



COMMONWEALTH of VIRGINIA

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Secretary of Finance

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To: County and City Elected Officials

Delivered Via: Chief Executive Officer, Manager, or Administrator

From: K. Joseph Flores, Secretary of Finance

Subject: Closing Out Expenditures for the Coronavirus Relief Funds

U.S. Department of the Treasury (Treasury) previously updated its guidance to allow expenditures of *Coronavirus Aid, Relief, and Economic Security (CARES) Act* funding, including Coronavirus Relief Funds (CRF), to be incurred through December 31, 2021. A link to the Treasury website is included here for reference: <https://home.treasury.gov/policy-issues/cares/state-and-local-governments>. Included on Treasury's website is the *Coronavirus Relief Fund Guidance as published in the Federal Register on January 15, 2021*: https://home.treasury.gov/system/files/136/CRF-Guidance-Federal-Register_2021-00827.pdf. This document provides definitive guidance that CRF expenditures may continue through December 31, 2021, and includes previously published frequently asked questions related to CRF.

Given the state's oversight role in administering these funds, as we approach the December 31, 2021, federally established close-out date for incurring costs using CRF funding, it is important that we establish mutually understood interim close-out dates to ensure Virginia is able to meet federal requirements as well as those requirements established by the General Assembly governing use of CRF balances. Specifically, the provisions of Chapter 552, 2021 Virginia Acts of Assembly, Special Session I, which require us to analyze all state and local CRF expenditures to determine if any CRF funds remain unspent and that are available for use for other eligible CRF expenditures.

In establishing state-level close-out deadlines, it is important to mutually define and understand pertinent terminology as they relate to the final federal close-out date. Specifically, establishing clear distinctions between the terms; incurring costs and expending funds. Federal CRF guidance requires eligible costs to be incurred by December 31, 2021. However, additional clarifying guidance recognized that costs may be incurred (i.e., goods delivered, services rendered) by December 31, 2021, but that funds may be subsequently expended (i.e., payments made) for such incurred costs up to 90 days after December 31, 2021. See this excerpt from federal CRF guidance:

“Initial guidance released on April 22, 2020, provided that the cost of an expenditure is incurred when the recipient has expended funds to cover the cost. Upon further consideration and informed by an understanding of State, local, and tribal government practices, Treasury is clarifying that for a cost to be considered to have been incurred, performance or delivery must occur during the covered period but payment of funds need not be made during that time (though it is generally expected that this will take place within 90 days of a cost being incurred). For instance, in the case of a lease of equipment or other property, irrespective of when payment occurs, the cost of a lease payment shall be considered to have been incurred for the period of the lease that is within the covered period but not otherwise. Furthermore, in all cases it must be necessary that performance or delivery take place during the covered period. Thus the cost of a good or service received during the covered period will not be considered eligible under section 601(d) if there is no need for receipt until after the covered period has expired.”

For purposes of CRF funds provided to local governments, although Treasury is allowing for obligations through December 31, 2021, the deadline for you to incur costs for CRF funds is December 17, 2021. Your deadline for expending funds for such incurred costs is December 31, 2021. This earlier deadline will allow us the necessary time to analyze all state and local CRF expenditures to determine if any CRF funds remain unspent and available for use for other eligible CRF expenditures, consistent with Chapter 552, 2021 Virginia Acts of Assembly, Special Session I. Following December 31, 2021, all unexpended CRF funds must be returned to the Commonwealth by **January 14, 2022**. Please note that deadlines for funds provided through the Department of Housing and Community Development’s Municipal Utility Assistance and Broadband programs apply and this deadline does not extend the deadlines for those programs.

Please analyze your expenditures related to the COVID pandemic response and apply available CRF funding to all eligible costs. Consider the CRF deadlines relative to the longer-term *American Rescue Plan Act* (ARPA) funding deadlines and ensure CRF funds are expended for eligible costs to the maximum extent possible.

Procedures for Returning Unspent CRF Funds

Any CRF funds that will not be spent, should be deposited by the Local Treasurer into the State Treasury. The Local Treasurer also must record the deposit in the Department of Accounts' (DOA) Financial Certification Website. DOA has established coding in the Financial Certification Website for the return of the unspent CRF funds as follows:

- Agency Unit = 16200
- Fund = 10110
- Account = 4009084

Local Treasurers **must** ensure the proper coding is selected when entering deposits into the Financial Certification Website. Such deposits should be considered final.

If you have any questions in regards to entering this deposit information into the Financial Certification Website, please contact Donna Rabender at (804) 225-3063 or at donna.rabender@doa.virginia.gov.

After processing the deposit, Local Treasurers **must** email Donna to confirm the locality's bank deposit, proper recording in the Financial Certification Website, and specify for which program your locality is returning CRF funds (General CRF funds, Municipal Utility Assistance, Broadband Expansion).

Thank you for your cooperation.