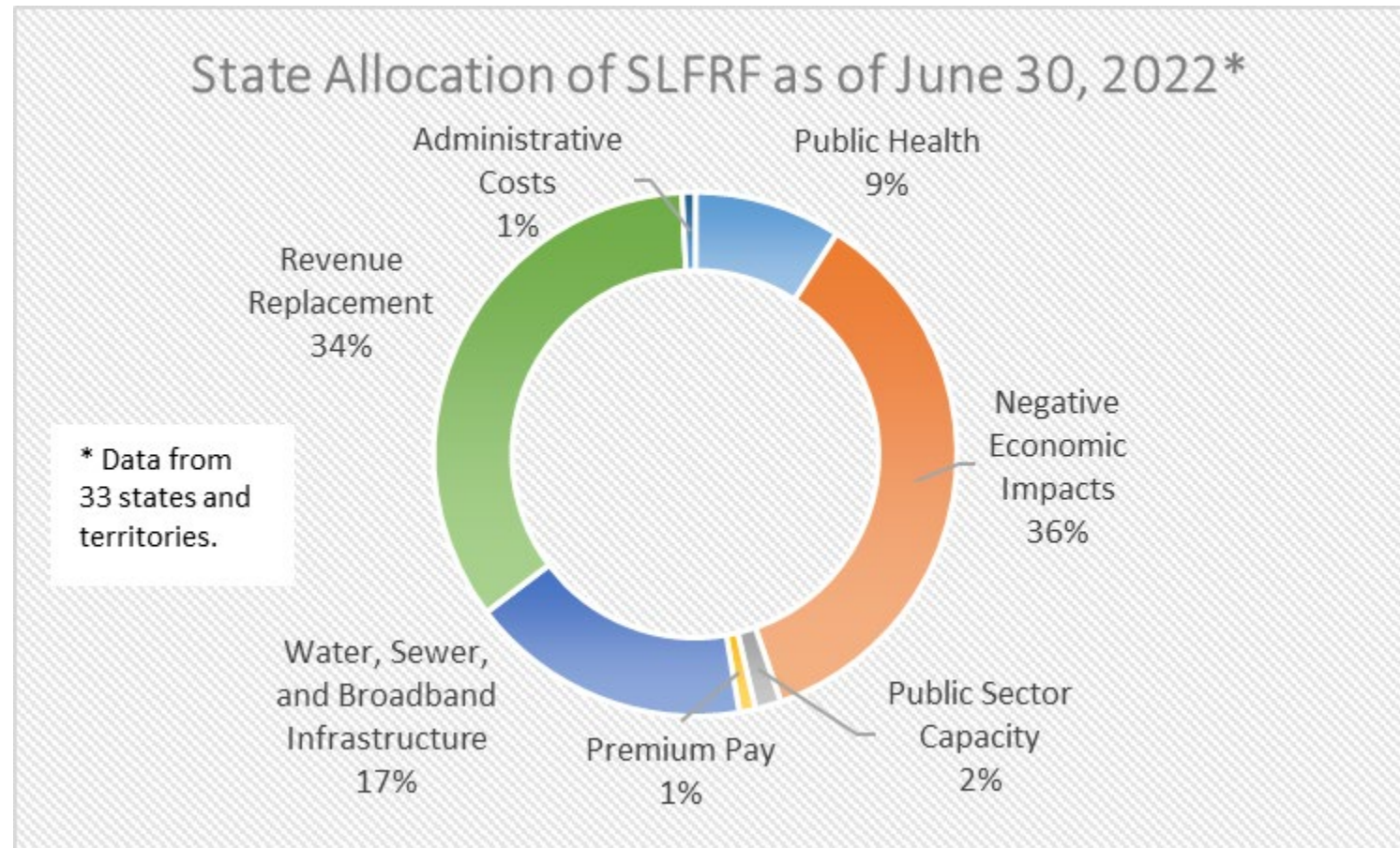


% of Funding Key Takeaways:

- **Negative Economic Impact** has the highest percentage of funding (43%).
- **Premium Pay** has the lowest percentage of funding (2%).

*Reflects \$3.53B budgeted for projects in the Special Session held August 2021.

Overview of Funded Projects in Other States



(Source: National Association of State Budget Officers, August 2022)

Results from Reporting and Feedback Survey of State Agencies



Supply chain issues (i.e., broadband and IT projects), staffing and workforce shortages, and internal administrative capacity (i.e., grants management) are impeding state agencies ability to execute SLFRF-funded projects.



Federal **reporting requirements** are burdensome, especially when modified late in the process



Proactive role taken by DOA to **support state agencies** has facilitated more efficient reporting

- Quarterly data was reviewed before submission to DOA
- Webinars were convened to remind state agencies about federal reporting requirements and apprise agencies about substantive changes to those requirements
- One-on-one assistance was provided to agencies requiring additional assistance

Summary

- State agencies are managing an unprecedented stream of federal funds with unique reporting requirements.
- In addition, agencies are implementing nearly 150 separate projects funded with \$4.3 billion from the State and Local Fiscal Recovery Fund within the American Rescue Plan Act.
- Supply chain issues, workforce shortages, changing reporting requirements, and the capacity of state agencies to manage federal grants appear to be contributing to delays in the rollout of funds.
- DOA will continue to provide support to state agencies to ensure timely and accurate programmatic and expenditure data is reported to the federal government and state officials.

Questions?



Virginia Department of Accounts

Photo by Karl Steinbrenner

Financial Accountability. Reporting Excellence.

Appendices



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

Federal ARPA/SLFRF Expenditure Categories

- 1) **Public Health** – Activities in direct response to COVID-19 (testing, vaccination, PPE), prevention efforts, capital investments to improve public health, behavioral health services, and more.
- 2) **Negative Economic Impacts** – Services to respond to the negative economic impacts of the pandemic, including for households, small businesses, nonprofits, and impacted industries.
- 3) **Public Health - Negative Economic Impact: Public Sector Capacity** – Supports for public sector workforce and capacity, including public sector payroll and benefits for public health, public safety and human services workers, rehiring public sector staff, and bolstering capacity to improve service delivery or administrative needs.
- 4) **Premium Pay** – Premium pay to essential workers in the public sector or through grants to private employers.
- 5) **Water, Sewer and Broadband Infrastructure** – Projects addressing wastewater, sewer infrastructure, water conservation, drinking water infrastructure, sewer infrastructure, and broadband.
- 6) **Revenue Replacement** – Funds used for the provision of government services or as a required non-federal match for other federal programs, available up to the calculated revenue loss of the state/territory using Treasury’s formula.
- 7) **Administrative Costs** – Expenses associated with administering the SLFRF program, as well as transfers to other units of government.