



# 2021 Session

# Governor's Proposed Amendments to

# FY 2020-2022 Budget

January 8, 2021

Prepared by House Appropriations Committee Staff

# FY 2020-2022 REVENUE REFORECAST

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# Summary of General Fund Revenue Forecasts (includes transfers)

\$ in millions	FY 2021	FY 2022	Biennium
Chapter 1289	\$23,343.6	\$24,204.5	\$47,548.1
Interim Forecast (HB 5005)	<u>21,963.5</u>	<u>22,797.9</u>	<u>44,761.4</u>
Change from Chapter 1289	(1,380.1)	(1,406.6)	(2,786.7)
<b>HB 1800 Forecast</b>	<b>22,647.9</b>	<b>23,370.9</b>	<b>46,018.8</b>
Change from Chapter 1289	(695.7)	(833.6)	(1,529.3)
<b>Additional Funds Available Above HB 5005</b>	<b>\$684.4</b>	<b>\$573.0</b>	<b>\$1,257.4</b>

Increases assumed growth rate from (2.1%) to 0.9% in FY 2021 and decreases growth rate from 3.8% to 3.2% in FY 2022



# Tax Policy Actions

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- Embedded in the revised forecast are policy changes the Governor is proposing in the budget or in stand-alone legislation that impact revenues
- This year there are very limited changes to transfers or to tax policy
- The one item that has a substantial effect is the CARES Act conformity legislation which results in a revenue loss of \$34.2 million in FY 2021 and \$7.5 million in FY 2022
  - The conformity bill – also embedded in the back of the budget – addresses only the individual provisions
  - Excludes conformity with 3 business tax changes which would cost \$666 million
- Also included is an adjustment to the agricultural equipment tax credits which reduces revenues by \$1.3 million in FY 2022 (legislation)
- Still examining new federal COVID Relief legislation to determine if there are actions that will impact state tax revenues



# Fiscal Year 2021 Year-to-Date Revenue Collections

## November Year-to-Date Collections and FY21 December Forecast

### Percent Growth over Prior Year

Major Source	As a % of Total Revenues	YTD Actual	Annual Estimate	Variance	Dec-Jun Req'd to Meet Est.	Prior Year Dec-Jun
Withholding	62.4 %	1.1 %	2.7 %	(1.6) %	3.7 %	1.7 %
Nonwithholding	18.0	38.4	4.4	34.0	(5.6)	(9.8)
Refunds	(10.0)	45.1	20.1	25.0	15.3	4.1
Net Individual	70.5	4.4	1.0	3.4	(1.0)	(2.5)
Sales	16.4	7.0	(2.6)	9.6	(8.5)	0.5
Corporate	5.5	29.7	19.9	9.8	15.7	0.3
Wills (Recordation)	2.5	35.3	13.6	21.7	(2.5)	22.0
Insurance	1.5	n/a	(7.4)	n/a	(7.4)	(5.6)
All Other Revenue	3.6	(9.1)	(4.0)	(5.1)	(1.0)	(0.3)
<b>Total</b>	<b>100.0 %</b>	<b>6.1 %</b>	<b>1.2 %</b>	<b>4.9 %</b>	<b>(1.6) %</b>	<b>(1.5) %</b>
Total less Nonwithholding	<b>82.0 %</b>	<b>2.2 %</b>	<b>0.6 %</b>	<b>1.6 %</b>	<b>(0.5) %</b>	<b>1.1 %</b>

- \$395 million ahead of the December 16 (HB 1800) forecast through November.



# MAJOR SPENDING AND SAVINGS IN HB 1800

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# Net Changes in Spending in HB 1800

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- House Bill 1800 includes a net increase in operating spending of nearly \$1.5 billion for the biennium. This is comprised of:
- 222 amendments totaling \$2.4 billion increase spending. The largest items include:
  - Deposit to the Revenue Reserve
  - Investments to respond to the COVID-19 pandemic
  - Compensation for teachers, state employees, and state-supported locals
  - Restoration of funding for core services and priority programs
  - Additional investments in housing, broadband, public schools, and transportation
- 28 amendments totaling \$907.5 million decrease spending, and are largely technical/forecast driven and include:
  - Savings from revised forecasts in public education enrollment and participation
  - Savings in Medicaid utilization and inflation
  - Recognition of an additional quarter of enhanced federal Medicaid match
  - Debt service savings
- House Bill 1800 as introduced ends the biennium with a \$51 million unappropriated balance



# Top 10 Spending Items Represent 75% of Total

Agency	Title	FY 2021	FY 2022	Total	% of Total
DOA Transfer Payments	Revenue Reserve Deposit	-	\$650,000,000	\$650,000,000	27%
Direct Aid to Public Education	No Loss funding to local school divisions	299,373,461	214,167,967	513,541,428	21%
DOA Transfer Payments	VRS payment to reduce unfunded liabilities	100,000,000	-	100,000,000	4%
Central Appropriations	Provide state and state-supported local employee bonus	-	97,756,001	97,756,001	4%
Department of Health	Support mass vaccination	30,184,899	59,123,029	89,307,928	4%
Direct Aid to Public Education	Update sales tax revenue for public education	42,335,519	46,595,740	88,931,259	4%
Direct Aid to Public Education	Two percent bonus for instructional and support positions	-	80,068,012	80,068,012	3%
VDEM	COVID-19 disaster response	41,965,587	36,930,220	78,895,807	3%
Direct Aid to Public Education	Swap GF for Gray Machine Funding for K-12	52,901,159	-	52,901,159	2%
Department of Rail and Public Transportation	Extend intercity passenger rail service	-	50,000,000	50,000,000	2%
<b>Subtotal of Top 10 Spending Increases</b>		<b>\$566,760,625</b>	<b>\$1,234,640,969</b>	<b>\$1,801,401,594</b>	<b>75.1%</b>
<b>Subtotal of Remaining Spending Increases</b>		<b>\$83,099,222</b>	<b>\$513,467,052</b>	<b>\$596,566,274</b>	<b>24.9%</b>





# Top 10 Reductions Total \$869.6 Million or 96% of Savings

Agency	Title	FY 2021	FY 2022	Total	% of Total
Direct Aid to Public Education	Update ADM projections based on Fall Membership	(\$199,432,610)	(\$201,146,159)	(\$400,578,769)	44%
Department of Medical Assistance Services	Adjust Medicaid utilization and inflation	(245,296,854)	17,935,388	(227,361,466)	25%
Department of Medical Assistance Services	Adjust Health Care Fund appropriation	(53,910,131)	(5,204,943)	(59,115,074)	7%
Direct Aid to Public Education	Update Lottery proceeds	(27,071,726)	(24,798,667)	(51,870,393)	6%
Treasury Board	Recognize debt service savings	(22,672,670)	(27,090,704)	(49,763,374)	6%
Direct Aid to Public Education	Update the state cost for ELL based on data for verified English learners	(11,841,463)	(19,043,255)	(30,884,718)	3%
Direct Aid to Public Education	Update the cost of Lottery-funded programs	(18,720,887)	(8,633,348)	(27,354,235)	3%
Department of Medical Assistance Services	Fund Family Access to Medical Insurance Security (FAMIS) utilization and inflation	(6,748,314)	(3,426,109)	(10,174,423)	1%
Department of Medical Assistance Services	Adjust Medicaid forecast to account for revised Medicare premiums	(2,596,171)	(4,801,416)	(7,397,587)	1%
Children's Services Act	Adjust appropriation to account for forecast changes	(2,046,751)	(3,051,520)	(5,098,271)	1%
<b>Subtotal of Top 10 Spending Decreases</b>		<b>(\$590,337,577)</b>	<b>(\$279,260,733)</b>	<b>(\$869,598,310)</b>	<b>96%</b>



# Other Major Restorations

Agency	Title	FY 2021	FY 2022
VCCS	Restore "G3" funding	-	\$36,000,000
Institutions of Higher Education	Restore undergraduate student financial assistance	-	30,285,800
VCU	Restore support for Massey Cancer Ctr	5,000,000	5,000,000
NSU/VSU	Restore previous reductions	-	16,111,934
GMU/ODU	Restore enrollment funding		10,000,000
SCHEV	Restore TAG grant increase		7,900,000
Direct Aid to Public Education	School counselors pursuant to the Standards of Quality	-	26,645,142
Direct Aid to Public Education	Restore funding to maximize pre-kindergarten access	-	11,122,649
DCR	Supplemental funding for Natural Resources Commitment Fund & TA	-	13,550,000
DEQ	Increase funding for water protection	-	8,315,476
DSS	Fund Family First Prevention Services Act (FFPSA) program	-	\$9,211,378



# COVID-Related and Items Linked to Proposed Legislation

Agency	Title	FY 2021	FY 2022
Department of Health	COVID-19 pandemic communications needs	\$6,500,000	\$12,500,000
Mental Health Treatment Centers	Provide comprehensive surveillance of COVID-19 for state-operated facilities	2,142,601	4,285,202
Department of Health	Strengthen infrastructure for disease surveillance and investigation	-	3,118,145
Direct Aid to Public Education	Include Presumptive English Learners in English as a Second Language program update	4,251,850	6,490,911
VEC	Provide funding for unemployment insurance customer service support	-	9,960,283
VEC	Provide funding for interest payments on federal cash advances	-	7,502,701
VEC	Integrate CARES Act programs into new IT system	-	5,000,000
DHCD	Increase funding for the Housing Trust Fund	15,700,000	25,000,000
DHCD	Support the Virginia Telecommunication Initiative (VATI) Program	-	15,250,000
Central Appropriations	Provide funding for marijuana expungement and related legislation	5,000,000	20,000,000
Central Appropriations	Provide funding for the cost of proposed legislation	-	\$5,000,000



# Other New Initiatives

Agency	Title	FY 2021	FY 2022
VMFA	Plan for Monument Avenue's future	-	\$10,750,000
Central Appropriations	Provide additional funding for Slavery and Freedom Heritage Site in Richmond	-	9,000,000
DCR	Provide appropriation for Project Harmony	-	5,000,000
Department of Health	Update JLARC cooperative budget funding formula	-	10,200,000
Economic Development Incentive Payments	Support a technology development grant program (Microsoft)	-	5,625,000
Court of Appeals	Fund additional judges and support staff for Court of Appeals	235,419	4,876,227
VDOT	Provide support for the development of multi-use trails	-	5,000,000
DBHDS	Create diversion and discharge pilots for individuals with dementia	-	\$3,547,000



# Reserve Funds

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- HB 1800 includes a \$650 million deposit to the flexible Revenue Reserve Fund in FY 2022
- While substantial, this still does not fully restore that which was previously scheduled for deposit in FY 2020 and FY 2022 but reduced because of revenue shortfall
- By the close of FY 2022, total reserves would exceed 8% of total revenues and be about \$1.9 billion
  - This was the stated minimum goal when Fund created
  - Bond rating agencies hoped Virginia would reach at least 11% based on our revenue volatility to fixed costs
  - We've been propped up by federal funding to date, but program costs in FY 2022-24 biennium will be difficult



# FEDERAL COVID RELIEF FUNDING

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# Coronavirus Relief and Response Supplemental Appropriations Act

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- Congress passed, and the President subsequently signed on December 27th the Coronavirus Relief and Response Supplemental Appropriations Act
- In its entirety – with the non-COVID appropriations bills included – it is 5,600 pages
- As such, full examination of the legislation is taking time and information is being released by agencies/interest groups in a piecemeal fashion
- While it does not include direct flexible funding for states, it provides very substantial funding for state activities, particularly in the areas of K-12, child care, rent relief and direct COVID activities like vaccine and testing costs



# Known VA Allocations of New Covid Relief Funding

Recipient	Description	Amount
School Divisions	ESSER Pass-through funds for School Divisions	\$ 839,772,000
DOE	ESSER – Set Aside for Statewide Initiatives	93,308,000
Governor	Governor’s Flexible Education Allocation (K-12 & Higher Ed)	29,463,000
Higher Ed Institutions	Straight to Institutions – Awaiting Detail	TBD
DHCD	Rental Assistance	568,179,000
VDH	Vaccines	96,689,000
VDH	Testing	430,704,000
DBHDS	Substance Abuse Block Grant	39,208,000
DHCD	Mental Health Block Grant	41,264,000
DOE/DSS	Child Care Development Block Grant	201,631,000
DOE	Head Start	4,094,000
DSS	Promoting Safe and Stable Families	1,348,000
DSS	Foster Care Transition to Adulthood	3,485,000
	Chafee Education and Training Vouchers	533,000
DARS/Aging	Congregate and Home Delivered Meals	4,072,000
Airports	Airport improvement Grants	57,420,000
VDOT	Surface Transportation Block Grants	252,733,000
DC Area Transit	Regional Transit/WMATA	830,342,000
	<b>Total: Known VA Coronavirus Relief Fund Allocations</b>	<b>\$ 3,493,712,000</b>





# Coronavirus Relief Fund (CRF)

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- Conference Report for HB 5005 (budget adopted at the 2020 Special Session) allocated almost all of the state's \$3.1 billion in CRF funds
- Subsequent to the introduction HB 1800, Congress adopted new COVID relief legislation which extends the deadline for spending CRF dollars from 12/30/20 until 12/31/21
- This could provide limited opportunity to make changes to the distribution to these federal funds allocated through the CARES Act (CRF) last year to avoid duplication and address issues for which there previously was not enough funding



# HB 1800 Changes to CRF Distributions

Agency	Description	Amount HB 5005	Amount HB 1800
DHCD	Emergency Housing for Homeless	\$11,828,998	\$8,798,998
DHCD	Rent and Mortgage Assistance	50,000,000	62,000,000
Elections	Elections Additional Costs	10,000,000	0
DOC/DJJ	PPE, medical observation units, overtime	7,700,000	6,642,352
DMAS	Hazard pay for home health care workers	72,000,000	73,056,734
DSBSD	Small Business Assistance Grants	75,000,000	100,000,000
Higher Ed	PPE, virtual education, cleaning, telework, other COVID costs	120,000,000	116,261,410
Museums	State Museums and Higher Ed Ctrs – PPE, telework, etc.	4,500,000	834,013
DSS	Childcare stabilization grants/local capacity school age kids	60,000,000	58,341,000
Statewide	State agency telework, PPE/sanitizing, other cost increases	60,000,000	10,062,441
VDEM	Technical assistance, public education and preparedness	37,000,000	41,769,113
UVA	Medical center – capital, PPE, testing, education	10,000,000	3,442,283
VCU	Medical center – capital, PPE, testing, education	10,000,000	11,333,374
VDH	Vaccination program	0	22,052,445
DBHDS	Hazard pay	0	669,312
VCCS	Training vouchers for unemployed	0	\$30,000,000



# HB 1800 Changes to CRF Distributions (continued)

Agency	Description	Amount HB 5005	Amount HB 1800
VDH	Additional testing needs - One Lab	0	9,929,838
VDH	Agreement with "Unite Us"	0	10,000,000
VDH	DocuSign subscription	0	192,250
VDH	COVID-19 communications strategy	0	3,450,000
VDH	Sample testing costs, staffing, overtime	0	6,632,255
VDH	VA Assoc. of Free and Charitable Clinics	0	3,000,000
VDH	Community Mitigation Efforts	0	41,019
VDH	Reimburse salaries for public health employees	0	7,948,800
DVS	Covid expenses for PPE, sanitizing, medical overtime	0	59,719
SCHEV	Payments to private institutions of higher education	0	22,000,000
DBHDS	Support for state facilities, central office and CSBs	0	936,292
DMAS	Expand definition of long-term care facility to include Medicaid developmental disability waiver residential providers and increase funding	0	15,000,000
	<b>Grand Total: (including unchanged items not enumerated in this table)</b>	<b>\$3,023,991,852</b>	<b>\$3,109,502,836</b>



# HEALTH & HUMAN RESOURCES

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# HB 1800 DMAS Forecasts

DMAS Forecasts (GF \$ in millions)	FY 2021	FY 2022
Medicaid Utilization and Inflation Official Forecast*	(\$245.3)	\$17.9
Adjust Medicaid funding for revenue changes in the Virginia Health Care Fund (comprised of Tobacco MSA, tobacco taxes, Medicaid recoveries)	(53.9)	(5.2)
Revised Medicare premium amounts	(2.7)	(2.3)
Adjusted Medicaid Forecast	(301.9)	10.4
FAMIS children's health insurance forecast	(6.7)	(3.4)
Medicaid children's health insurance (MCHIP) forecast	(3.0)	(1.4)
Involuntary mental commitments	(2.7)	(2.3)
<b>Total DMAS Health Care Forecasts</b>	<b>(\$314.3)</b>	<b>\$3.3</b>

\*Official forecast was completed and transmitted on November 2, 2020.



# Other DMAS / Medicaid Spending

Targeted Spending Items (GF \$ in millions)	FY 2022
Implement federally-required Managed care enrollment broker changes for choice counseling and provider screening	\$2.2
Implement one-time federally-required managed care systems interoperability and patient access	1.7
Implement exchange of tax data to facilitate Medicaid enrollment through the Health Benefit Exchange (VA Facilitated Enrollment Program)	1.2
Doula services for pregnant women	1.2
COVID-19 vaccinations for non-expansion Medicaid adults	1.0
Expand opioid treatment service model for mental health patients	0.9
Allow 12-month prescriptions for contraceptives	0.1
<b>Total</b>	<b>\$8.3</b>



# DMAS Language

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- Recommends directing the DMAS to make supplemental payments to state-owned veterans care centers through the use of intergovernmental transfers
  - Generates about \$2.2 million of added Medicaid funding for the centers
- Proposes the continuation of audio-only health services and adding three new telehealth services in Medicaid
  - Provider-to-provider consultations, store-and-forward technologies (which allow for the electronic transmission of medical information), and virtual check-ins with patients
- Proposes authorizing reimbursement of pharmacy-administered immunizations for all Medicaid-covered vaccinations to be implemented using a budget neutral methodology
  - Pharmacies would be reimbursed up to \$16 to administer the vaccination and the cost of the vaccine
- Proposes language directing the agency to modify policy manuals for Medicaid to affirm coverage of gender dysphoria related-services



# Virginia Department of Health (VDH)

Spending Items (GF \$ in millions)	FY 2021	FY 2022
COVID-19 mass vaccination efforts	\$30.2	\$59.1
COVID-19 statewide communications & public health awareness campaigns	6.5	12.5
Continue support for contract to target COVID-19 communications efforts on Virginians who face barriers to health care access	0.6	-
Update cooperative health department funding formula	-	10.2
Increase support for disease surveillance & investigation <ul style="list-style-type: none"> <li>• 26 FTEs – 12 Health district epidemiologists, 12 communicable disease nurses &amp; 2 state program managers</li> </ul>	-	3.1
Continue COVID-19 data modeling – UVA & Rand Corp.	0.7	1.4
Purchase and provide NARCAN through local health departments to reduce opioid overdoses (transfer from DBHDS)	-	1.3
Expand IT bandwidth at local health departments	-	1.3
Wastewater infrastructure manager (proposed legislation)	-	0.1
<b>Total</b>	<b>\$38.0</b>	<b>\$89.0</b>





# Dept. of Behavioral Health & Developmental Services (DBHDS)

Spending Items (GF \$ in millions)	FY 2021	FY 2022
State facility COVID-19 surveillance & testing	\$2.1	\$4.3
Increased pharmacy costs in state facilities	2.6	2.6
Diversion & discharge pilots for dementia patients	-	3.5
Restore discharge assistance plan funds to transition individuals from state mental health facilities	-	2.5
Fund IT upgrades at Western State Hospital	0.5	0.4
Additional administrative costs of MARCUS alert system	0.1	0.7
Restore STEP-VA administrative funds	-	0.7
IT security systems	-	0.5
Service needs assessments for new DD Waiver recipients	-	0.2
Restore funds for training workforce to support Behavioral Health Redesign	-	0.1
<b>STEP-VA Total</b>	<b>\$5.3</b>	<b>\$15.5</b>



# DBHDS Language

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- Proposes to allow flexibility in the use of funding provided by the 2020 General Assembly to fund additional capacity for children's acute inpatient care for children who would otherwise be admitted to the Commonwealth Center for Children and Adolescents (CCCA)
  - Funding could be used for community discharge assistance from CCCA or diversion
- Recommends eliminating the requirement that the licensing office conduct a minimum number of unannounced inspections during a state of emergency
  - The COVID-19 state of emergency has limited the agency's ability to do onsite inspections as required by the Code of Virginia and regulations
- Proposes to allow the agency to promulgate emergency regulations to amend the children's residential licensing with federal Families First Prevention Services Act requirements for providers to meet the standards as qualified residential treatment programs
- Proposes to allow funds for Crisis Intervention Team (CIT) training provided for rural localities be used to expand or add CIT programs at CIT assessment sites
  - Language requires these funds be prioritized for use in rural localities



# Department of Social Services (DSS)

Spending Items (GF \$ in millions)	FY 2021	FY 2022
Restore funds for Family First Prevention Services Act svcs.	-	\$9.2
Required SNAP reinvestment for payment errors	1.9	2.3
Expand SNAP Employment & Training (SNAPET) program	-	2.0
Fund SNAP knowledge base annual license fee	-	0.3
Implement SNAP broad based categorical eligibility	-	0.3
TANF forecast – GF for 2-parent families	1.7	1.7
Replace agency licensing system	2.7	0.9
Backfill funds for adult licensing & child welfare unit licensing to reflect transfer of the CCDF to DOE	-	2.1
Fund VA Case Management System modifications	0.9	0.9
Restore COLA for foster care and adoption subsidy payments	-	\$1.0



# DSS Spending (continued)

Spending Items (GF \$ in millions)	FY 2021	FY 2022
Restore funds for VA Helping Everyone Access Linked Svcs.	-	\$0.5
Implement exchange of tax data to facilitate Medicaid enrollment through the Health Benefit Exchange (VA Facilitated Enrollment Program)	-	0.4
Restore funds for 2-1-1 Virginia information & referral system	-	0.4
Grant to Children's Harbor for child care services on the Eastern Shore	0.3	-
Provide PPE for licensing inspectors	< 0.1	0.2
Revise TANF Full Employment Program (subsidized employment) <ul style="list-style-type: none"> <li>Increases the employee benefit, allowing participants to maintain TANF benefits</li> </ul>	-	0.1
<b>Total</b>	<b>\$7.5</b>	<b>\$13.1</b>



# DSS Savings / Transfers

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- Recognizes general fund savings of \$2.9 million GF in the foster care and adoption subsidy programs due to the enhanced federal Medical Assistance Percentage (eFMAP) from 50% to 56.2% during the 3<sup>rd</sup> quarter of FY 2021 due to the COVID-19 emergency
  - Provides the equivalent federal appropriation of \$2.9 million NGF
  - 1<sup>st</sup> and 2<sup>nd</sup> quarter savings were captured in Chapter 56 (2020 Special Session)
- Reduces spending for the child welfare forecast (foster care and adoption subsidies) by \$917,838 GF in FY 21 and \$716,572 GF in FY 22
  - Foster care expenditures are decreasing while adoptions subsidies continue to increase
- Transfers \$5.8 million GF in FY 22 to the Children's Services Act program to reflect shifting costs for:
  - Eligible Title IV-E foster care children receiving Psychiatric Residential Treatment Facility services
  - Foster care residential placements in non-Qualified Residential Treatment Programs (QRTPs)
  - These expenditure can no longer be paid using Title IV-E foster care funding, pursuant to requirements in the federal Family First Prevention Services Act



# DSS Language

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- Proposes language to authorize a temporary regulatory change to increase the maximum rate paid for in-home childcare providers during the COVID-19 pandemic to \$10 per hour
  - Language prohibits the use of general fund dollars if this change results in the need for additional funding
  - DSS may use available federal funds if needed
- Adds language requiring DSS and the Department of Education (DOE) to set out detailed funding (GF and NGF) for the mandated child care forecast for TANF Virginia Initiative for Employment and Work (VIEW) recipients
  - Requires the amount of needed CCDF dollars be identified in the Memorandum of Agreement between the agencies and transferred from DOE to DSS within the first 30 days of the fiscal year
  - Language also sets out the amount appropriated at DSS for VIEW mandated child care and requires the balance to be transferred from the CCDF grant at DOE
- Language in Part 3 of the budget would extend a \$17 million line of credit to the agency for timing issues related to the receipt of federal grants and other payments



# PUBLIC EDUCATION

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# Public Education

- Proposes an additional \$271.9 million GF over biennium
- Technical updates save \$433.0 million GF, mostly due to lower enrollment, also reflects increased revenue reforecasts:
  - \$51.9 million NGF Lottery Proceeds
  - \$200.9 million GF dedicated K-12 sales tax
- Policy actions result in \$704.9 million GF in new spending:
  - \$513.5 million for No-Loss funding
  - \$80.1 million for a 2% pay bonus

\$ in millions GF	FY 2021	FY 2022	BIEN. TOTAL
<b>Base – Ch. 56, Special Session</b>	<b>\$6,762.2</b>	<b>\$6,987.1</b>	<b>\$13,749.3</b>
Technical Updates	(223.0)	(210.0)	(433.0)
<u>Policy Actions</u>	<u>356.5</u>	<u>348.4</u>	<u>704.9</u>
Net Change	133.5	138.4	271.9
<b>HB 1800, Introduced</b>	<b>6,895.7</b>	<b>7,125.4</b>	<b>\$14,021.1</b>
% Change from Base	2.0%	2.0%	2.0%

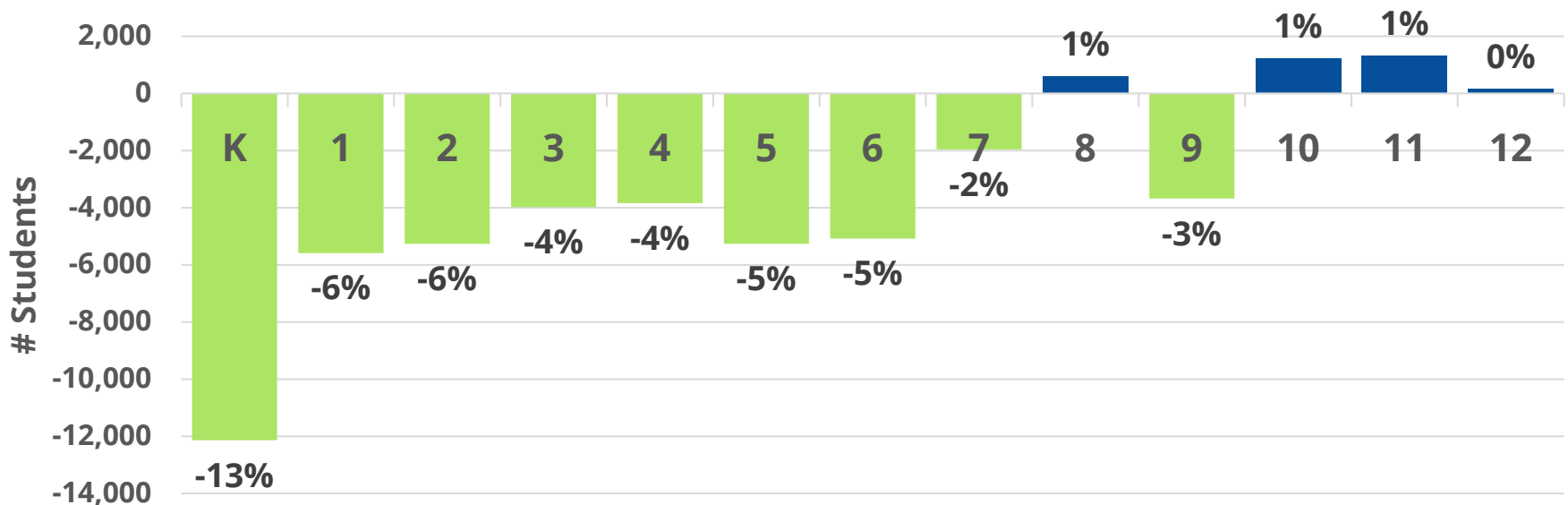




# Enrollment Change: COVID-19

- Fall 2020 enrollment counts were 43,432 lower (-3.4%) than projected in Chapter 56.
  - 116 school divisions under projection by 48,399 students
  - 19 school divisions over projection by 4,967 students

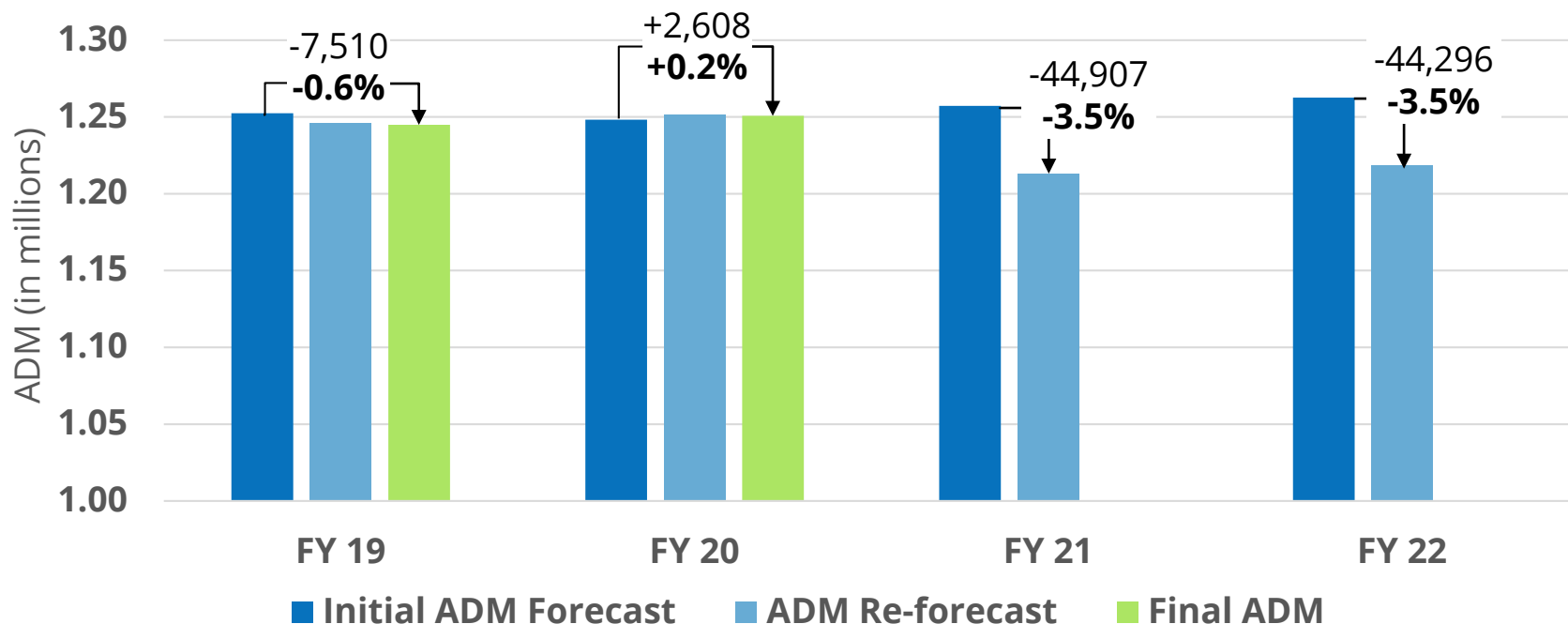
Fall 2020 Enrollment Count: Projected (Ch. 56) vs. Actual



# ADM Reforecast Down 3.5%

- Fall enrollment data informs Average Daily Membership forecasts
- Variance between ADM forecasts at beginning of biennium & final ADM is usually less than 1%
  - Reforecast for FY 21 and FY 22 decreased by 3.5%

Forecasted and Final Average Daily Membership: FY 2019 through FY 2022



# Direct Aid Technical Updates

\$ in millions GF	FY 2021	FY 2022	TOTAL
<b>Update ADM and Fall Membership</b> <ul style="list-style-type: none"> <li>Reflects 3.5% decrease in ADM projection each year</li> </ul>	(201.2)	(202.9)	(404.1)
<b>Update English Learner (EL) funding</b> <ul style="list-style-type: none"> <li>Reflects 14% (FY 21) 20% (FY 22) decrease due to fewer identified students because assessment was not administered</li> </ul>	(11.8)	(19.0)	(30.9)
<b>Update Remedial Summer School</b> <ul style="list-style-type: none"> <li>Actual participation decreased 20.2% in FY 21</li> </ul>	(4.6)	0	(4.6)
<b>Update Lottery Programs</b> <ul style="list-style-type: none"> <li>School Breakfast – participation decreased 80% in FY 21</li> <li>K-3 Class Size Reduction – participation decreased 8.8% in FY 21 and projected to decrease 6.2% in FY 22</li> </ul>	(18.7)	(8.6)	(27.3)
<b>Update Incentive, Categorical, Supplemental</b>	(1.9)	(2.0)	(3.9)
<b>Update School Age Population Estimate</b>	0	0.7	0.7
<b>(Continued)</b>			



# Direct Aid Technical Updates

\$ in millions GF	FY 2021	FY 2022	TOTAL
<b>(Continued)</b>			
<b>Update Sales Tax and Basic Aid</b>			
<b>Sales Tax Reforecast</b> <ul style="list-style-type: none"> <li>1½ % Dedicated sales tax reduces the state and local shares of Basic Aid costs</li> </ul>	\$95.7	\$105.2	\$200.9
<b>Basic Aid Offset</b> <ul style="list-style-type: none"> <li>Reduction of state share of Basic Aid from additional sales tax revenue</li> </ul>	(53.4)	(58.6)	(112.0)
<b>Net Impact of Sales Tax &amp; Basic Aid Update</b>	<b>42.3</b>	<b>46.6</b>	<b>88.9</b>
<b>COVID-19 Relief Adjustment</b> <ul style="list-style-type: none"> <li>Ch. 56, Special Session, provided \$95.2 million NGF in FY 21 from Gray Machine revenues to hold divisions' harmless from impact of August sales tax reforecast</li> <li>FY 21 Sales Tax &amp; Basic Aid update reduces hold harmless action by \$42.3 million NGF – no GF impact</li> </ul>	0	0	0
<b>Update Lottery Proceeds</b> <ul style="list-style-type: none"> <li>GF Savings from 51.9 million in additional lottery proceeds</li> </ul>	(27.1)	(24.8)	(51.9)
<b>TOTAL TECHNICAL UPDATES</b>	<b>(\$223.0)</b>	<b>(\$210.0)</b>	<b>(\$433.0)</b>



# Direct Aid Policy Actions

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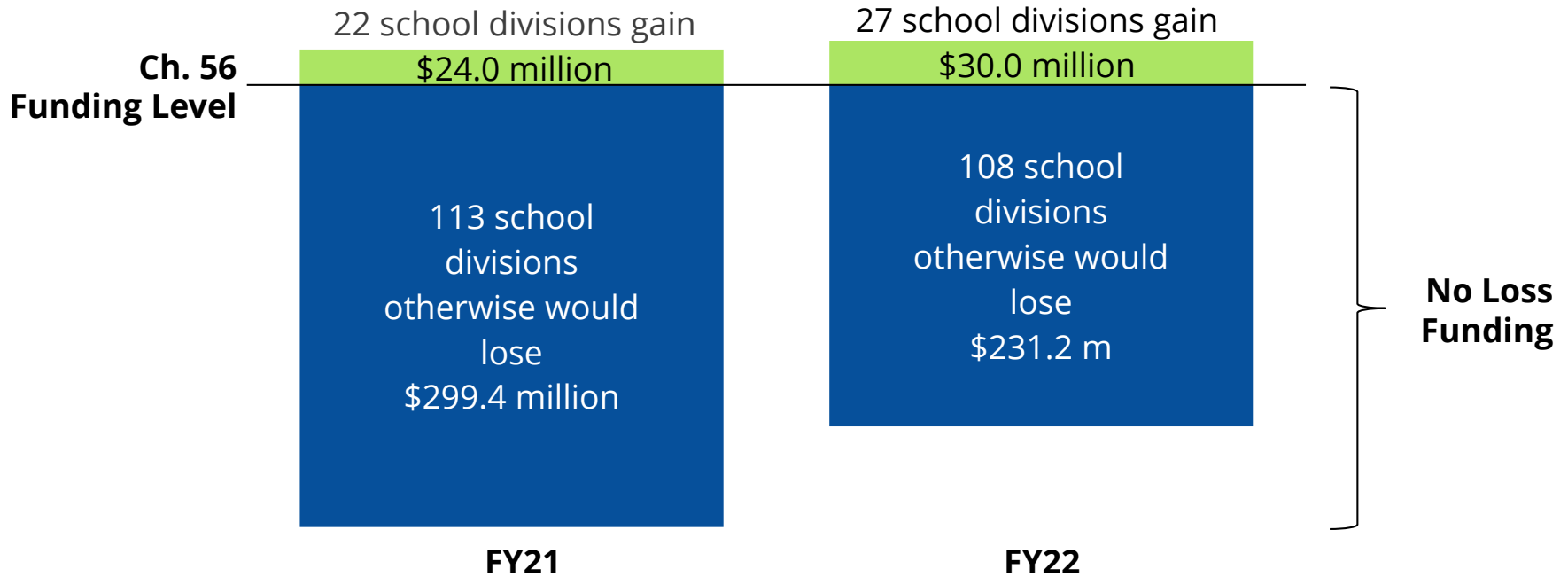
- Proposes including presumed English Learner (EL) students in EL funding formula
  - Normally, EL funding is based on students identified using WIDA/ACCESS screening; however, in-person screening did not occur due to pandemic
  - \$4.3 million GF in the first year and \$6.5 million in the second year
- Proposes \$11.1 million GF in the second year to increase by an additional 10% the Va. Preschool Initiative (VPI) per-pupil funding
  - Proposes increasing VPI per-pupil amount from \$6,326 in FY 2021 to \$7,655 in FY 22 for a combined one-year increase of 20%
  - \$37.3 million was restored during Special Session, including a 10% increase to the FY 22 per pupil amount from \$6,326 to \$6,959



# Policy Action: No Loss Funding

- Proposes \$513.5 million GF to ensure no school division loses state aid from amounts provided in Chapter 56, Special Session budget
- No local match required

## Impact of Technical Updates on School Divisions



Note: No Loss Payments calculated after application of Presumed EL and Restore 10% VPI Increase Actions



# Policy Action: COVID-19 Relief Funds

- Proposes \$52.9 million GF in FY 21 to supplant Gray Machine revenues used to support remaining COVID-19 Relief Fund obligation
- No impact to school division distributions

FY 2021 (\$ in millions)	General Fund	NGF Gray Machine Revenue	School Division Distributions
<b>COVID-19 Relief Payment (Chapter 56, Special Session)</b> Held school divisions harmless from downward sales tax reforecast	\$0	\$95.2	\$95.2
<b>HB 1800 COVID-19 Relief Payment Actions:</b>			
• <b>Technical Update:</b> Reduce COVID-19 Payments (NGF) to offset impact of increased sales tax distributions (GF)	0	(42.3)	(42.3)
• <b>Policy Action:</b> Supplant remaining COVID-19 Payments with General Funds	<u>52.9</u>	<u>(52.9)</u>	<u>0</u>
<b>COVID-19 Relief Payment (HB 1800)</b>	<b>\$52.9</b>	<b>\$0</b>	<b>52.9</b>
<b>Technical Update:</b> Net Impact Sales Tax Distributions (HB 1800)			<u>42.3</u>
<b>TOTAL COVID-19 Relief Payment + Net Impact Sales Tax Distributions (HB 1800)</b>			<b>\$95.2</b>



# Direct Aid Policy Actions

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- Proposes \$80.1 million GF the second year for state share of 2% salary bonus for SOQ instructional & support positions, effective September 1, 2021
  - School divisions would be required to provide at least an average 2% bonus, or equivalent salary action, at any time during FY 2022
  - Funding would be unallotted if FY 2021 general fund forecast not met
- Proposes \$26.6 million GF the second year to fund school counselors at a ratio of 1 per 325 students in K-12
  - Reverses action from 2020 Reconvened Session that superseded 2020 legislation (HB 1508 & SB 880), holding school counselor ratios at current funding levels of 1:455 (elementary), 1:370 (middle), and 1:325 (high)





# Direct Aid Policy Actions

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- Proposes \$2.8 million GF the second year to expand Cost of Competing Adjustment (COCA) to Eastern Shore localities
  - Currently, COCA recognizes competitive labor markets by adjusting salaries in SOQ formula:
    - Approx. 10% COCA for core Northern Virginia localities
    - Approx. 2.5% COCA for outlying Northern Virginia localities
  - Proposal would provide the NOVA 10% COCA rate for Accomack & Northampton Counties
- Proposes restoration of funding in the second year to support:
  - Early Childhood Educator Recruitment and Retention Incentive payments (\$5.0 million GF)
  - Jobs for Virginia Graduates (\$1.7 million GF)
  - Power Scholars Academy (\$450,000 GF)



# Dept. of Education Central Office

- Proposes an additional \$1.8 million GF in the first year and \$1.0 million GF in second year

(\$ in millions GF)	FY 2021	FY2022
Repayment of Treasury Loan (SAMHSA Grant)	\$1,868,562	0
Head Start Collaboration State Match	43,750	43,750
Cultural Proficiency Coordinator and Support	0	365,300
Expand Va. Kindergarten Readiness Assessment to PK	0	300,000
Deputy Superintendent of Early Childhood	0	161,174
Move Teacher Licensure Automation to FY22	(100,000)	100,000
<b>Total Proposed Changes</b>	<b>\$1,812,312</b>	<b>\$970,224</b>

- Recognizes \$1.2 million NGF in FY 2022 in additional Virtual Virginia program revenues



# Public Education - Language

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Proposed language amendments include:

- Requiring Va. Preschool Initiative programs to enroll special education students at 10% of enrollment or greater
- Initiating a Literary Fund program study, to include recommendations to make Literary Fund loans a more attractive option for financing school construction and improve health of fund
- Establishing a review of Family Life Education, including best practices for teacher training and community involvement, and examination of Youth Risk Behavior Survey data



# HIGHER EDUCATION

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# Higher Education Institutions – \$109.5 million

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- Recommends \$30.3 million in FY 2022 to restore in-state undergraduate financial aid
- Proposes \$36.0 million in FY 2022 to restore the G-3 community college initiative
  - Changes legislative language which justifies the programs to be delivered and the process for legislative approval for new programs, reverting that authority to the Workforce Development Advisor
- Recommends \$5.0 million in FY 2022 each for GMU and ODU to restore enrollment growth funding
- Proposes \$5.0 million each year to restore VCU cancer research funding
- Recommends \$16.1 million in FY 2022 at NSU and VSU to continue initiatives including the College Affordability Network, IT infrastructure improvements and VSU Extension state match
- \$6.5 million for new spending initiatives in FY 2022 including:
  - \$4.5 million for NSU Connected Campus initiative
  - \$1.0 million for UVA Focused Ultrasound
  - \$500,000 at VCCS for pre-hire immersion training initiative



# Other Higher Education, State Library & Museums – \$22.9 million

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- Recommends \$7.9 million in FY 2022 to restore Tuition Assistance Grant at SCHEV
  - Funding will increase TAG award to \$4,000
  - Existing students in online programs continue to receive award at \$3,400
  - Phases out award for online programs going forward
- Proposes \$1.5 million each year for Jefferson Labs
- Proposes \$10.8 million at Virginia Museum of Fine Arts to plan transformation of Monument Avenue in Richmond
- Recommends \$400,000 in FY 2022 for the State Library to continue restoration of review and release of gubernatorial records



# CAPITAL OUTLAY

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# Treasury Board

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- Proposes \$22.7 million in FY 21 & \$27.1 million in FY 22 for debt service savings for previously authorized projects and new projects proposed in the introduced budget





# Capital Outlay

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- Introduced budget proposes \$219.2 million in new capital outlay spending
  - \$135.5 million in VCBA / VPBA tax-supported bonds for:
    - \$58.5 million to supplement the Central State Hospital project for additional bed capacity
    - \$6.8 million for equipment for projects nearing completion
    - \$11.7 million in a new capital pool for six life safety and infrastructure
    - \$37.7 million for HVAC improvements and repairs at VSU and Longwood
    - \$5.0 million for infrastructure repairs at the Science Museum
    - \$3.0 million for fire safety and security at Dept of Military Affairs
    - \$1.7 million to renovate Veterans Care Centers
    - \$4.5 million for waterproof repairs at the Capitol Visitor Center
    - \$6.6 million for workforce development projects
  - \$65.6 in 9 (c) & 9 (d) NGF revenue bonds and NGF cash
  - \$18.0 million in general fund primarily for project planning costs



# Capital Outlay Language

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- Project scope changes for projects at VCCS Northern Virginia campus and Frontier Culture Museum
- Proposes location change for GMU Life Science / Bull Run Hall project from the Science and Technology Campus to the Fairfax Campus
  - Project originally funded in the 2013 Session and then supplemented with \$21.1 million in the 2018 Session
  - Nearly \$3.0 million has already been expended for project design as originally approved and those plans were submitted by GMU in October 2020 for release of the full funding



# COMMERCE AND TRADE

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# Department of Housing and Community Development

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- Proposes an additional \$15.3 million GF in the second year and four positions for the Virginia Telecommunication Initiative (VATI)
  - Level funds the program at \$49.7 million in the second year
- Increases deposits to the Housing Trust Fund by \$15.7 million GF in FY 2021 and \$25.0 million GF in FY 2022, which brings program funding to \$125.7 million over the biennium
  - Designates \$28.2 million in the first year to continue the Virginia Rent and Mortgage Relief Program
- Provides \$3.3 million GF in the second year to continue the Eviction Prevention and Diversion Program
- Adds \$3.0 million GF for the Virginia Main Street Program in the second year, increasing proposed funding from \$500,000 to \$3.5 million



# Virginia Employment Commission

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- Includes \$10.0 million GF the second year to maintain current customer services levels for the unemployment insurance (UI) program through the end of biennium
- Proposes \$5.0 million GF the second year for one-time costs to incorporate programs authorized by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act into the agency's new unemployment insurance system
- Provides \$7.5 million GF the second year for estimated interest payments on federal cash advances to pay UI benefits
  - Recent actions including the passage of a fourth federal stimulus package and the deposit of \$210 million of federal Coronavirus Relief Funds into the UI trust fund will lower the initial interest payment



# Additional Commerce Proposals

(\$ in millions)	FY 2022
<b>Economic Development Incentive Payments</b>	
Initial Payment for Microsoft (tied to legislation)	\$5.6
Final Payment to Amazon Web Services	2.3
Virginia Jobs Investment Program	2.0
<b>Department of Labor and Industry</b>	
Occupational Safety Positions	1.5
<b>Virginia Economic Development Partnership</b>	
Business Ready Sites Program	5.0
Office of Labor Market and Education Alignment (tied to legislation)	0.5
<b>Virginia Innovation Partnership Authority</b>	
Base Budget Increase for Rent	0.8
<b>Department of Small Business and Supplier Diversity</b>	
Strategic Sourcing Unit for SWAM Business	0.7
<b>TOTAL GF</b>	<b>\$18.4</b>



# GENERAL GOVERNMENT

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# Administration Proposals

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## **Virginia Telecommunications Agency**

- Adds \$26.8 million GF over the biennium in central accounts to reflect the general fund share of utilization costs for state agencies
  - Adjusts NGF appropriation in the second year for VITA by \$60.4 million to reflect latest utilization forecast for state agencies
- Provides \$13.0 million NGF over the biennium to support costs related to moving the state data center to Henrico County





# Additional General Government Proposals

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## **Executive Offices: Office of the Attorney General**

- Provides \$1.1 million GF and 8 positions in the second year for the Attorney General's Office for workload costs associated with bills that will expand appeal rights and define workplace sexual harassment as a form of discrimination

## **Independent Agencies: Virginia Lottery**

- Adds \$28.6 million NGF over the biennium to support administrative costs associated with the continuation of iLottery



# Technology Proposals

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- Proposes \$19.3 million GF and \$31.8 million NGF over the biennium for technology system upgrades and strategic technology investments in general government agencies (administration, finance, and independent agencies)
  - Includes \$16.7 million GF in the first year for the Department of Elections to replace the Virginia Election and Registration Information System (VERIS), funds are in addition to \$12.2 million already appropriated for the technology project
  - Includes an additional \$15.0 million NGF the second year to support costs of moving to a state owned and operated health benefit exchange at the State Corporation Commission
  - Includes \$8.4 million NGF at the Virginia Lottery to support the purchase of new gaming equipment for retailers



# TRANSPORTATION

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# Transportation General Fund Amendments

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- Includes 2 amendments which would appropriate a total of \$55 million General Funds for transportation initiatives
  - Proposes \$50 million GF in FY 2022 under the Department of Rail and Public Transportation for the expansion of existing passenger rail service between Washington D.C. and Roanoke, with potential future service to the New River Valley
  - Includes \$5.0 million GF in FY 2022 under the Department of Transportation (VDOT) to support the planning, development, and construction of multi-use trails across the Commonwealth
    - Priority would be given for new trails with a total length in excess of 35 miles
    - VDOT has recently completed the planning study for the approximately 50-mile Eastern Shore Rail to Trail project
  - Both initiatives are one-time funding proposals



# Transportation NGF Amendments

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## **Department of Transportation**

- Proposes a decrease of \$281.0 million in FY 2021 and an increase of \$222.8 million in FY 2022 to reflect the updated Six-Year Financial Plan
- Increases the VDOT NGF appropriation by \$177.7 million in FY 2022 to reflect the November 2020 Commonwealth Transportation Fund revenue forecast

## **Department of Aviation**

- Increases the Department's appropriation of federal funding by \$205,555 NGF in FY 2022 to reflect additional anticipated federal grant funds



# Other Transportation Amendments

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## **Department of Aviation**

- Recommends language authorizing the Aviation Board to temporarily increase individual commercial airport entitlement funding by up to 20 percent based on demonstrated need
- Proposes language to expand the permitted uses of the Governor's New Airline Incentive Fund, established during the 2020 Session, to include retention of existing services at Virginia commercial airports

## **Department of Motor Vehicles**

- Continues authorization for 60.00 FTEs in FY 2022 to support implementation of the federal REAL ID program
  - Program was anticipated to be fully implemented by October 2020, but the deadline was extended due to the COVID-19 pandemic



# COMPENSATION & BENEFITS

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# Employee Bonuses

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- Appropriates \$97.8 million GF in the second year to provide one-time bonus payments to state employees and state-supported local employees, effective September 1, 2021
  - Language authorizing the bonus, contingent on revenues, was included in Chapter 56 but funding was not appropriated
  - Provides one time bonus payments of \$1,500 to state employees, \$750 to adjunct faculty at institutions of higher education, and 1.5% to state-supported local employees
- A separate amendment under Direct Aid to Public Education proposes \$80.1 million GF for the state's share of a 2.0% one-time bonus payment for SOQ funded instructional and support





# Targeted Salary Increases

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## **Compensation Board**

- Includes the restoration of \$2.6 million GF in FY 2022 to provide an \$897 increase in starting pay to regional jail officers, consistent with salary increases provided for the entry level salaries of sworn local jail officers in the 2018 Appropriation Act
- Recommends the restoration of \$1.8 million GF in FY 2022 to increase the salaries of circuit court clerks to establish parity with the general district court clerk pay scales
- Proposes the restoration of \$359,715 GF in FY 2022 to adjust the population-based salaries for officers in various constitutional offices for localities whose offices have exceeded their existing population thresholds



# Funding To Address VRS Unfunded Liabilities

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- Includes \$100 million GF in FY 2022, under the Department of Accounts Transfer Payments, for a one-time payment to the VRS to reduce unfunded liabilities
  - \$61.3 million GF to pay the remaining balance of the deferred contribution payments for the teachers' retirement plan from the 2010-2012 biennium
    - Under this proposal the State would be repaying both the state and local share of the deferred payment
  - \$38.7 million GF for one-time payment to reduce the unfunded liability associated with the state employee retiree health insurance credit program
    - The current funded status for the state employee retiree health insurance credit program is 12.7%



# Adjust Funding For Other Employee Benefit Programs

	FY 2021	FY 2022
State Employee Health Insurance		(\$955,401)
State Agency Worker's Comp. Premiums		(453,376)
Line of Duty Act Premiums	<u>(413,986)</u>	<u>(413,986)</u>
<b>Total</b>	<b>(\$413,986)</b>	<b>(\$1,822,763)</b>



# PUBLIC SAFETY

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# Department of Emergency Management

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- Proposes \$42.0 million GF in FY 2021 and \$36.7 million GF in FY 2022 for continued costs related to pandemic response and recovery activities. Amounts include:
  - \$31.1 million GF in FY 2021 and \$27.5 million GF in FY 2022 for the purchase, storage and distribution of PPE
  - \$8.1 million GF in FY 2021 and \$6.7 million GF in FY 2022 for operations of the Emergency Operations Center
  - \$2.2 million GF each year for third-party support for a Health Equity Workgroup
- Additional federal support for PPE will be available as a result of the new COVID relief bill signed December 27, 2020
  - A total of \$173.1 million has been allocated to VDEM from the federal Coronavirus Relief Fund
  - An additional \$55.5 million in sum sufficient disaster authority has been authorized for VDEM's pandemic response



# Department of Corrections

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- Includes \$394,000 GF in FY 2021 and \$13.9 million GF in FY 2022 for inmate medical costs
  - Amounts reflect medical inflation and increased utilization of medical services
- Proposes \$1.3 million GF in FY 2022 to provide security at VCU's new outpatient medical clinic, and security staff in the secure ward at Southampton Memorial Hospital
- Proposes \$500,000 GF each year to increase funding for the offender substance abuse screening and assessment program
  - Program is generally supported by NGF revenues, which vary based on court fees collected for certain drug offenses



# Alcoholic Beverage Control Authority

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- Includes \$66.8 million NGF in FY 2021 and \$71.5 million NGF in FY 2022 to reflect the cost of goods sold in ABC stores
  - Introduced budget assumes no changes in estimate transfer of net profits
- Proposes authorization of \$10.7 million NGF in FY 2022 to acquire new human resources management system
- Language amendment would authorize an interest-free treasury loan of an unspecified amount for the Authority's start-up costs related to regulation of a commercial marijuana market
  - Legislation to be considered would legalize adult marijuana use in a market regulated by ABC
  - A 2020 JLARC report estimated that the annual cost of industry regulation by ABC would cost between \$7 million and \$9 million per year and require between 85 and 105 additional staff



# State Police

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- Proposes \$9.5 million GF in FY 2022 to increase the base appropriation for replacement of trooper vehicles
  - The existing manufacturer of patrol vehicles will no longer produce sedans, and will produce only SUVs going forward
  - Due to this change, the cost per vehicle will increase from \$25,706 for sedans to \$38,798 for SUVs
  - State Police also propose to replace vehicles at 100,000 miles instead of 130,000 miles, increasing from 350 to 400 the number of vehicles replaced each year
- Includes \$1.1 million GF in FY 2021 and \$5.2 million GF in FY 2022 for Phase I of the transformation of the Department's technology infrastructure to VITA's





# Judicial

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- Includes \$235,400 GF in FY 2021 and \$4.9 million GF in FY 2022 and 27 positions in relation to legislation to be considered that will expand the jurisdiction of the Court of Appeals
  - Bill would allow for the “by right” appeal of civil and criminal cases, and is expected to substantially increase caseload of the appellate court
  - Includes 4 new appellate judgeships, with the balance of the positions being staff attorneys, clerks, and IT support staff
  - Introduced budget also provides related funding and positions for the Office of the Attorney General
- For the Virginia State Bar, proposes the restoration of \$1.5 million GF the second year for civil indigent defense attorneys to clients facing evictions



# AG & NATURAL RESOURCES

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# Water Quality Improvement Programs

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- The introduced budget includes several proposals related to meeting Virginia's reduction targets under Phase III of the Watershed Improvement Plan
- Proposes total deposits of \$39.4 million GF in FY 2022 to the Water Quality Improvement Fund
  - \$30.4 million GF statutorily required deposit based upon FY 2020 unexpended agency balances ("Part B" deposit)
  - \$9.0 million supplement deposit
- Of these deposits, a total of \$35 million GF in FY 2022 is directed to the Natural Resources Commitment Fund
- Deposit also includes \$4.55 million GF be provided for base technical assistance to the Soil and Water Conservation Districts



# Department of Conservation and Recreation

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- Proposes \$5.0 million GF in FY 2022 for Project Harmony
  - Project would establish the Harmony Living Shoreline memorial, and assist in the activities related to repatriation of the former Columbian Harmony Cemetery to New Harmony Cemetery
- Includes \$3.5 million GF in FY 2022 to assist the Chickahominy Tribe in the acquisition and restoration of tribal lands
- Proposes \$1.0 million GF in FY 2022 and five positions to support improved access to Natural Area Preserves
- Restores \$556,000 GF in FY 2022 approved during the 2020 Session for additional state parks operating support
- Restores \$400,000 GF and three positions in FY 2022 for the Dam Safety and Floodplain Management Program
- Proposes \$300,000 GF in FY 2021 for agency costs related to COVID-19 response activities



# Department of Environmental Quality

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- Proposes restoration of \$12.0 million GF in FY 2022 for the Department's monitoring, compliance, permitting, and policy activities, including:
  - \$8.3 million GF for Water Protection
  - \$2.0 million GF for Air Protection, and
  - \$1.7 million GF for Land Protection
- Proposes continuation of the Water Quality Enhancement Fee paid by nutrient credit banks at a rate of 5%
  - A similar proposal offered by the Governor in 2020 Special Session I was rejected by the General Assembly

