

COMMONWEALTH OF VIRGINIA

AMERICAN RESCUE PLAN ACT

STATE AND LOCAL FISCAL RECOVERY
FUNDS (SLFRF)

PRESENTATION TO SENATE FINANCE & APPROPRIATIONS
COMMITTEE

SEPTEMBER 17, 2024



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.

Overview of Presentation

- Federal SLFRF Dollars Received by Virginia
- Purpose and Allowed Uses of Federal SLFRF Dollars
- Federal SLFRF Appropriations, Obligations and Expenditures through June 30, 2024
- Redirection of Unobligated Funds
- Comparing Virginia to Other States

Federal SLFRF Dollars Received by Virginia

- The State and Local Fiscal Recovery Fund (SLFRF) 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
- Provide emergency relief from natural disasters or their negative economic impacts
- Support surface transportation projects, utilizing funds for eligible projects through three pathways
- Support Title I projects that are eligible activities under the Community Development Block Grant and Indian Community Development Block Grant programs

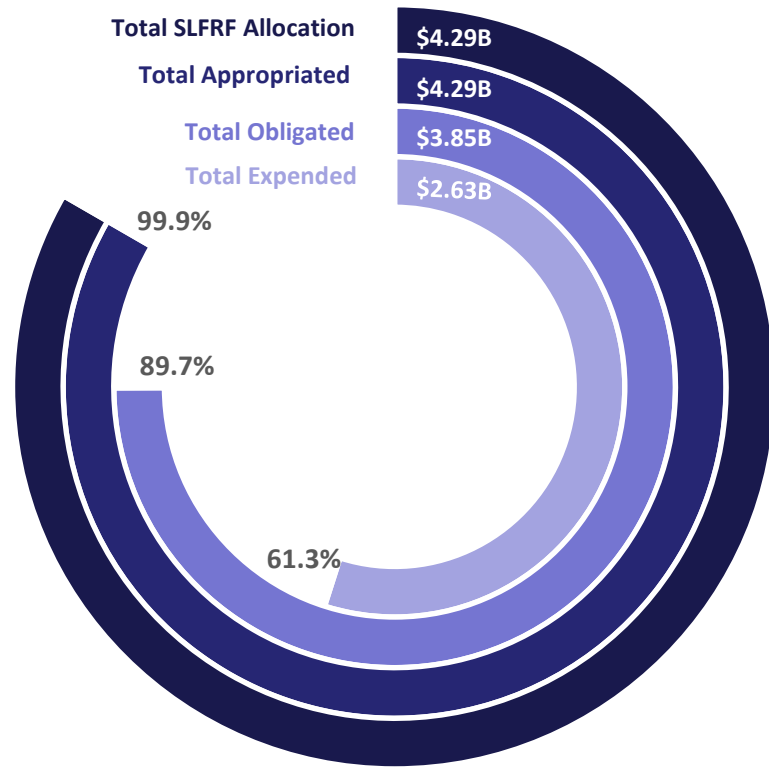


Funds must be obligated by December 31, 2024 and expended by December 31, 2026

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.
- 8) **Emergency Relief from Natural Disasters** – Expenses to support emergency relief from natural disasters or the negative economic impacts of natural disasters.
- 9) **Surface Transportation Projects** – Funds to support projects eligible under the 26 transportation programs specified in the Consolidated Appropriations Act, 2023.
- 10) **Title I Projects** – Supports activities that are eligible under the Community Development Block Programs.

Federal SLFRF Appropriations, Obligations and Expenditures through June 30, 2024

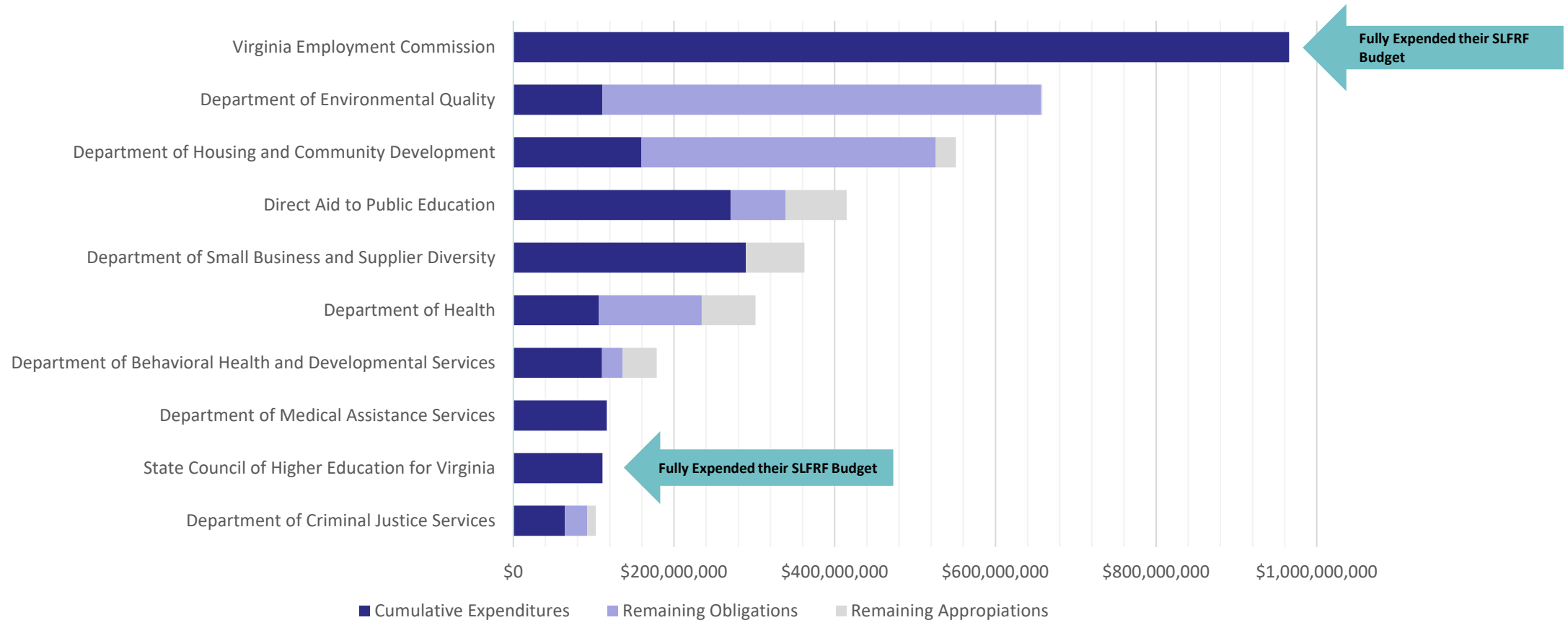


- 42** Forty-two (**42**) state agencies are currently managing **198** different projects
- \$441M** **\$441 million** from the SLFRF remains unobligated
- \$1.66B** Roughly **\$1.7 billion** from the SLFRF remains unexpended



Overview of Virginia's Largest Projects

Agencies With Adopted Budgets Over \$100M
Cumulative Expenditures and Remaining Obligations Towards Adopted Budget



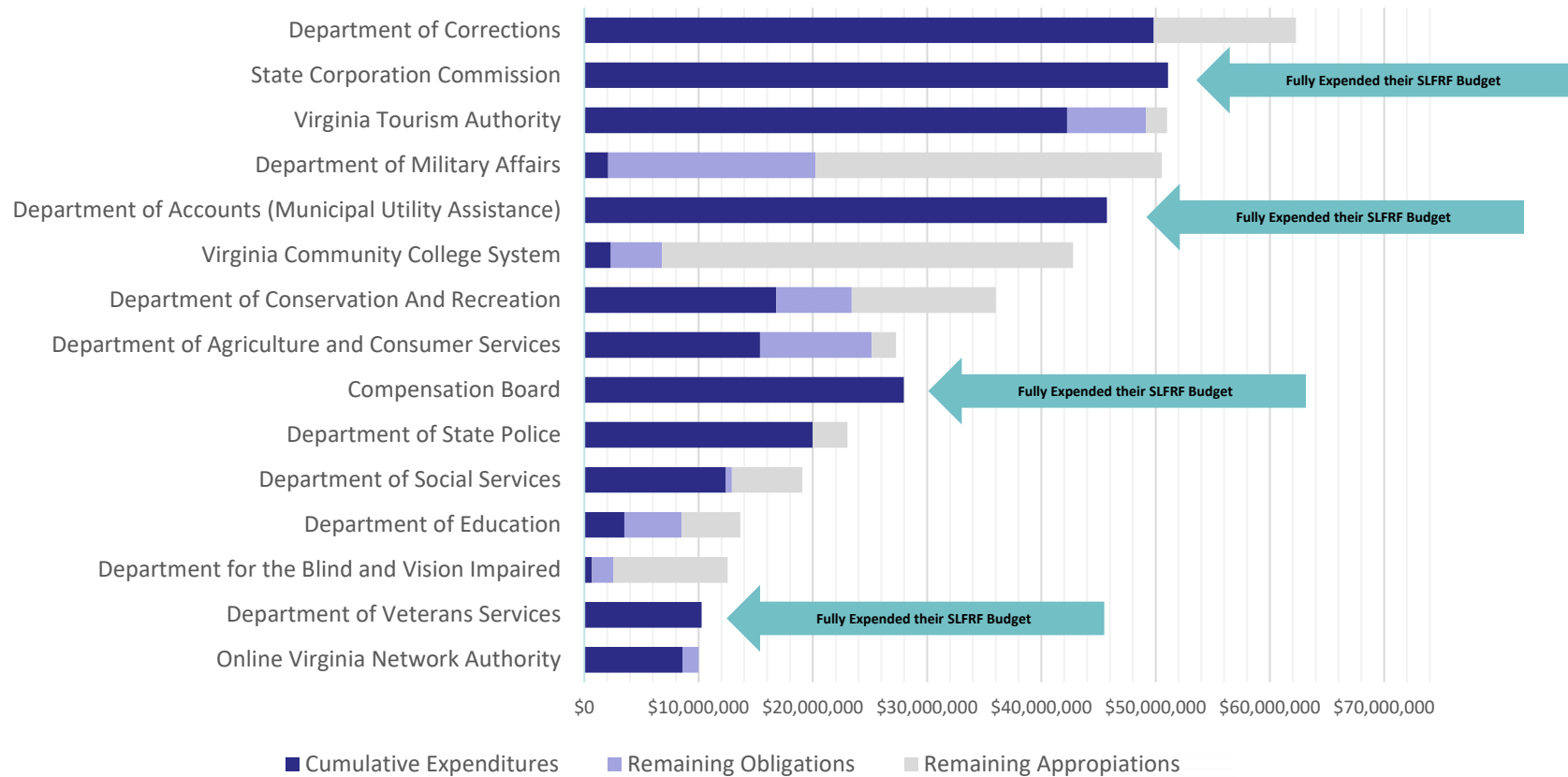
VEC, SCHEV, SCC, DOA (Municipal Utility Assistance), Compensation Board, DVS, VSB, Secretary of Finance, DCP, Office of the Governor, DHR, and DFS have fully expended their SLFRF budget.



DMAS has expended more than 98% of their SLFRF budget.

Agencies Obligation and Expending Progress

Agencies With Adopted Budgets Between \$10 and \$100M
Cumulative Expenditures and Remaining Obligations Towards Adopted Budget



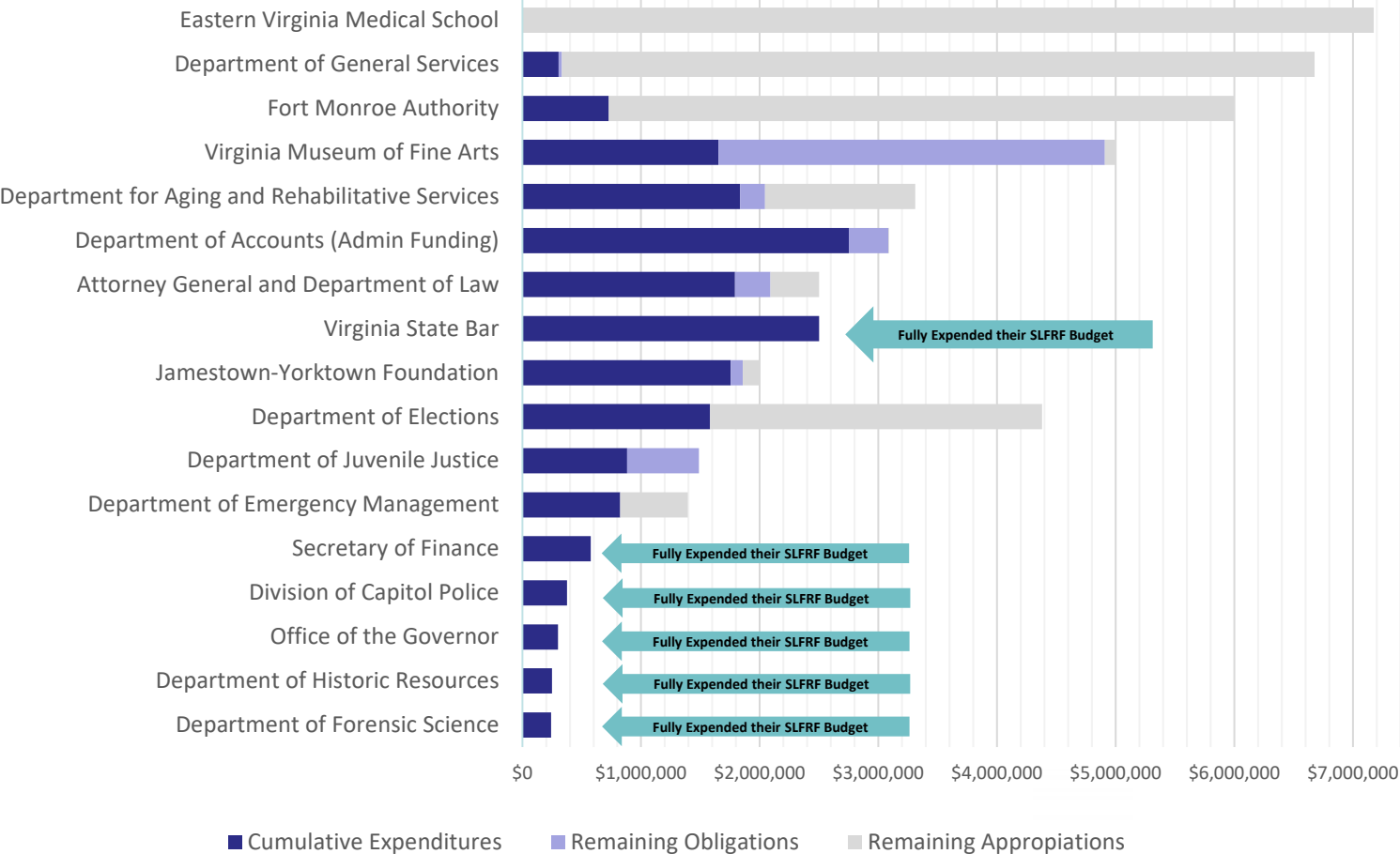
On average, agencies have **obligated 89.7%** of their SLFRF budget.



35 out of 42 (or 83.3%) agencies have obligated more than **50%** of their SLFRF budget.

Agencies Obligation and Expending Progress

Agencies With Adopted Budgets Less than \$10M
Cumulative Expenditures and Remaining Obligations Towards Adopted Budget



Redirecting Unobligated Funds

Item 472	First Year - FY2025	Second Year - FY2026
Disaster Planning and Operations (72200)	\$0	\$0

1. Agencies must ensure compliance with all use, documentation, and reporting requirements established in state and federal guidelines and laws for the use of revenues from the State and Local Fiscal Recovery Fund (SLFRF) pursuant to the American Rescue Plan Act of 2021 (ARPA).

2.a. Any previously authorized ARPA SLFRF capital project which has dollars remaining unobligated on December 1, 2024, as reported by the Department of Accounts, and which has been assigned a capital project code in the Cardinal Financial System as of March 1, 2024, shall return such unobligated funds to the State and Local Fiscal Recovery Fund (12110). For any previously authorized ARPA SLFRF project which does not have a capital project code in the Cardinal Financial System, any dollars remaining unobligated in such projects as of October 31, 2024, as reported by the Department of Accounts, shall be returned to the State and Local Fiscal Recovery Fund (12110).

b. From the amounts returned to the State and Local Fiscal Recovery Fund, up to \$3,000,000 from such amounts shall first be directed to the Virginia Tourism Authority (320) to support accelerating inbound visitor demand through a paid media advertising campaign. The Virginia Tourism Authority shall use \$400,000 of these funds for a targeted advertising campaign to promote Virginia wineries and state parks. For any amounts returned after the initial \$3,000,000, up to \$169,898,356 shall be directed to Direct Aid for Public Education (197) to be used to supplement funding for the Child Care Subsidy Program included in Item 125.10.

3. Any amounts that exceed the thresholds established in the previous paragraph shall be directed to the Department of Environmental Quality (440) to be used to support the Enhanced Nutrient Removal Certainty program. If the Department of Environmental Quality, in consultation with the Department of Planning and Budget, determines that all or a portion of such amounts cannot be obligated by the obligation deadline established by the United States Department of the Treasury, the excess amount shall be directed to Direct Aid for Public Education (197) to supplement funding for the Child Care Subsidy Program.

4. For any ARPA-SLRF-funded ventilation improvement grants issued pursuant to Chapter 1, Item 479.20 B.2.h.1, 2021 Special Session II, school boards shall obligate such funds no later than July 1, 2024.

Comparison to Other States

On average, as of March 2024, states had 95% of their allocations budgeted, 84% of their allocations obligated, and 47% of their allocations expended. This is how Virginia compares:

Allocation Budgeted:

- VA ranks **15th** among the 50 states
- VA has **100%** of its allocation reported as budgeted

Allocation Obligated:

- VA ranks **18th** among the 50 states
- VA has **90%** of its allocation reported as obligated

Allocation Expended:

- VA ranks **19th** among the 50 states
- VA has **61%** of its allocation reported as expended

Note: Treasury publicly reported quarterly data lags, so data on this slide is as of March 2024.

Summary

- State agencies are managing an unprecedented stream of federal funds with unique reporting requirements.
- In addition, agencies are implementing nearly 198 separate projects funded with \$4.3 billion from the State and Local Fiscal Recovery Fund within the American Rescue Plan Act.
- 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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