



**Chief
Executive
Office.**

COUNTY OF LOS ANGELES

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CHIEF EXECUTIVE OFFICER

Fesia A. Davenport

November 6, 2023

To: Supervisor Janice Hahn, Chair
Supervisor Hilda L. Solis
Supervisor Holly J. Mitchell
Supervisor Lindsey P. Horvath
Supervisor Kathryn Barger

From: Fesia A. Davenport
Chief Executive Officer

NOTICE OF RECOMMENDED CHANGES TO ALLOCATIONS IN PREVIOUSLY APPROVED AMERICAN RESCUE PLAN ACT SPENDING PLANS

My office has identified \$67,451,000 in American Rescue Plan Act (ARPA) funding that must be reallocated to ensure the funding is spent by the applicable federal deadlines. This funding consists of \$64,128,000 in ARPA Coronavirus State and Local Fiscal Recovery Funds (SLFRF) and \$3,323,000 in ARPA Local Assistance and Tribal Consistency Funds (LATCF).

After consultation with your offices, impacted departments, and the Los Angeles County Development Authority (LACDA), we recommend approval of the revisions to the SLFRF spending plans (Reallocation Plan), previously approved by your Board, as set forth below and in the attachment. Unless we receive objections from your Board, on or before November 13, 2023, we will notify departments of the revised allocation amounts and direct them to proceed with implementing program changes supported by the reallocated funding.

Background on Board-Approved ARPA Spending Plans

The County received approximately \$1.9 billion in Coronavirus State and Local Fiscal Recovery Funds (SLFRF) through ARPA in two equal tranches of approximately \$975.0 million in May 2021 and June 2022.

Your Board adopted a [phase one spending plan](#) allocating the first tranche of \$975.0 million in SLFRF on July 27, 2021, and a [phase two spending plan](#) allocating the second tranche of \$975.0 million on September 13, 2022. The spending plans reflected your Board's highest priorities at the time the plans were adopted, including, among others, combatting homelessness, building more affordable



housing, spurring economic recovery, and making direct community investments by funding community-based organizations to implement ARPA-approved programs and through grants to small community-serving nonprofits.

For both the phase one and phase two spending plans, your Board authorized the Chief Executive Office (CEO) to adjust the allocations among approved programs in the spending plans to maximize the use of funds and recover eligible costs. In doing so, and based on lessons learned, your Board recognized that actual expenditures and funding needs for approved programs could be different than what was approved in the spending plans, and requiring the CEO to seek Board approval to adjust spending levels would be administratively burdensome and inhibit the deployment of ARPA funding to those in need.

These proposed reallocations demonstrate the County's administrative diligence in ensuring funds are timely spent by reallocating funding to meet the Board's continuing efforts to ensure the highest-and-best use of ARPA funding to support residents.

Process for Monitoring ARPA Programs and Spending

ARPA SLFRF serves as a bridge to long-term recovery from the pandemic. Unlike prior stimulus packages approved by Congress early in the pandemic,¹ ARPA provides local governments a longer time horizon to spend SLFRF – through December 31, 2024, or through December 31, 2026, if funds are “obligated” (e.g., encumbered via a services contract). ARPA also requires local governments to comply with strict design, eligibility, and contracting requirements, including, but not limited to, the requirement to conduct a competitive solicitation for contract services in most cases.

Approximately 90 programs across multiple departments are financed with ARPA SLFRF, including programs in the phase one and phase two spending plans and programs that were subsequently approved by your Board via Board motion and incorporated into the spending plans. These programs include housing and related services for people experiencing homelessness; the development of affordable

¹ Prior to ARPA, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provided the County approximately \$1.22 billion in Coronavirus Relief Funds (CRF). The CARES Act required that local governments spend CRF within less than a year to support pandemic response and combat pandemic-driven harms (Congress later extended the spending deadline by one year). Because of the need to fund urgent pandemic response activities under emergency conditions, Congress attached few spending conditions to CRF and included eligibility presumptions that helped local governments spend CRF quickly. The County fully spent its CRF allocation during the required time periods.

housing; support for the County's health and public health response to COVID-19; infrastructure projects that will help the County meet its most serious societal challenges and community needs; investments to eliminate the "digital divide;" wealth-building programs and direct community investments and grants; support for tenants and landlords, justice-involved populations, immigrants, and victims of violence; workforce development services for youth and difficult-to-employ populations; economic support for small businesses and nonprofits; and programs targeting food insecurity, among many others.

Programs are operated directly by departments or in partnership (via contract) with third-party administrators, service providers, and community-based organizations. Because each of the ARPA-approved programs is different in terms of who administers the program, how they deliver services, the needs they target, and the communities they serve, each program has a unique program development, contracting, and implementation timeline.

The CEO, County Counsel, and Auditor-Controller work closely with departments implementing ARPA-financed programs to ensure compliance with complex ARPA regulations and guidance issued by the U.S. Treasury, as well as the equity design and reporting metrics required by your Board. This team meets at least monthly with implementing departments to obtain updates and key information about whether programs remain ARPA-compliant and are on track to spend funding within the applicable ARPA timeline.

Using the information provided by departments and reported through the County's financial system, eCAPS, the monitoring team tracks data on departmental spending. There is typically a delay between the time departments provide services, determine the cost of services provided, and report costs incurred to the monitoring team at the next regular meeting or through eCAPS. For programs provided by contractors and third-party providers, there is an additional delay between time services are provided and when providers invoice departments for those services.

Approximately \$64.128 Million in SLFRF Is Available for Allocation

During this monitoring process, departments have identified funding no longer necessary to implement certain programs. This may happen because actual spending is lower than the budgeted allocation (i.e., an underspend) or because departments have refined their cost estimates after designing their programs, resulting in the need for less funding than anticipated (i.e., funds were overbudgeted). Departments have also flagged programs that are oversubscribed or with capacity to provide additional services. Additional service capacity is also tracked during our monitoring meetings and noted in the event funds become available for reallocation.

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Through this process, we have identified \$64,128,000 in SLFRF that will not be spent as planned and is available for reallocation. The funds available for reallocation are detailed in the attachment.

Approximately \$3.323 Million in LATCF Is Available for Allocation

The LATCF is a general revenue enhancement program that provides additional assistance to eligible Tribal governments, eligible revenue sharing counties and eligible revenue sharing consolidated governments. This funding is approved through ARPA but is distinct from SLFRF and may be used to pay for any governmental purpose except lobbying. The County is eligible for this funding as a qualifying revenue sharing county, meaning the Secretary of the U.S. Treasury determined the County sustained a negative revenue impact due to implementation of a federal program or changes to a federal program. Under LATCF, we received a total of approximately \$3,323,000 in two equal payments in November 2022 and July 2023, after the County had already approved its ARPA phase two spending plan. This funding is available for allocation.

Proposed Reallocation Plan

My office developed the attached recommended reallocation plan in close collaboration with your offices and with impacted departments and LACDA. The recommended reallocations address continuing and emerging Board priorities. Each of the proposed reallocations would provide additional funding for an existing ARPA program with capacity to spend funding by the applicable deadlines.

We are not recommending funding for new programs not already included in a Board-approved ARPA spending plan or subsequently approved by the Board and incorporated into the plans. Given the impending spending deadlines and long lead times to develop an ARPA-compliant program and solicit for contract services to administer the program, reallocating funding for new programs is inconsistent with your Board's direction and the County's priority to maximize the use of ARPA funding and recover all eligible costs of delivering services.

Next Steps

As stated above, unless we receive objections from your Board on or before November 13, 2023, we will notify departments of the revised allocation amounts and direct them to proceed with implementing program changes supported by the reallocated funding.

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We anticipate the need to reallocate ARPA funds in the coming weeks and months as departments close out programs with funds remaining. My office also will continue to closely monitor departmental spending and recommend reallocations where necessary to ensure funding is timely spent.

Should you have any questions, please contact me or Joe Nicchitta, Chief Operating Officer, CEO at (213) 974-1104 or jnicchitta@ceo.lacounty.gov.

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Attachment

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller

American Rescue Plan Act Reallocation Plan

November 6, 2023

Available for Reallocation	
Source	Amount Available
Community Testing	\$50,243,000
Disaster Services Workers and Pandemic- Related Costs	7,115,000
COVID-19 Emergency Funding	5,840,000
Local Assistance and Tribal Consistency Funds (LATCF)	3,323,000
Funding New Private Sector Affordable Housing Development	930,000
	\$67,451,000
Reallocations	
Program	Amount
Rent Relief	\$24,000,000
Homelessness Prevention (1)	11,000,000
Childcare Providers Grants	9,503,000
Economic Opportunity Grants (2)	4,800,000
Stay Housed/Right to Counsel	4,800,000
Reopening Culture, Tourism, Marketing	3,800,000
Grants to Immigrant-Focused CBOs	3,000,000
Library - Support for Existing ARPA Programs	2,900,000
Domestic Violence Shelter-Based Program	950,000
Grants to DV Survivors	950,000
Food Distribution	700,000
Street Vending Collaborative for Health, Safety, and Economic Mobility (4)	510,000
Market Match	480,000
Food Assistance Awareness Campaign	58,000
Total	\$67,451,000

(1) Will support services at new Harm Reduction Health Hub, a component of the Skid Row Action Plan

(2) Will support additional grants through existing Economic Opportunity Grants program design as well as grants to small businesses impacted by the entertainment strike and other strike activity

(3) Will support outreach, education about applicable regulations, and assistance to vendors and local businesses