VIRGINIA HOUSE
APPROPRIATIONS
COMMITTEE
CHAIRMAN LUKE E. TORIAN

Virginia's American Rescue Plan Act (ARPA) Funding

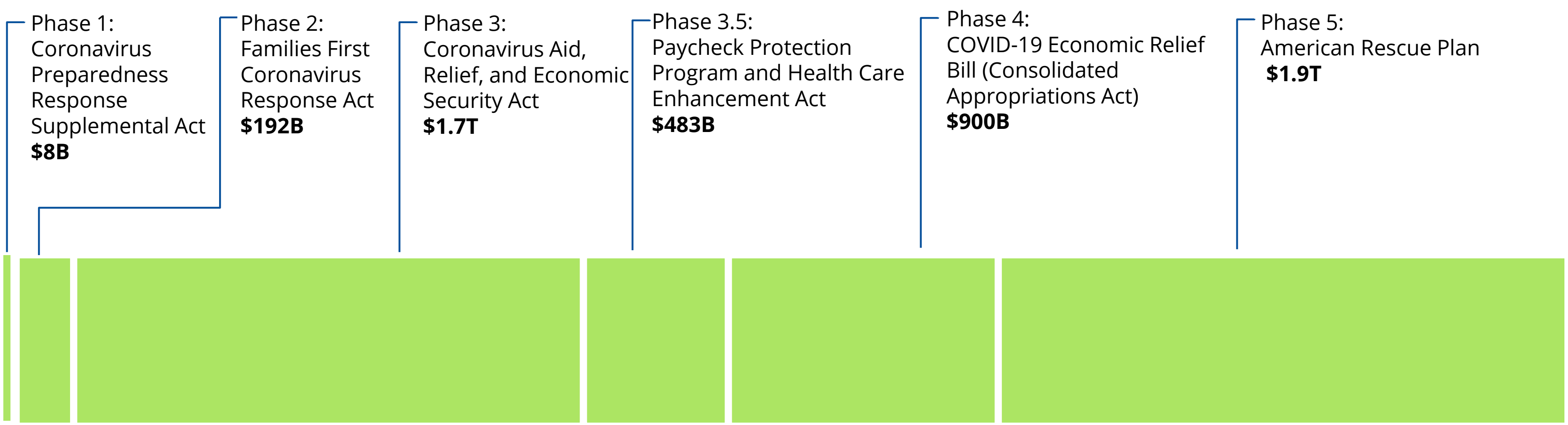
June 23, 2021

Prepared by House Appropriations Committee Staff

FEDERAL STIMULUS FUNDING OVERVIEW

Enacted COVID-19 Relief Funding

TOTAL FUNDING: $5.2 TRILLION



Timeline of Federal COVID-19 Actions

- **March 06** — Coronavirus Preparedness and Response Act Signed
- **March 13** — National State of Emergency Declared
- **March 18** — Families First Coronavirus Response Act Signed
- **March 27** — Coronavirus Aid, Relief, and Economic Security Act Signed
- **April 24** — Paycheck Protection Program and Health Care Enhancement Act Signed

Timeline of Federal COVID-19 Actions

August 10 — Executive Orders Issued by President Trump

Dec. 27 — Coronavirus Response and Relief Supplemental Appropriations Act Signed

Jan. 21 — Executive Orders Issued by President Biden

Feb. 24 — National State of Emergency Extended

March 11 — American Rescue Plan Signed

Major Provisions of Federal COVID-19 Stimulus Bills and Orders

Coronavirus Preparedness and Response Supplemental Appropriations Act (CPRSA)

- COVID-19 Mitigation
- Vaccine Development

Families First Coronavirus Response Act (FFCRA)

- Free COVID-19 Testing and Waivers
- Paid Sick Leave for COVID-19 and Employer Tax Credit to Cover the Costs
- Unemployment Insurance Funding

Coronavirus Aid, Relief, and Economic Security Act (CARES)

- Direct Payments (Individual Stimulus Checks)
- Federal Unemployment Insurance Programs and Supplemental Benefit Checks ($600/week)
- Direct Government Lending to Companies ($500B)
- Paycheck Protection Program and Expanded Injury Disaster Loan Program
- Hospital and Health Care Provider Assistance
- Coronavirus Relief Funding for States and Localities
- K-12 and Higher Education Support

Major Provisions of Federal COVID-19 Stimulus Bills and Orders

Paycheck Protection Program and Health Care Enhancement Act (PPP)

- Paycheck Protection Program Funding
- Hospital Assistance
- COVID-19 Testing

Trump Executive Orders

- Lost Wage Assistance Program (Supplemental Unemployment Benefits $300/week)
- Moratorium on Payments and Interest on Federal Student Loans
- Payroll Tax Holiday
- Extend Federal Protections for Evictions

Coronavirus Response and Relief Supplemental Appropriations Act (CCRRSA)

- Direct Payments (Individual Stimulus Checks)
- Federal Unemployment Insurance Programs and Supplemental Benefit Checks ($300/week)
- Paycheck Protection Program and Expanded Injury Disaster Loan Program
- Shuttered Venue Operators Support
- Testing, Contract Tracing, and Vaccine Distribution Assistance
- Emergency Rental Assistance
- Airline and Transportation Support
- K-12 School and Higher Education Support

Major Provisions of Federal COVID-19 Stimulus Bills and Orders

American Rescue Plan Act (ARPA)

- Direct Payments (Individual Stimulus Checks)
- State and Local Fiscal Recovery Funding, and Capital Projects Funding
- Child Tax Credit Enhancement
- Federal Unemployment Insurance Programs and Supplemental Benefit Checks ($300/week)
- K-12 and Higher Education Assistance
- Emergency Rental Assistance
- Testing, PPE, and Vaccine Distribution Support
- Airline and Transit Support
- Direct Small Business Assistance to Restaurants
- Operational Assistance for Child Care Providers
- Paycheck Protection Program Investment (Likely Final Program Investment)

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY PROGRAM

ARPA Coronavirus State and Local Fiscal Recovery Program

- National Perspective:
  - $350 billion to help states, counties and cities
    - More flexible than CARES Act Coronavirus Relief Fund (CRF)
    - State and local governments have until December 31, 2024 to obligate the funds
    - Can be used to replenish revenue losses
    - Regulatory guidance issued by U.S. Treasury
    - $195.3 billion to states and DC
    - $130.2 billion to local governments - Includes direct distributions to counties, metropolitan cities and towns
  - $10 billion for Coronavirus Capital Projects Fund
  - Remainder to territories and tribal governments

Guidelines and Timelines

- Unlike prior relief legislation, funds appropriated under the ARPA have multi-year availability
- The State and Local Aid is available for obligation through December 31, 2024 – halfway through state FY 2025
- Guidance governing uses of state and local aid were made available on May 10
- Legislation states that the state and non-entitlement local aid allocations available 60 days after state certification
- Based on Virginia's increase in unemployment, the Commonwealth will receive all state funds in one tranche

Virginia's Share of State and Local Funding

- Total of more than $7.4 billion for Virginia and its localities
  - $4.29 billion to the Commonwealth
  - $2.91 billion to Virginia' localities
    - $618 million to metro cities (direct allocation)
    - $1.66 billion to counties (direct allocation)
    - $634 million to other non-counties ("non-entitlement" localities – towns with less than 50k population)
  - $221.7 million for the State Capital Projects Fund

Coronavirus State and Local Fiscal Recovery Funds

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

Aid to Counties and Cities

- Aid to counties totals $1.66 billion
  - Distributed directly to counties based on relative population
  - Hold-harmless provision for “Urban Counties” to receive at least as much as they would under the existing CDBG formula
- Aid to cities totals $618 million
  - A city within a metropolitan area with a population of 50,000 or more, or is the central city of a metropolitan area
  - Distributed directly to cities, using the Community Development Block Grant (CDBG) formula, but modified to substitute “all metropolitan cities” for “all metropolitan areas”
- Funds are distributed directly to the localities (except for “non-entitlement units)
- Funds are distributed for localities in two tranches – one this May and the second one year later

Coronavirus Local Fiscal Recovery Funds

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
- 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

Capital Projects Fund

- Virginia allocation: $221.7 million
  - Based on $500 million base amount for each state and the state's share of the unemployed nationally for the three-month period ending December 2020
  - Must be obligated by December 31, 2024
- Purpose of the funding is for critical capital projects to directly enable work, education, and health monitoring, including remote options, in response to the public health emergency
- Types of infrastructure are largely limited to broadband, water and sewer

Eligible Uses

Public Health Response	Negative Economic Impacts	Replace Public Sector Revenue Loss
✓ COVID-19 mitigation and prevention ✓ Medical expenses for COVID-19 patients ✓ Behavioral health care services ✓ Payroll for public health and safety staff ✓ Program improvement efforts ✓ Additional flexibility for health investments that serve the hardest-hit communities by the pandemic	✓ Assistance to unemployed workers for job training ✓ Household assistance (rent, food, repair, mortgage, utility, cash, weatherization) ✓ Small business grants/loans and supportive services ✓ Targeted help for specific industries (tourism, leisure, and hospitality) ✓ Program improvement efforts ✓ Additional flexibility for housing, education, childhood well-being investments that serve the hardest-hit communities by the pandemic	✓ Calculates revenue loss from Fiscal Year 2019 ✓ Alternative revenue calculated as the average of three years of revenue growth or 4.1% ✓ If actual state revenue exceeds alternative revenues, then funds cannot be used for revenue replacement ✓ Virginia will have limited capacity to use federal funds to replace lost revenues ✓ Revenue loss calculated at four points in time to determine state eligibility

Eligible and Ineligible Uses

Premium Pay for Essential Workers	Water, Sewer, & Broadband Infrastructure	Ineligible Uses
✓ For workers in healthcare, public health and safety, childcare, education, sanitation, transportation, and food service and production occupations and industries	✓ Water and sewer project eligibility aligned with project categories for the Environmental Protections Agency's Clean Water State Revolving Fund and Drinking Water State Revolving Fund	✓ Changes that use ARPA funds to offset net tax revenue reductions
✓ Pay must be additive to a worker's base pay	✓ Broadband projects must be in areas without access to speeds of 25/3 Mbps	✓ Payments into pension funds to reduce liabilities
✓ Premium pay can be up to $13 an hour and cannot exceed $25,000 per worker	✓ Broadband projects must deliver internet services with speeds of 100/100 Mbps	✓ Programs or services don't response to a public health or economic need cause by the pandemic
✓ Prioritizes premium pay for low-income workers	✓ Broadband investments are in additional to state investments from the federal Capital Projects Fund	✓ Investments found disproportionate to the need
✓ Pay can be retrospective and prospective for workers	✓ Reporting to Treasury on labor practices employed during a project (prevailing wage, project labor agreements, community benefit agreement)	✓ General infrastructure (other than broadband, sewer, or water projects) unless it responds to a specific public health or economic need
✓ Requires reporting for payments to third party employers		✓ Contributions to rainy day funds, financial reserves, or other savings funds
		✓ Debt service payments or costs related to the issuance of new debt

Disproportionately Impacted Communities

- Federal guidance allows ARPA state and local flexible funds to be used for broader public health and economic programming to support communities disproportionately impacted by the COVID-19 pandemic
- Federal guidance allows the programs and services to be determined in Qualified Census Tracts, which are census tracts in which 70% or more of the families have an income 80% or less than the statewide median family income
  - Services and programs can be delivered to populations, households, or communities outside a Qualified Census Tract as long as states can justify the services supports those disproportionately impacted by the pandemic

K-12 AND EARLY CHILDHOOD EDUCATION

K-12 Relief Has Been Significant

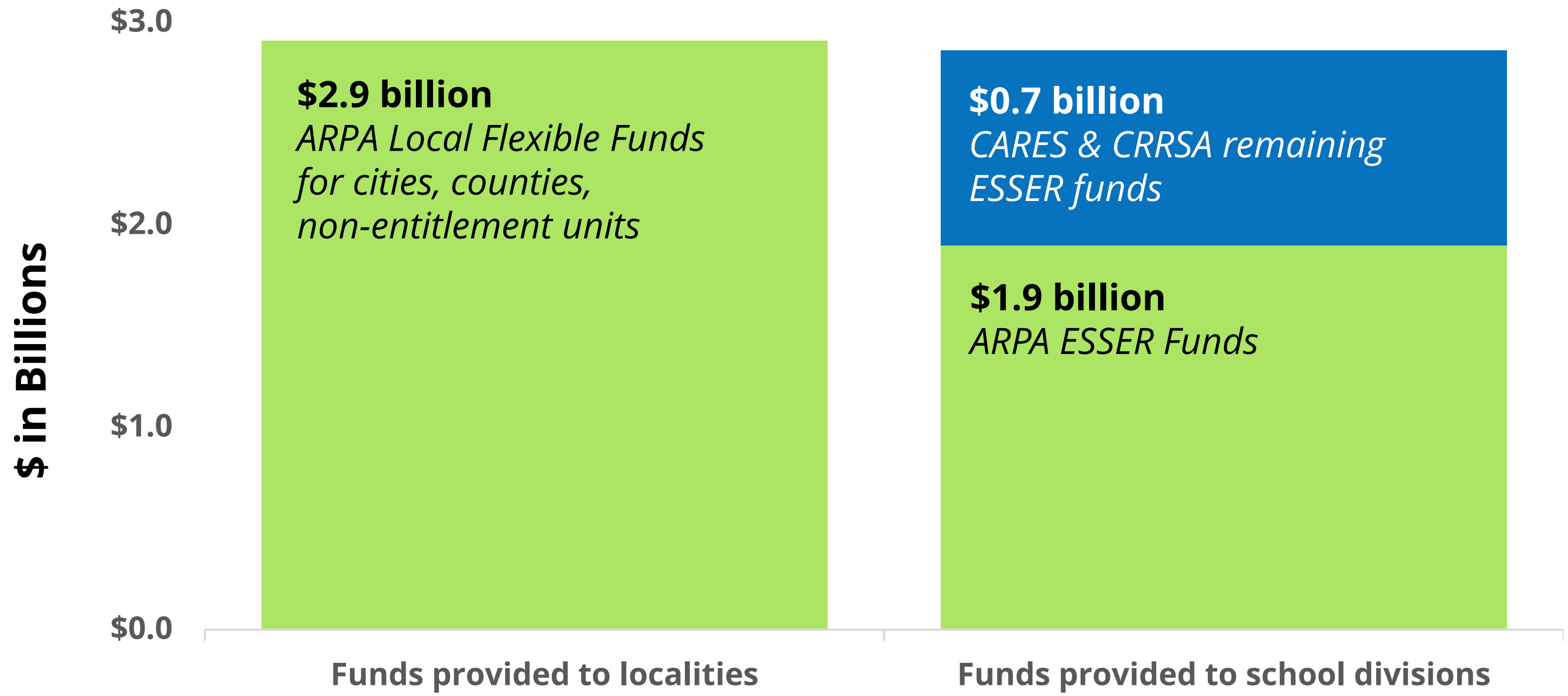
- ARPA provides $2.1 billion in dedicated K-12 relief for Virginia through ESSER
- **$3.1 billion of total federal K-12 relief provided to Virginia since March 2020 remains available** – including $257.7 million available for state allocation

$ in millions	**CARES** March 2020	**CRRSA** Dec. 2020	**ARP** March 2021	**Total**	**Remaining Available***
Federal Relief to School Divisions					
Elementary & Secondary School Emergency Relief (ESSER) *flexible funds*	$214.7	$845.4	$1,898.5	**$2,958.6**	**$2,862.9**
Coronavirus Relief Funds (CRF) *state-appropriated $175 per-pupil payment*	220.8	0	0	**220.8**	**0**
Total Local Relief	**435.5**	**845.4**	**1,898.5**	**3,179.4**	**2,862.9**
Federal Relief for State-Level K-12 Initiatives					
ESSER	23.9	93.9	210.9	**328.7**	**234.7**
GEER *shared between K-12 & higher ed*	66.8	30.0	0	**96.8**	**23.0**
Total State-Level Relief	**90.7**	**123.9**	**210.9**	**425.5**	**257.7**
TOTAL STATE & LOCAL RELIEF	**$526.2**	**$969.3**	**$2,109.4**	**$3,604.9**	**$3,120.6**

* Remaining available amounts include: (1) awarded funds that have not yet been reimbursed for local relief, and (2) unallocated amounts for state-level relief.

Local Fiscal Recovery Funds Available to Supplement K-12 Relief

- Localities and school divisions have access to comparable amounts of federal relief
- Localities may direct ARPA Local Flexible Funds to provide additional relief for public education



Federal Guidance on Using State & Local Flexible Funds for K-12

- Federal guidance clarifies how Virginia's $4.3 billion in ARPA State Flexible Funds and $2.9 billion in Local Flexible Funds may be used to address K-12 needs
- Eligible uses include programs or services that **address or mitigate the impacts of the pandemic on education and child health and welfare**

Examples provided include:

- New or expanded early learning services or childcare
- Assistance to high-poverty school divisions to address funding inequities
- Educational and evidence-based services to address academic, social, emotional, and mental health needs of students
- Home visiting and family engagement activities

Federal Guidance on Using State & Local Flexible Funds for K-12

Federal guidance includes other eligible uses for these funds that may benefit public education including:

- Increasing staffing to pre-pandemic levels
- Paid sick and family medical leave for public employees
- Programs facilitating access to **health and social services** including:
    - Assistance accessing or applying for public benefits or services
    - Lead remediation
    - Improvement to ventilation systems

Elementary & Secondary School Emergency Relief Funds (ESSER)

ARPA designates a portion of Virginia's $2.1 billion ESSER award to be reserved for specific purposes; however, a majority of ESSER funding remains discretionary

American Rescue Plan ESSER Funds	$ in millions
Minimum 90% of state award ($1,898.5 billion) passes through to school divisions	
Reservation: Minimum 20% to address learning loss	$379.7
Remaining discretionary funds	$1,518.8
Total local pass-through funds	**$1,898.5**
Maximum 10% of state award ($210.9 million) retained for statewide initiatives	
Reservations:	
• Minimum 5% to address learning loss	$105.5
• Minimum 1% for summer enrichment	$21.1
• Minimum 1% for afterschool programs	$21.1
• Maximum 0.5% for state administrative costs	$10.5
Remaining 2.5% discretionary funds	$52.7
Total state set-aside funds	**$210.9**
TOTAL Local pass-through & State set-aside funds:	**$2,109.5**

Elementary & Secondary School Emergency Relief Funds (ESSER)

American Rescue Plan ESSER Funds	
Availability	Funds must be obligated by September 30, 2024
Eligible uses	• Uses permitted through other federal education programs (ESSA, IDEA, Perkins, McKinney-Vento) • Activities supporting low-income students, students with disabilities, English learners, other subgroups • Learning loss, summer school & afterschool programs • Educational technology • Mental health supports • COVID-19 preparedness, response, cleaning • Facility improvements & repairs to support public health • HVAC maintenance & upgrades • Other activities that are necessary to maintain the operation of and continuity of services in local educational agencies and continuing to employ existing staff • Stabilizing and supporting educator workforce, including compensation
Maintenance of Effort & Equity	• <u>Effort:</u> State K-12 & higher education spending in FY 22 and FY 23 must be at least proportional to share of spending average from FY 17-19 • <u>Equity:</u> State shall not disproportionately reduce per pupil funding to high poverty school divisions in FY 22 or FY 23; School divisions shall not disproportionately reduce per pupil funding or staffing levels in any high poverty schools in FY 22 or FY 23
Other Requirements	• School divisions required to develop a plan to return to in-person instruction within 30 days of receiving allocation

Elementary & Secondary School Emergency Relief Funds (ESSER)

US DOE's FAQs address the use of ESSER funds for school construction and renovation:

- Funds may be used for:
  - COVID-19-related renovations, such as HVAC upgrades, window & door repair, social distancing-related space needs, replacing carpet with tile, etc.
  - Construction; however, US DOE discourages such use as it may limit support for other essential COVID-19 related needs and limited period of funding availability
- Projects must:
  - Comply with various federal requirements including: prevailing wage requirements, environmental & historic property impact assessments
  - Meet the overall purpose of the federal relief – "to prevent, prepare for, and respond to" COVID-19
  - Receive prior written approval from the state
- State is responsible for ensuring school divisions meet federal requirements
- Funds also may be used to purchase trailers or modular units to create classrooms meeting CDC social distancing guidelines

Other American Rescue Plan Education Relief Funds

Fund	Virginia's Allocation	Explanation
Emergency Assistance for Non-Public Schools	**$44.4 million** (in addition to $46.6 million from CRRSA)	• Non-public schools may apply to VDOE to access services or financial assistance • Funding targeted to schools serving low-income students and those most impacted by the pandemic
Supplemental IDEA Funding (Students with Disabilities)	**$77.6 million**	• Supplements existing federal allocation of about $400 million/year for special education IDEA funding
Students Experiencing Homelessness	**$13.8 million**	• Funds for identification of homeless children, wraparound services, and assistance needed to assist such students attend school • Virginia's existing federal allocation to support homeless students is about $1.9 million annually

Early Childhood Care & Education

Through the American Rescue Plan, Virginia will receive $793.5 million for early childhood care & education, in addition to $332.6 million provided in earlier relief packages

ARP also includes an increase in the Child and Dependent Care Tax Credit to up to $4,000 for one child or $8,000 for two or more children, and makes the credit fully refundable

Federal Relief for Virginia Child Care Providers	$ in millions
American Rescue Plan (March 2021)	
• Child Care Development Funds – uses to be determined	$304.9
• Stabilization grants to child care providers	$488.6
Total ARP Child Care Funds	**$793.5**
CARES Act (March 2020) and **CRRSA** (December 2020)	
• Stabilization grants to child care providers *($139.0 m. CCDF & $58.3 m. CRF)*	$197.3
• Other relief *(paid absence days, waived copayments, increased provider reimbursements)*	$16.6
• HB2206 Expand Child Care Subsidy Eligibility	$62.1
• HB2086/SB1316 Higher-Quality Care Pilot	$24.5
• Uses to be determined	$32.1
Total CARES/CRRSA Child Care Funds	**$332.6**

HIGHER EDUCATION

Virginia's Share of Higher Education Funding

	Direct Grants to IHE	Proprietary IHEs	Minority Serving IHEs	Hi Ed Improve. Fund	% of Nation
National	$36.0 b.	$395 m.	$3.0 b.	$198 m.	
Virginia	$845.9 m				2.14%

Distribution of Higher Ed Grant Funds	Share
Share of FTE enrollment of Pell Grant recipients (not exclusively virtual Pre-COVID) compared to total enrollment	37.5%
Headcount of Pell Grant recipients (not exclusively virtual Pre-COVID) compared total headcount	37.5%
Share of FTE enrollment of NON Pell Grant recipients compared to total enrollment	11.5%
Headcount of NON Pell Grant recipients compared to total headcount	11.5%
Share of virtual Pell Grant recipients	1.0%
Headcount of virtual Pell Grant recipients	1.0%

Higher Education Funding

- 50% of the funding must be used for aid to students
- Funding uses for the institution portion of the allocation can be used to address expenses associated with coronavirus, including replacing lost revenue, reimbursing expenses already incurred, covering technology costs associated with a transition to distance education, and reimbursing costs related to faculty and staff training and payroll costs
- The portion of funding that institutions receive based on Pell Grant recipients who are enrolled exclusively online must be entirely used for emergency student financial aid

HEALTH AND HUMAN RESOURCES

Public Health & COVID Response

$257.1 million for Epidemiology and Lab Capacity for School Testing

$50.2 million for Vaccine Activities

$50.9 million for State and Local Public Health Workforce

$22.6 million for Disease Intervention Workforce

$79.9 million for Community Health Centers

Added Federal Support for Nursing Facility Strike Teams & Infection Control

Other Human Services Funding

$90.2 million for Low Income Home Energy Assistance Program (LIHEAP)

$69.8 million for Mental Health and Substance Abuse Block Grants

$36.0 million for Aging Services

$19.2 million for SNAP State Administration

$15.7 million for Pandemic Emergency Assistance

$8.9 million for an Women, Infants and Children Cash Vouchers

$8.7 million for Child Abuse Prevention and Treatment Programs

$3.3 million for Family Violence and Prevention Services

Public Health & COVID Response

- COVID Vaccine Preparedness
  - $50.2 million for vaccine distribution, data enhancements, facility enhancements and public communications
- COVID Testing
  - $257.1 million for epidemiology and lab capacity for school testing
- Health Workforce
  - $50.9 million for state and local public health workforce
  - $22.6 million for disease intervention workforce
  - $1.0 billion nationally for National Health Services Corps physician state loan repayment programs & Nurse Corps loan repayment programs
  - $330 million nationally for graduate medical residency training programs at teaching health centers
- Community Health Centers
  - $79.9 million for COVID-19 vaccination, testing, and treatment; preventive and primary health care services to those at higher risk for COVID-19; and expand capacity
- Nursing Home Strike Teams
  - Nationwide funding of $500 million from Medicare and Medicaid
  - To be deployed to nursing homes with diagnosed or suspected cases of COVID-19 among residents or staff

Medicaid Provisions

- Medicaid COVID-19 Coverage for the Uninsured
  - Continued Medicaid coverage of COVID-19 vaccines and administration, and treatment without cost sharing for beneficiaries and uninsured
    - 100% federal funding
    - Extends to one year after the end of the Public Health Emergency
- Home and Community-based Services (HCBS)
  - Option to receive a 10% FMAP rate increase for activities that enhance, expand, or strengthen HCBS
    - Federal match is estimated to be between $250 and $300 million
    - Funding is based on the state's expected HCBS expenditures from April 1, 2021 to March 31, 2022
    - State savings from the increase match rate must be used in conjunction with the federal dollars
    - Funds can be used for 3 years through March 31, 2024
- Mobile Crisis Intervention Services
  - Option to receive an 85% FMAP rate to cover mobile crisis intervention services for individuals experiencing a mental health or substance use disorder crisis beginning April 1, 2022 for 5 years

Human Services Provisions

- Low-Income Home Energy Assistance Program
  - $90.2 million estimated
  - Funds available until September 30, 2022
- Pandemic Emergency Assistance
  - $15.7 million for TANF short-term benefits to children and families
  - Up to 15 percent can be used for state administration.
  - Funds available until September 30, 2022
- Aging Services
  - Estimated $36.0 million to provide senior nutrition programs, home and community-based support services, disease prevention, family caregiver support, adult protective services and ombudsman services
  - Majority of funds available through Sept. 2024, adult protective services funding available through Sept. 2023
- Water and Wastewater Assistance
  - $500 million nationally to states to assist low-income households with paying their water and wastewater bills

Human Services Provisions

- Family Violence and Prevention Services
  - $3.0 million estimated to Virginia for family violence prevention
  - $299,000 estimate for state domestic violence coalitions
  - Available through September 2025
- Child Abuse Prevention Programs
  - $6.2 million estimated for Virginia for community-based child abuse prevention grants to provide child abuse prevention services and improve child abuse investigations
  - $2.5 million estimated for Virginia to improve the child protective services system
  - Available through September 2023

Nutrition Provisions

- Supplemental Nutrition Assistance Program
  - Extends the 15% benefit increase through September 20, 2021 (was set to expire on June 30th)
  - Estimated to receive $19.2 million for administrative expenses through FY 2023
- Supplemental Nutrition Program for Women, Infants and Children (WIC)
  - Allows states to increase the amount of a cash-value voucher to as much as $35 per month for fruit and vegetable purchases by participants receiving food packages III-VII
    - Includes those with qualifying conditions requiring the use of infant formula, children ages 1-4, and pregnant, postpartum, and breastfeeding women
  - In effect for a four-month period ending not later than September 30, 2021
  - $8.9 million awarded to Virginia

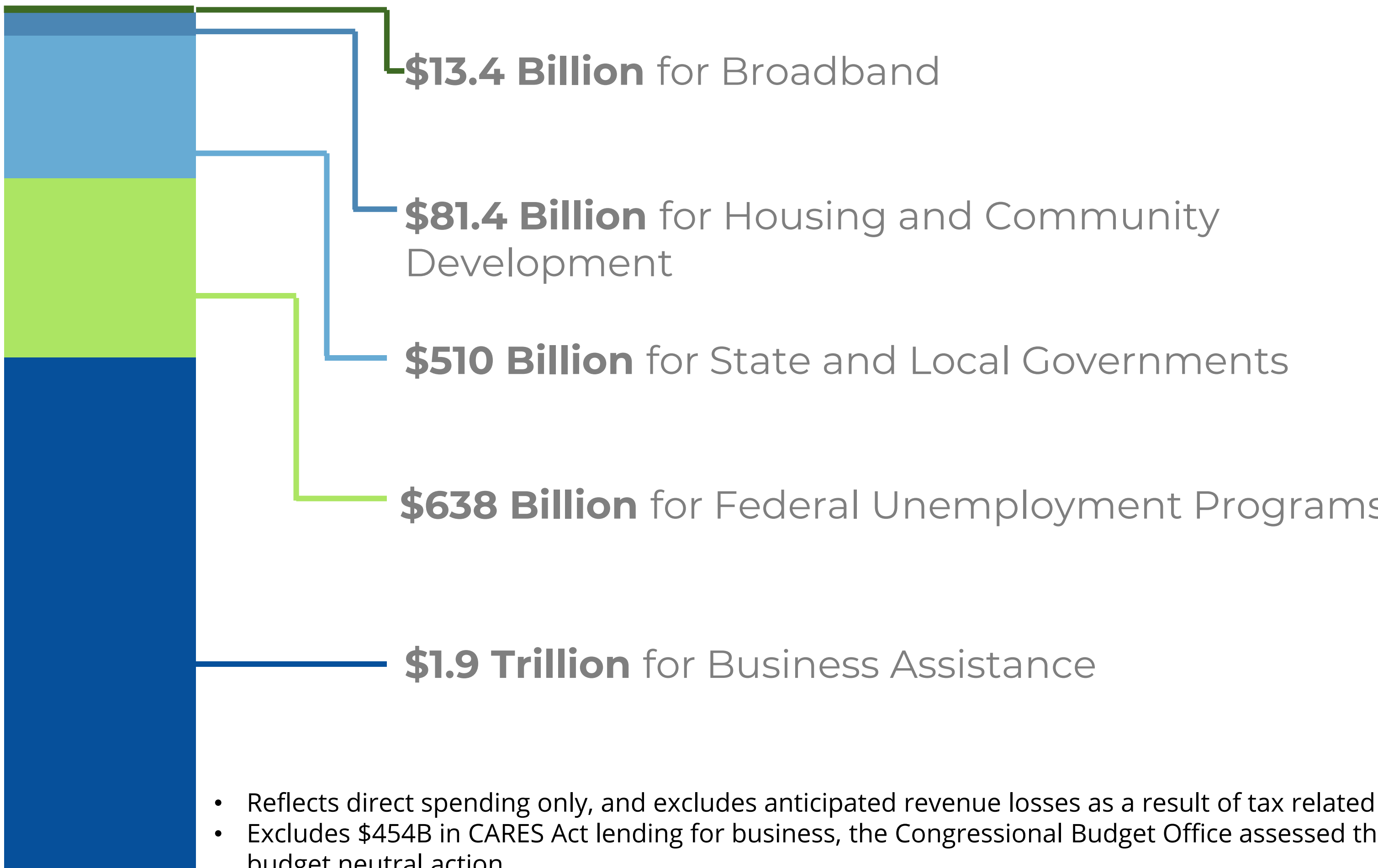
Behavioral Health Provisions

- Community Mental Health Block Grant
  - Provides an estimated $35.8 million to Virginia for the block grant
  - Funds available until September 30, 2025
- Substance Abuse Prevention and Treatment (SAPT) Block Grant
  - Provides an estimated $34.0 million to Virginia for the block grant
  - Funds available until September 30, 2025
- Certified Community Behavioral Health Clinics
  - $420 million available nationally
  - Currently only two CSBs qualify for funding (New River Valley CSB and Richmond Behavioral Health Authority
- Overdose Prevention Grants
  - $30 million available nationally to support prevention programs

COMMERCE

$3.1 Trillion of Federal Stimulus Funds Available for Major Commerce Areas

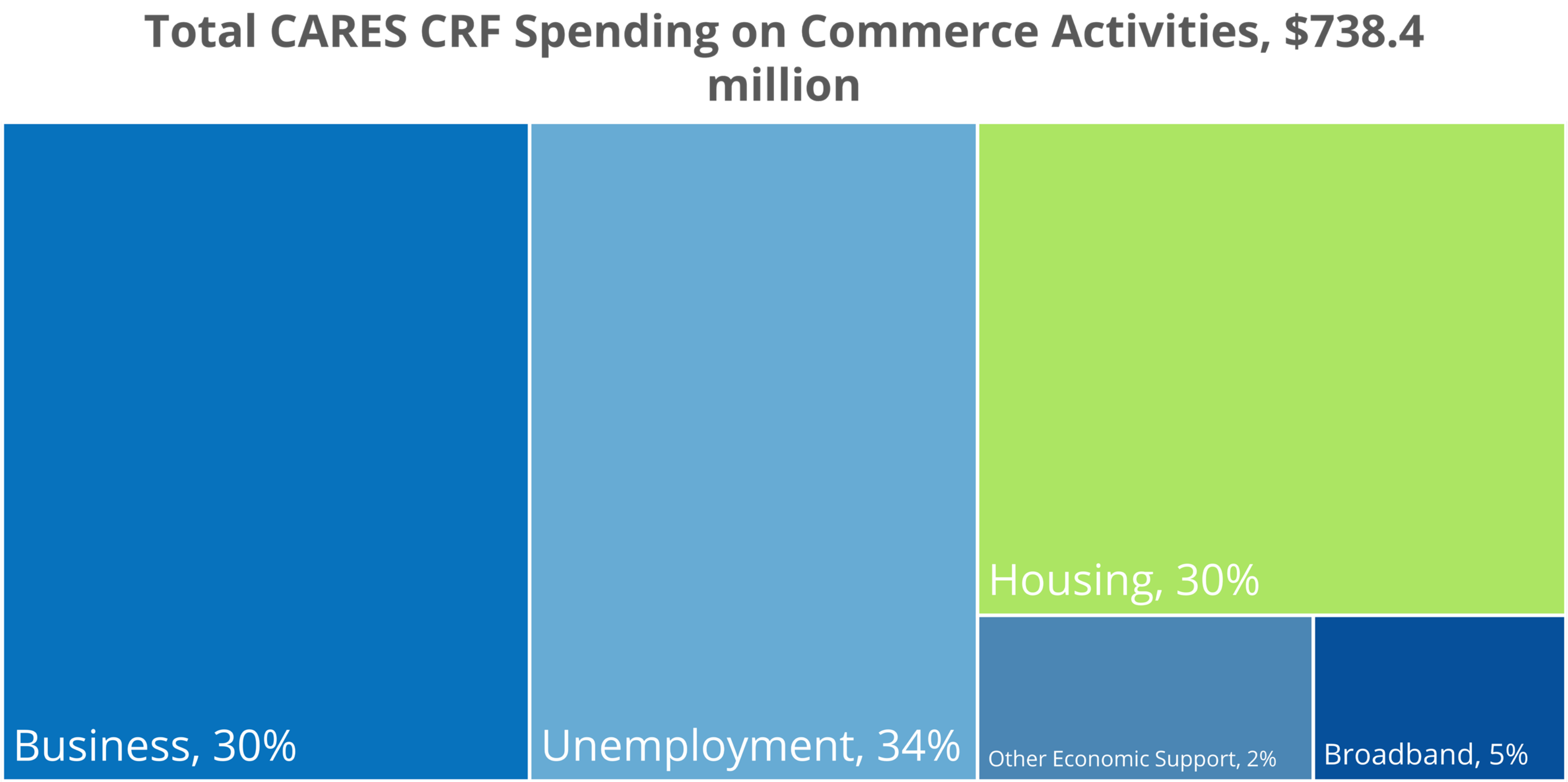
Federal Stimulus Funding Available for Major Commerce Areas as of March 31, 2021



- Reflects direct spending only, and excludes anticipated revenue losses as a result of tax related actions
- Excludes $454B in CARES Act lending for business, the Congressional Budget Office assessed this as a budget neutral action

$3.1 B Invested from CARES Coronavirus Relief Funds by Commerce Area

Total Spending of Federal CARES Coronavirus Relief Funds on Commerce Initiatives by Detailed Area through Q1 2021



- Excludes Fairfax County direct federal appropriation

Federal Guidance on Broadband Projects

- ARPA State Flexible Funds can be used to support broadband infrastructure projects
- States are left to determine project areas for investment
- Projects must provide symmetrical speeds of 100 Mbps
  - Projects with a 20 Mbps upload speed are eligible to receive federal funding if the project is designed in a way that is scalable to the 100 Mbps upload standard
  - The lower threshold is only permitted when there are geography, topography, and cost concerns with the project
- Projects must be in areas that do not have a wireline connection that provides speeds of 25/3 Mbps
- Federal funds need to be obligated by December 31, 2024 with project completion by December 31, 2026 per federal guidance, allowing for investment in multi-year broadband projects

Federal Guidance on Broadband Projects

- The federal guidance encourages states to invest in:
  - Projects that don't have a current agreement to provide internet access at a 100/20 Mbps standard and are scheduled to be completed by December 31, 2024
  - Last mile projects
  - Projects that will be affordable for customers
  - Projects that will be owned by local governments, nonprofits, and cooperatives
- The federal guidance indicates states will need to report on the labor standards and practices used for broadband projects receiving federal funds, and encourages the use project labor agreements, community benefit agreements, and paying the prevailing wage

Broadband

- The 2020 Commonwealth Connect report indicates Virginia needs to invest $320 million of state funds over 10 years to achieve universal broadband coverage
- Using data from the 2020 Commonwealth Connect Report and recent state investments in Broadband from general fund and nongeneral fund sources, an additional state investment of at least $150 million will help achieve universal broadband coverage
  - This does not include investments from local, private, and federal sources to achieve universal broadband access
- Expect higher costs will be included in the 2021 Commonwealth Connect Report
  - New numbers and project cost estimates are anticipated in the forthcoming report

Federal Guidance on Unemployment Insurance

- ARPA State Flexible Funds can be spent in response to the negative economic impacts of the pandemic
- Federal guidance explicitly permits the use of federal funding to:
  - Replenish State UI Trust Funds to pre-pandemic levels as of January 27, 2020, which for Virginia is about $1.4 billion
  - Pay back advances received from the federal government in order to pay state claims for benefits

Unemployment Insurance

- Investment of ARPA State Flexible Funds into the state's Unemployment Insurance Trust Fund is scalable with differing outcomes for employers and workers based on the investment level
- Early analysis indicates a minimum investment of $375.0 million can help Virginia reach 50% solvency (about $1.0 billion) by January 2023
- Investing more federal money in the UI Trust Fund can help reduce taxes on employers in 2022 while still achieving 50% solvency by January 2023
  - If the General Assembly invested about $750.0 million into the UI trust fund, you could reduce the base tax rate for employers and eliminate the pool charge

Federal Guidance on Rental Relief and Utility Assistance

- ARPA State Flexible Funds can be spent in response to the negative economic impacts of the pandemic
- In general, the federal guidelines define an economic harm as a loss of earnings or revenue that has been caused or made worse by the COVID-19 pandemic
  - Any use of federal money needs to respond to the economic impact and be proportional to the harm experienced
- Federal guidance does permit the use of ARPA State Flexible Funds to support, rent, mortgage, and utility assistance programs as well as homelessness prevention activities, weatherization, and home repairs
- Federal guidance further states that households or individuals experiencing unemployment, housing insecurity, food insecurity, or earning low-to-moderate income are presumed to be experiencing negative economic impacts resulting from the pandemic

Rental Relief and Utility Assistance

- Virginia launched the Virginia Rent and Mortgage Relief Program in June 2020 to provide rental and mortgage assistance to Virginians impacted by the pandemic
- As of May 19, 2021, Virginia has spent $225.9 million through this program with only 2.0 percent of funds supporting homeowners
- Federal funds provided by the Emergency Rental Assistance Program should be sufficient to support rent need in Virginia
  - At a spend rate of $10 million per week, current funding for rental assistance will last until December 16, 2022

Total Funding Available for Rent and Mortgage Relief in Virginia, All Sources		
Source	**Used By**	**Total**
Coronavirus Relief Funds	December 31, 2021	$62,000,000
State General Funds	N/A	29,506,108
Emergency Rental Assistance (CCRRSA)	September 30, 2022	524,661,203
Emergency Rental Assistance (ARPA)	September 30, 2027	450,746,248
Homeowner Assistance Funds (ARPA)	September 30, 2025	258,444,431
Total		**$1,325,357,990**

- CCRRSA Emergency Rental Assistance Funds exclude direct federal appropriations to Virginia localities
- ARPA Emergency Rental Assistance Funds and Homeowner Assistance Funds represent estimated amounts

Rental Relief and Utility Assistance

- Currently, the Virginia Rent and Mortgage Relief program can help with utility payments due to the parameters of the Emergency Rental Assistance (ERA) funds
  - Recipients must meet ERA eligibility requirements, which include a negative financial impact caused by the COVID-19 pandemic, risk of homelessness or housing instability, and household income at or below 80% of AMI
  - No information exists on utility support provided through the program
- Virginia has received supplements for the Low Income Home Energy Assistance Program totaling $23.4 million through the CARES Act and will receive an additional $90.2 million through ARPA
  - Program eligibility includes monthly income requirements

Rental Relief and Utility Assistance

- During 2020 Special Session, the General Assembly invested $100.0 million of federal CARES Coronavirus Relief Funds to help offset the debt of customers with utility arrearages
  - The State Corporation Commission allocated these funds to utilities based on need in late 2020
  - Utilities are required to apply funds to customer accounts on an individual basis after they receive a signed statement from the customer attesting to financial hardship during the pandemic
  - The funds available through this program are eligible for use until December 31, 2021

Rental Relief and Utility Assistance

- In addition to the $100.0 million appropriated for debt relief during the 2020 Special Session, the General Assembly directed Dominion forgive $217.0 million in customer debt with projected company overearnings
- Any new funds provided for the utility debt relief program from ARPA State Flexible Funds would need to account for Dominion, which represents the largest share of utility customer arrearages
- Additional evaluation and discussion is needed to determine whether or not customer attestation requirements need to be left in place to conform with federal guidance on use of ARPA State Flexible Assistance Funds

Federal Guidance for Business Assistance

- ARPA State Flexible Funds can be spent in response to the negative economic impacts of the pandemic
- Federal guidance explicitly permits the use of federal funding to support small business through grants or loans for the following activities:
  - COVID-19 prevention and mitigation strategies
  - Operating and payroll support due to businesses closure or financial hardship resulting from the pandemic
  - Technical assistance, counseling, and other business support activities

Business Assistance

- The Rebuild Virginia program has been the primary business assistance vehicle administered by the state
  - $145 million has been appropriated for the program, which includes $120 million of federal Coronavirus Relief Funds and $25 million from skilled games revenues
- As of March 2021, there are 9,745 pending applications for the Rebuild Virginia program
- Estimates based on the average award, application approval rate, and pending applications show an additional investment of **$150 - $200 million** will fund all remaining Rebuild Virginia applications

Federal Guidance for Targeted Assistance to Industry

- ARPA State Flexible Funds can be used to support the hospitality, tourism, and travel industry as well as other industries impacted by the pandemic
- Federal guidance does require states to issue public reports on assistance provided to businesses within specific industries
- Federal guidance does require states to justify the assistance by confirming the assistance responds to a negative economic impact caused by the pandemic, and requires states keep records of this justification
- Federal guidance indicates that states may use federal funds to invest in other industries impacted by the pandemic; however, states must justify the pandemic's negative impact on the industry
    - States are cautioned from using assistance on industries that were in decline prior to the pandemic

Targeted Assistance for Industries

- The hospitality and tourism industry is requesting $291.1 million in ARPA State Flexible Funds to provide support grants to businesses and industry organizations
- This Virginia program would be in addition to the new federal grant program for restaurants created by the American Rescue Plan ($28.6 billion national investment)

Tourism Segment	Request (in millions)
Hotels and Lodging	$184.7
Restaurants	36.7
Attractions	10.0
Destination Marketing Organizations	30.0
Virginia Tourism Corporation	20.0
Convention Centers	1.5
Campgrounds	2.0
Wedding Venues	4.7
VRLTA Workforce Initiative	1.5
Total	**$291.1**

Targeted Assistance for Industries

- If the General Assembly wishes to advance an industry specific initiative for tourism and hospitality, it is recommended to use the Rebuild Virginia program to the greatest extent possible to provide industry specific funds
  - This may require revisiting eligibility requirements for the program to ensure it reaches intended hospitality and tourism businesses
- About 31% of awards from the Rebuild Virginia program have supported businesses in the tourism and hospitality industry
- Additional analysis of the funding request from the hospitality and tourism industry is needed to ensure appropriate investment levels for the industry

SUMMARY:
ARPA FUNDING POTS

In addition to the state fiscal recovery funds, Virginia will receive $6.6 b 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	**Child Care & Development Block Grant (ACF)**	**$304,876,959**
US Dept of Health and Human Services	**Child Care Stabilization Grants (ACF)**	**$488,605,381**

Other Sources of ARPA Funding

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

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 - CDC	**Epidemiology and Lab Capacity for School Testing (CDC)**	**$257,085,647**
US Dept of Health and Human Services - CDC	**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	$57,258,054

Other Sources of ARPA Funding

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
	Total	**$6,604,819,624**

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

Next Steps

- Still awaiting official announcement on date of Special Session
- Administration has solicited requests from agencies – due today
  - They have committed to sending these to the Money Committees at the end of the week
- Can only appropriate funds through FY 2022 in the budget
- No need or requirement to allocate full amounts during the Special Session
- Need to arrange meetings with Administration, Senate and House to determine respective priorities