



Commonwealth of Virginia
Office of Governor Ralph S. Northam

May 7, 2020

TO: Executive Branch Agency Heads

CC: Cabinet Secretaries
Deputy Secretaries

FROM Clark Mercer, Chief of Staff

SUBJECT: Agency Requests for Federal CARES Coronavirus Relief Funds
Due Date: Monday, May 18, 2020

Background

As most of you are aware, Congress passed and the President recently signed the CARES Act of 2020. This Act provides funding for a number of different programs to address the COVID-19 pandemic. A primary component of the CARES Act is \$150 billion in assistance to state, local, and territorial governments for the direct impact of the COVID-19 pandemic through the establishment of the Coronavirus Relief Fund (CRF).

In addition to the CRF, there are approximately 59 unique grants that are more targeted to specific agencies or recipients. Some of these were part of the CARES Act and others may have been part of other authorizations.

While this memo specifically addresses the process for requesting funding from CRF balances, any agency that receives a direct grant from the CARES Act or any other federal assistance should be communicating that grant and its intended purpose and permitted uses to its respective Cabinet Secretary and to the Department of Planning and Budget (DPB). Also, please remember that on March 24, 2020, the Department of Accounts (DOA), in coordination with the Department of Planning and Budget, issued guidance to agencies requiring that they notify DOA to establish unique fund codes in the Cardinal Federal Fund series specific to the grant purpose. This will allow us to comply with tracking and reporting requirements.

Overview of Virginia's CRF Funds

Virginia has received approximately \$3.1 billion as its share of the CRF total (amount does not include approximately \$200 million that went directly to Fairfax County). These funds may be used for qualifying expenses of state and local governments. The CARES Act provides that payments from the CRF only may be used to cover costs that:

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

At this point, federal guidance indicates that the CRF funds can only be used for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to make up for revenue shortfalls. State and local government officials have requested that this restriction be lifted or that additional federal funds be provided to address the loss of state and local revenue. To date, no action has been taken by Congress to allow that flexibility or to provide funding for that purpose.

State Agency Requests for CRF Funds

The Governor has directed that state agencies have an opportunity to identify direct costs that may have been or will be incurred as a result of the COVID-19 pandemic. This process also offers an opportunity for agencies to identify proposals that will address COVID-19 impacts on agency clients and the public. The link below offering guidance lists examples of permitted uses as well as types of expenditures that are not permitted. Please note that the prohibition against using CRF funds to offset the state's general fund revenue losses applies to any nongeneral fund revenue losses as well. Agencies may not request CRF funds to replace lost nongeneral fund revenue.

DPB will be issuing specific guidance and instructions for agencies to submit requests to the Governor for funding from the CRF. The initial round of requests will be due to DPB no later than **Monday, May 18, 2020**. This initial round is for expenses that have occurred or will occur exclusively in FY 2020 or that will begin in FY 2020 and continue into FY 2021.

In this initial round, first priority will be given to reimbursing general fund expenses that already have been incurred since March 1, 2020, due to COVID-19. Your requests should clearly identify these types of expenses. The next priority will be to identify any additional expenses that must be incurred due to the COVID-19 pandemic. After addressing these required costs, that otherwise would be charged to the general fund, agencies may consider requests for discretionary services to address the COVID-19 pandemic.

Depending upon further action by Congress to expand the use of these funds and based upon the balances that remain after the initial round of awards for FY 2020, a second round of requests may be solicited for expenses that would begin exclusively in FY 2021, during the period of July 1, 2020, through December 30, 2020. Please note that first priority may be given to using the remaining balances to offset revenue losses, if permitted by a future action of Congress.

CRF funds should be considered "one time" monies and should not be used for continuing services and/or base budget operations. Because the funds must be expended by December 30, no requests that have expenses or provide services beyond that period will be accepted.

Agencies should not expect to receive continued funding beyond December 30, 2020, from any

source and they should not anticipate that they will continue to pay expenses or provide services from within existing resources. Therefore, requests should clearly indicate an understanding that once the funds are expended, the program or expanded service will end no later than December 30, 2020.

This same restriction applies to any “stimulus” grants an agency might receive from sources other than the CRF. Services and related expenses must cease at the end of the applicable grant period with no additional commitment of state resources. This includes any applicable matching funds.

Agency heads must attach a signed certification acknowledging these provisions related to ongoing services and expenses as well as statements that reflect the permissions and restrictions on the use of CRF funds. They must also certify that they understand that any disallowed costs must be repaid to the federal government.

Each agency should discuss its request with its respective Cabinet Secretary prior to submission. Secretaries will be asked to rank all requests across the entire secretariat and communicate those priorities to DPB to be included with the analysis provided to the Governor’s office.

Review and Approval of Requests

Requests will be approved after they have been reviewed and analyzed by DPB in coordination with the Governor’s policy office and the Secretary of Finance. Recommendations for funding will be based upon:

1. whether or not the proposed expenditures qualify for the CRF funding;
2. the specific needs addressed by the proposed expenses; and,
3. the overall benefit to the Commonwealth and its citizens relative to other

requests. Final approval will be at the discretion of the Governor.

Upon approval of a request, the funding (appropriation and cash) will be disbursed to the agency by DPB and DOA. Agencies will be responsible for maintaining all invoices and documentation needed to prove compliance with federal guidelines and to meet all federal audit requirements. Proper accounting using the appropriate fund detail and agency methods for segregating these expenses (cost codes, project codes, etc.) from other agency costs is essential. Failure to do so may result in disallowed costs and subsequent repayment of funds to the federal government. Any agencies that need assistance with ensuring this compliance should contact DOA or its DPB analyst.

If you have any questions about this process, please contact your DPB analyst for assistance.

[Coronavirus Relief Fund Guidance](#)