

COMMONWEALTH OF VIRGINIA

AMERICAN RESCUE PLAN ACT

STATE AND LOCAL FISCAL RECOVERY FUNDS (SLFRF)

PRESENTATION TO SENATE FINANCE & APPROPRIATIONS
COMMITTEE

MAY 16, 2023



Virginia Department of Accounts

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Overview of Presentation

- Reminder About Federal SLFRF Dollars Received by Virginia
- Review of Purpose and Allowed Uses of Federal SLFRF Dollars
- Federal SLFRF Appropriations, Obligations and Expenditures through March 31, 2023
- Comparing Virginia to Other States
- Highlights from State Agency Feedback Survey

Federal SLFRF Dollars Received by Virginia

- The State and Local Fiscal Recovery Fund within the American Rescue Plan Act (ARPA) is the largest, most flexible pot 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?

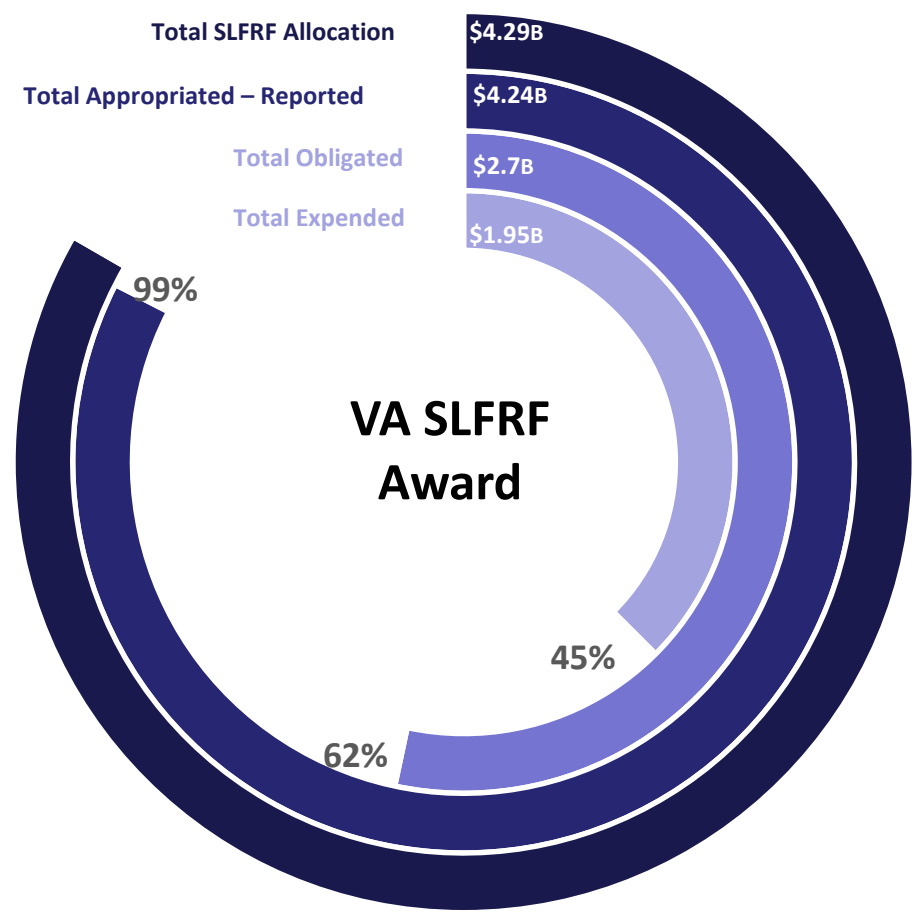
Federal ARPA/SLFRF funds may be used to:

- 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, Obligations and Expenditures through March 31, 2023



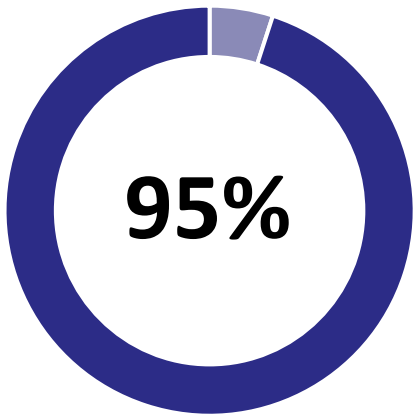
42

Forty-two (**42**) state agencies are currently implementing **148** different projects

\$15M

Roughly **\$15 million** from the SLFRF remains unappropriated (*discrepancies between this figure and reported figure are due to pending amendments*)

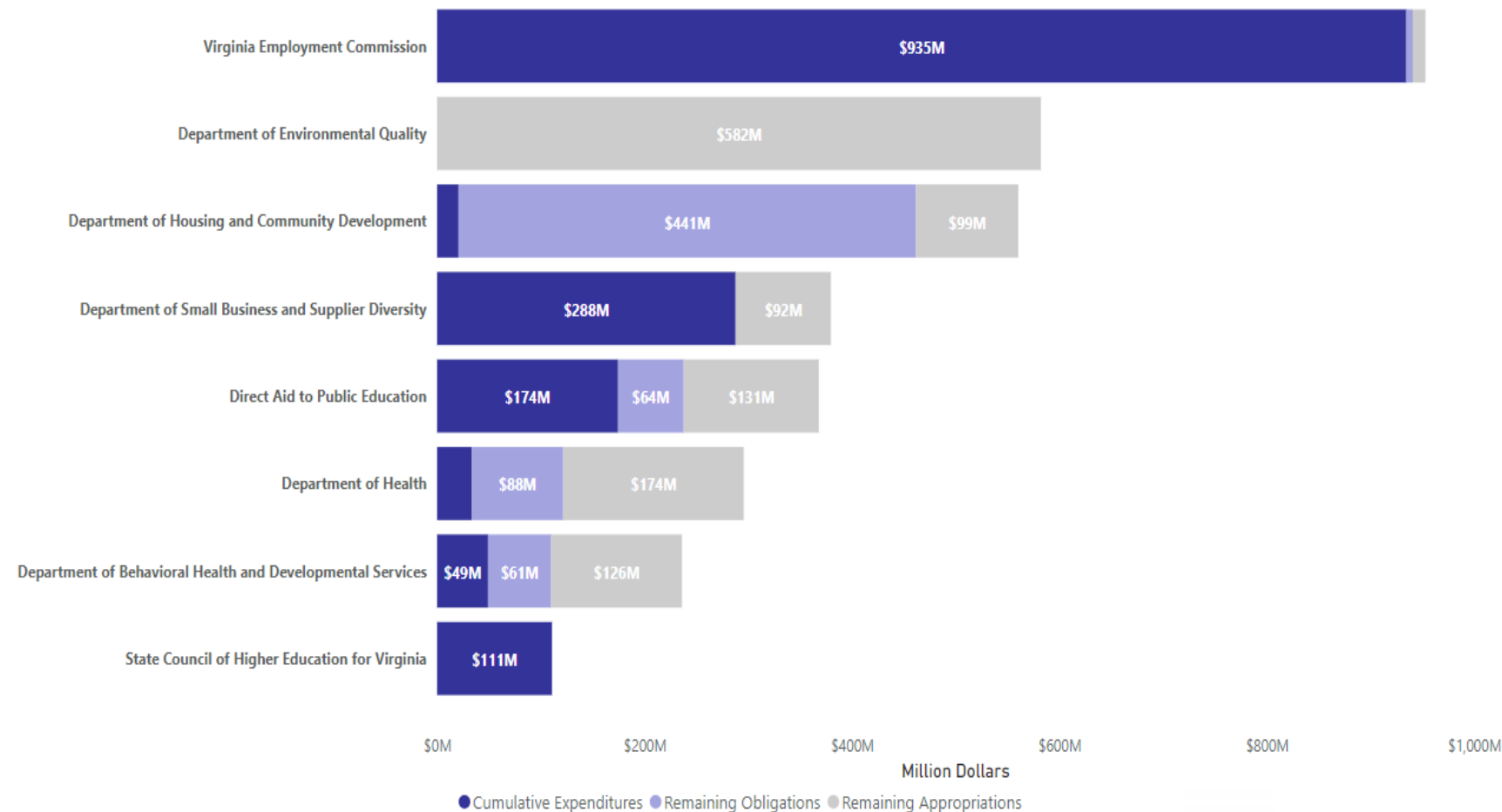
Agency Status



Out of **42** agencies, **95%** (40 agencies) have **expended and/or obligated funds**

Overview of Virginia's Largest Projects

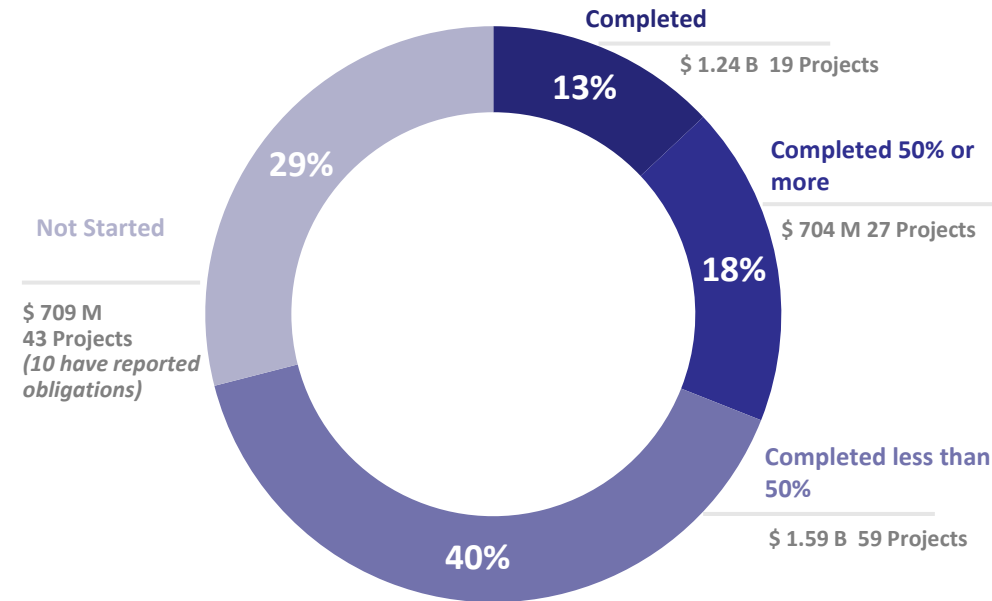
Agencies' Cumulative Expenditures and Remaining Obligations Towards
Adopted Budget*



*Note: Agencies with Adopted Budget equal to or greater than \$100M

SLFRF Project Status

VA SLFRF March 2023 Project Completion Status



Overall Key Takeaways:

- **2 agencies** have not yet reported obligations (DEQ, EVMS)
- **15 projects** reported expenditures for the first time this reporting cycle

Project Completion Status Key Takeaways:

- **102 out of 148** projects (69%) are less than 50% completed or not started yet

Comparison to Other States

On average, as of December 2022, states had 73% of their allocations budgeted, 49% of their allocations obligated, and 33% of their allocations expended. This is how Virginia compares:

Allocation Budgeted:

- VA ranks **13th** among the 50 states + Washington DC
- VA has **95%** of its allocation reported as budgeted

Allocation Obligated:

- VA ranks **20th** among the 50 states + Washington DC
- VA has **58%** of its allocation reported as obligated

Allocation Expended:

- VA ranks **13th** among the 50 states + Washington DC
- VA has **43%** of its allocation reported as expended

Note: Treasury publicly reported quarterly data lags, so data on this slide is as of December 2022.

Results from Reporting and Feedback Surveys 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 and Accenture to **support state agencies** has facilitated more efficient reporting

- Accenture reviews quarterly data before submitted 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 has been 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?



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Photo by Karl Steinbrenner

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Appendices



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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. Reporting requirements are not as detailed and burdensome as other expenditure categories.
- 7) **Administrative Costs** – Expenses associated with administering the SLFRF program, as well as transfers to other units of government.

ARPA FLEX Overview

In December 2022, Congress included SLFRF and Disaster Relief Flexibility Act (ARPA FLEX) as an amendment to the FY23 omnibus appropriations bill.

ARPA FLEX allows greater flexibility for larger governments receiving more than \$10 million, as many have only obligated under a quarter of their SLFRF allocations.		
	Cap for amount spent on new purposes: the greater of \$10 million or 30% of grant amount.	<div>New eligible grant expenditures under ARPA FLEX:</div>
	These funds must supplement , not supplant, local budgeted spending.	
	The amendment does not include any new spending mandates or conditions that would elevate the risk of claw back of grant funds.	
	Additional guidance from the U.S. Department of Treasury is expected.	
		Spending to provide emergency relief from natural disasters, including temporary emergency housing, food assistance, financial assistance for lost wages, or other immediate needs
		Spending on transportation infrastructure eligible projects and matching funds
		Spending on any program, project, or service that would also be eligible under HUD's Community Development Block Grant program