



COMMONWEALTH of VIRGINIA
Office of the Governor

Ralph S. Northam
Governor

April 16, 2020

Dear Members of the Virginia Congressional Delegation:

I first want to thank you for your efforts to help all Virginians through passage of the “Coronavirus Aid, Relief, and Economic Security Act” (CARES Act). The CARES Act, coupled with prior legislation, has helped address the public health and economic impacts from the novel coronavirus (COVID-19) pandemic. There is more work yet to be done to combat this pandemic. Modeling from the University of Virginia shows that the social distancing efforts I ordered via Executive Orders 53 and 55 has paused the growth of COVID-19 in the Commonwealth. We need more data and testing to fully understand the benefit of these social distancing measures, but the current trends are promising and show that Virginia’s statewide hospital bed capacity will be sufficient in the immediate future.

At the same time, the COVID-19 pandemic has shaken the foundation of the Commonwealth’s economy. For the week ending April 4, Virginia’s seasonally unadjusted initial claims reached 147,000, bringing the total initial claims for the weeks ending March 21, March 29, and April 4 to over 300,000. Small businesses across the Commonwealth have had to close their doors, and families are hurting. The CARES Act is providing some initial relief, but these efforts need to expand. As we continue enhanced social distancing measures for the next few months, we are also starting the process of identifying how we may reopen Virginia’s economy. To that end, I write to you to request additional programs and funding to combat the public health emergency, address the economic fallout, and prepare for economic recovery.

I. Flexible State Funding

The Commonwealth and its localities need a flexible funding structure to cover budget shortfalls and support discretionary measures to tackle the public health crisis and economic recovery. As we freeze or reduce planned spending in response to sharp COVID-19 related drops in revenue, we need federal support to avoid large cuts to state-funded essential services. These measures will help avoid an extended recession and a sharp decline in consumer confidence, just as our country may otherwise be poised to begin economic recovery. The relief provided in the CARES Act was a step in the right direction, but additional funding should give states and localities flexibility to address fiscal challenges brought on by the crisis, preparing localities, states, and the country for a healthy recovery.

This funding in the form of flexible block grants equivalent to 20 percent of the Commonwealth’s general fund revenue in fiscal year (FY) 2019 would have a huge impact on bolstering Virginia’s economy. This funding would be in addition to block grants that the

Commonwealth allocates to localities to address their own fiscal challenges. Alternatively, a benefit with similar value could be provided by further increasing the Federal Medical Assistance Percentage (FMAP) for Medicaid, as well as making corresponding adjustments to the matching rates for CHIP and Medicaid expansion programs. Either approach will assist the Commonwealth as we reforecast our budget and prepare for economic recovery.

II. Public Health Investments

A. Support our Public Health Workforce

This crisis has had a profound impact on our Virginia Department of Health and its employees. While grants from the Centers for Disease Control (CDC) have been helpful, more is needed to increase surveillance and testing efforts, fund necessary network enhancements to support the COVID-19 response, and fund public communication and public service announcements. VDH is especially concerned about the long-term impact on local health departments given the loss in revenue. Virginia's Medical Reserve Corps (MRC) has also been a critical partner in addressing this crisis, and I recommend providing additional funding for the MRC in both the short and long-term.

B. Premium Pay Through a "COVID-19 Heroes Fund"

The Commonwealth strongly supports the U.S. Senate's proposal to create a "Heroes Fund" to provide premium pay to retain and recruit essential workers. In addition to hospital and home health workers, the "Heroes Fund" and other benefit programs must include long-term care facilities staff, behavioral health and developmental disability service providers, and essential workers such as grocery store and pharmacy employees who are on the front lines of the COVID-19 crisis.

C. Address Workforce Shortages in the Domestic Drug Supply Chain

Previous legislation has included initiatives to increase the domestic medical supply chain. I encourage Congress to continue those efforts, and to ensure that existing and future funding can be used to identify and address gaps in the available workforce. For example, colleges in Virginia will likely need additional funds to develop an advanced pharmaceutical undergraduate degree in order to manufacture active pharmaceutical ingredients at scale.

D. Expand Medicaid Federal Medical Assistance Percentage (FMAP)

It continues to be clear that the expansion of FMAP to 6.2 percent provided in the Families First Coronavirus Act will not be sufficient to cover the expanding need for health insurance. Providing an enhanced FMAP of 12 percent and applying that rate across the full Medicaid and CHIP program is critical. Furthermore, increasing the FMAP will help states as they work to enroll newly-eligible beneficiaries and maintain coverage for all populations.

III. Support for Virginia Families

A. Supplemental Nutrition Assistance Program (SNAP) & Temporary Assistance for Needy Families (TANF)

As provided in my previous correspondence, I recommend an increase in SNAP benefits and the TANF block grant by 50 percent. In addition, I urge Congress to extend P-SNAP through August 2020 and direct the U.S. Department of Agriculture (USDA) to approve gift cards or pre-paid debit cards for P-SNAP, in order to address summer hunger problems for children who were receiving free- and reduced lunch. I also recommend removing the work study requirement for college students to participate in SNAP while colleges/universities are closed.

B. Child Welfare

I recommend providing flexibilities for Foster Care and Children Support funding under Title IV of the Social Security Act. Under Title IV-E, Congress should waive the work or school requirement for children in foster care ages 18-21. For Child Support, Congress should allow Title IV-D funds for training and employment services (including apprenticeships and subsidized employment) and receive a Federal Financial Participation (FFP) rate of 66%. States should also be able to keep the federal share of retained earnings on TANF child support cases, if states agree to pass the full amount through to the custodial parent.

C. Domestic Violence Programs

In Virginia, as with many other states, COVID-19 is increasing the need for domestic violence prevention and supportive services. Reports from March show a 76% increase in calls to domestic violence emergency hotline numbers and 1,000 additional people sought overnight shelter from domestic violence. As such, Congress should provide additional funding for Family Violence Prevention and Services (FVPSA) program, building on the \$45 million provided in the CARES Act.

D. Grants to States for Mental Health, Substance Abuse, and Developmental Disability Services

I appreciate the inclusion of additional funding for the Substance Abuse and Mental Health Services Administration (SAMHSA) in the CARES Act. However, future funding should be directed to states and localities to support increased costs due to COVID-19, including: state mental health hospital expenses around PPE, screening, infection control, prescriptions, and increased staffing needs; increased funding for the behavioral health workforce to provide premium pay and staff training; direct grants to expand telehealth capabilities; and community prevention and resilience efforts.

E. Homelessness Assistance

Individuals experiencing homelessness are highly vulnerable to the health impacts of COVID-19. To adequately address the needs of the homeless population, we need an additional \$11.5 billion nationally for Emergency Solutions Grants, of which at least \$125 million is needed for Virginia. We have started the process of providing temporary housing for our vulnerable homeless population, including those who are unsheltered, those who are in shelters where they must leave for the day, and those who are in shelters and need to be quarantined. This additional funding will be used for rapid rehousing to provide additional temporary housing and get individuals into permanent housing, case management, utility assistance, shelter supplies, and outreach.

It is critical that these funds be allocated to states and localities within 30 days so localities and states can plan and respond rapidly. Virginia's Congressional delegation should work to ensure all states get a fair share of ESG dollars from both the prior round of stimulus funding and for future stimulus funding. Prevention costs are critical for all states, and Virginia's effort is focused on COVID-19 prevention for the homeless population through non-congregate shelters. HUD chose to only allocate a portion of the previous round of ESG funds, which makes it difficult for states and localities to make plans for COVID-19 response and planning.

F. Rental Assistance

Congress should allocate funding for rental assistance to ensure that Virginians remain in their homes and avoid facing eviction. Virginia requests \$100 billion nationally, including \$2.4 billion to the Commonwealth in the form of block grants for COVID-19 rent assistance. The assistance will be delivered through state and local systems. Funding should be focused on the lowest income Virginians with eligibility requirements up to those making under 100% of area median income. Virginia's funding request anticipates the majority of renters will be impacted by COVID-19 for at least 6 months. Evictions are expected to spike after the lifting of the judicial order in the Commonwealth, and the multifamily market is destabilized because of the inability of many tenants to pay rent. The funding request for rental assistance will help stabilize the rental market for both renters and properties impacted by COVID-19.

I also request \$12 billion nationally for Housing Choice Vouchers, of which \$156 million would be provided for additional Housing Choice Vouchers in Virginia. This additional funding will enable a greater portion of the most vulnerable Virginians to have access to safe, affordable housing.

G. Mortgage Assistance

Just as we need to stabilize the rental market, we also need to do so for homeowners impacted by COVID-19. I request \$612 million in block grant

assistance to Virginia to assist with mortgage payments for those impacted by COVID-19. The Commonwealth anticipates that about 20% of mortgage holders may be impacted by COVID-19 for up to 6 months. The requested funding would be limited to the primary residence for Virginians who are under 100% of area median income.

H. Expand HOME Funding

HOME is a flexible tool for states that supports housing creation and housing counseling. I request a national amount of \$48.5 billion in additional HOME funding where HUD should use the FY20 funding formulas for each state's allocation. This will ensure that states receive the proper funding, and it will provide states with the flexibility to respond to the individual needs in their communities. The funding will help Virginia keep people safely in their homes and preserve and expand the supply of affordable homes.

IV. Support for Virginia Workers

A. Unemployment Insurance Benefits

Congress has taken tremendous actions to provide additional unemployment benefits to Virginians. I recommend building upon the current efforts to expand eligibility of the newly created Pandemic Unemployment Assistance (PUA) to include newer or less consistent labor market participants. This could occur by 1) lowering or removing the income threshold during the 'base period' of eligibility calculation, and 2) reducing the job tenure threshold from 12 months to 3 months.

Students, low-wage workers, parents, formerly incarcerated individuals, and migrant and seasonal workers who are not consistently attached to the labor market are largely ineligible under the current income threshold that is the equivalent of 12 months of paid work in the prior calendar year. Part-time service workers, which represent one of the hardest-hit subsectors of the labor market, are concentrated in sectors with high staff turnover rates, making it likely those workers are disqualified from unemployment insurance (UI) because they do not meet income or job tenure requirements. Additionally, there should be broader qualifications for workers whose hours have been cut. Right now, most middle-income workers who have seen reduced hours likely don't qualify for UI benefits. Additionally, measures to extend federal unemployment insurance beyond the current window should be considered, especially in anticipation of a slower opening of the economy.

Congress must also allocate dollars to state employment commissions. The commissions are under strain from the high number of claims, and need to increase staff and technical infrastructure to process claims.

Finally, Congress should ensure that states do not have to pay back the federal infusion paid into state's UI trust funds, along with providing additional funding to state UI trust funds to ensure their solvency.

B. Healthcare Coverage

Laid off workers will need a lifeline to access healthcare, especially during a medical crisis. I recommend creating an immediate special enrollment period on Healthcare.gov. Instituting a blanket special enrollment period would allow all Virginians who wish to purchase health insurance or to upgrade their policy to do so. I also recommend providing COBRA subsidies to help bridge the gap for individuals to maintain employer-based health insurance even after separation.

C. Payroll Credit for Required Paid Sick and Family Leave

U.S. H.R. 6201 requires state and local governments and their political subdivisions and instrumentalities to provide paid sick leave, while the bill expressly prohibits these governmental entities from receiving the tax credits. State and local governments pay payroll taxes and therefore should not have been excluded from this provision with an expressed carve out. At a time when state and local budgets are already experiencing severe economic stress, state and localities and their political subdivisions should be included. Virginia supports the request of The Council of State Governments, National Conference of State Legislatures, Government Finance Officers Association, and others to strike Sections 7001(e)(4) and 7003(e)(4) from HR 6201 and clarify that state and local government employers, including those exempt from 26 USC 3111, fully qualify for both the Section 7001 and 7003 tax credits.

D. Hazard Pay to Essential Personnel

As you consider amendments to the Economic Injury Disaster Loan program or the Paycheck Protection Program, I recommend considering providing provisions to incentivize businesses to pay essential personnel hazard pay. The programs should allow businesses to recoup or claim those costs, especially for essential personnel who are on the front lines of this crisis.

E. Funding for State Work Sharing Agreements

On April 12, 2020, Governor Northam authorized a work-sharing program to support businesses and workers impacted by the COVID-19 crisis. The federal CARES Act provides funding for states to build new work sharing programs and, for those states with existing programs, reimburses all allocated benefits through December 31, 2020. We ask that Congress reimburse 100% of benefits allocated through work sharing programs for all states, including those developing a new one. This additional funding is critical to Virginia's efforts to keep workers employed and paying taxes during the public health emergency.

F. Financial Supports for Virginia Students and Workers to Pursue Affordable Career Pathways

The Department of Education and Department of Labor should support affordable workforce pathways for low and middle income families. Pell Grant funding should be increased to cover community college students that are enrolled full time and studying in a high-demand field such as health care, technology, skilled trades, early childhood, or public safety. These high-need students should receive at least an additional \$1,000 a semester and \$500 in the summer to cover wrap-around costs associated with pursuing an education. Increased Pell Grant funding should also cover short-term, noncredit training to provide skills to dislocated workers who have lost their jobs during the COVID-19 crisis.

G. Additional funding for Workforce Innovation and Opportunity Act (WIOA)

I recommend the Department of Labor to increase WIOA funding to support the economic recovery of the COVID-19 crisis. Additional funding should be flexible to support American Job Centers, re-employment services and additional rapid response needs to support ongoing layoff aversion. Dislocated Worker Grants should be also used to support individuals that may not fit the definition of a “dislocated worker”, such as those who have been furloughed.

V. Support for Virginia Businesses

A. Expand the Paycheck Protection Program

Virginia supports the continued funding of the Paycheck Protection Program (PPP) to shore up small businesses facing mandatory closures and revenue loss. I recommend allocating additional funding for the program as we know the funding provided in the CARES Act is likely not sufficient. I also recommend increasing the size of loans and allowing businesses to apply again for additional loans given that the business impacts will remain throughout the spring.

Furthermore, delays in finalizing guidelines and in the Small Business Administration’s E-Tran system have left many small businesses struggling to access loans through the PPP program. Congress should extend the program’s expiration by an additional six months to ensure all affected small businesses have the opportunity to access the program. Congress should also appropriate additional resources to SBA to enhance their infrastructure, including a more robust call center and SBDC network to provide timely, accurate information to business owners on the available programs.

Many small businesses are unable to access PPP loans through the current banking infrastructure, in particular small businesses without existing banking relationships. Congress should consider implementation of additional program guidelines, including providing banks with incentives to offer PPP loans to small businesses that have not had prior relationships with them. Future expansions of

PPP and the establishment of other loan programs should earmark a substantial portion of funding to community banks, CDFI's, and other lenders that provide support to the most vulnerable businesses affected by the economic conditions and/or to require a set percentage of funds to be made available to such vulnerable small businesses. In addition, Congress should consider expanding the CDFI Fund to provide an additional infusion of loan dollars that CDFIs can start disbursing into their communities now, particularly for disadvantaged and rural communities.

Small community banks are a critical component in the deployment of disaster funding to small businesses. Unfortunately, many small banks are concerned about the future health and performance of their existing small business loan portfolios and the potential losses they are likely to incur from existing small business customers, who are unable to ultimately recover from the COVID-19 disaster. These concerns about potential future losses and a bank's desire to maintain their own liquidity during the COVID-19 crisis may deter or significantly limit the interest some smaller banks have with participating in the PPP program. The federal government should consider the creation of an entity, similar to Fannie Mae and Freddie Mac, which could provide liquidity support to small banks desiring to originate loans under the PPP program. In addition to facilitating the usage of the PPP program, such an entity would also provide support to the capital markets during an extraordinary period when stress or turmoil in the broader financial system could threaten our economy.

B. Economic Injury Disaster Loan Program

The Economic Injury Disaster Loan (EIDL) program has provided another significant source of capital for small businesses that are struggling. I request that Congress provide additional appropriations for the EIDL program, as the most vulnerable small businesses are likely to access this pool of funding for longer-term relief than the PPP. SBA initially indicated that the \$10,000 advance from the EIDL program would be made available "within three days" of a successful application, which is important for the hardest-hit businesses. SBA should consider streamlining its disbursement process to ensure these funds reach small businesses sooner. Timely funding is imperative for small business owners. According to a survey recently published by the MetLife & U.S. Chamber of Commerce Small Business Index, nearly one in four small businesses have shut down temporarily in response to the crisis, while another 40 percent expect to do so within two weeks.

C. Reauthorizing the State Small Business Credit Initiative (SSBCI)

The State Small Business Credit Initiative (SSBCI) was a federal program that provided funding to state development finance organizations, like the Virginia Small Business Financing Authority (VSBFA). VSBFA utilized this federal funding to provide flexible financing programs for Virginia's small businesses,

including VSBFA's very successful Cash Collateral Program. Senators Gary Peters (D-MI), Debbie Stabenow (D-MI), Jeanne Shaheen (D-NH) and Maggie Hassan (D-NH) have introduced a bill to reauthorize the State Small Business Credit Initiative (SSBCI) in the U.S. Senate as S. 3551. This bill would provide \$3 billion in funds to a reauthorized SSBCI Program and provide immediate access to capital for small businesses that desperately need it. The programs created by states like Virginia under the original SSBCI are still in operation and would be ready to immediately deploy capital to businesses in need.

D. Small Business Grants through Main Street Programs

Congress should consider providing \$200 million in direct grants to Virginia to assist with direct technical assistance through Main Street organizations, chambers of commerce, commercial district affiliates and local government economic development efforts. These direct service providers can ensure federal stimulus funds are accessed by small businesses with 20 employees or less and sole proprietorships. This funding will be leveraged to develop local programs for tax and fee extensions and relief.

E. Create a Recovery Loan Fund

Once America moves past the apex of the pandemic, businesses will face significant restart costs, such as rehiring employees, inventory purchases, and marketing. Congress should create an economic recovery loan fund, and these loans should be appropriated in advance of the economic recovery. The loans should provide flexibility in how they can be spent so that businesses can cover a variety of restart costs. Congress should also consider establishing tax-exempt disaster recovery bonds to provide additional credit to businesses, states, and localities seeking to maintain or restore services impacted by COVID-19.

F. Support for Agricultural Businesses

In general, Congress needs to re-examine establishing direct payment programs to farmers, along with funding large-scale USDA purchases of commodities, to help stabilize markets and create a food stockpile to help alleviate the food insecurity being created as unemployment rises sharply. To offset the decline in demand for certain products in the food service sector and in the school meal sector, USDA should make purchases of certain products including dairy products, seafood products, produce items, pork, beef, and poultry. A certain portion of purchases should be allocated for small-scale producers, particularly in seafood/aquaculture and in produce, who do not normally bid on USDA food procurements. The nation's aquaculture industry also faces major and immediate losses to markets, with estimates that the industry will lose between \$3.5 and \$7 million per month during this period of enhanced social distancing. Additional considerations for the aquaculture industry includes critical labor issues, as picking and shucking houses are dependent on H2B visas and a largely immigrant workforce for processing. Even when the market returns, the industry may be

limited by the availability of labor. The federal government should work quickly to expand the cap on H2B visas. USDA Disaster Assistance and Marketing Service Programs should be funded to provide the seafood industry with opportunities to retool for processing, packaging and selling seafood products through new or alternate outlets.

Congress allocated additional funding to the Emergency Food Assistance Program (TEFAP) in the most recent legislation package. Since the length of the economic impact is undetermined, I recommend providing additional funding for TEFAP to cover the next 6 to 12 months when we may need a new influx of food for food banks.

There are several specific actions Congress and USDA could take to help small, minority, or socially disadvantaged farmers. Suggestions include reopening EQUIP sign-up to allow small producers to access more cost-share programs, extending the sign-up for CSP, and relaxing the guidelines for both CSA's and GAP certification for rural areas. Congress should also consider creating a separate funding source or pool of funds for Limited Resource and Socially Disadvantaged Farmers, Ranchers and Veterans to assist with their agricultural enterprise. This source should be flexible, and it could mirror the FAS Micro-Loan program, including a cap out at \$50,000 and applications completed in 30 to 45 days.

G. Community Development Funding

Virginia requests additional Community Development Block Grant (CDBG) funding or flexible block grants to states to bolster community development responses in housing, infrastructure, and business assistance. HUD should use the FY2020 funding formulas for each state's allocation. This will ensure that states have the flexibility to respond to the individual needs in their communities. Unfortunately, HUD chose to only allocate a portion of the prior stimulus funds, which makes it difficult for states and localities to make plans for COVID-19 response and planning. We request the full CDBG allocation based on the FY2020 funding formula.

VI. Investments in Infrastructure

A. Broadband

The pandemic has amplified the need for universal broadband coverage across Virginia. To that end, I request that Congress consider federal block grants of broadband infrastructure funds to Virginia. We estimate that \$250 million would achieve universal broadband coverage for the Commonwealth. I recommend expanding funding and accelerating the build-out times for two existing Federal Communications Commission (FCC) broadband grant programs – the Connect America Fund II (CAFII) and Rural Digital Opportunity Fund (RDOF). I

recommend the payment schedule of CAFII and RDOF be accelerated and allow funds to be dispersed upon receipt of project expenditures.

As areas without broadband service try to serve their students, healthcare institutions, and teleworkers, many are experiencing lack of availability for the critical technology needed to enable these enterprises. I recommend that Congress use the Defense Production Act or another method to increase production of mobile wi-fi hotspots, which are in high demand in areas without broadband. This can be a relatively swift, albeit temporary, solution for households without broadband access.

VII. Conclusion

Thank you for your consideration of these requests to give the Commonwealth flexibility in future federal relief. I hope that you will prioritize investments in public health and in Virginia families, workers, and businesses. To the extent that the next round of funding also includes infrastructure investments, I have provided important programs that could assist both in the Commonwealth's recovery and in creating opportunities to put Virginians back to work. I look forward to continuing to work with you as we address this pandemic and begin to move toward economic recovery. Thank you for your continued support and service.

Sincerely,

A handwritten signature in black ink, appearing to read "Ralph S. Northam". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Ralph S. Northam