

Overview of the 2020-22 Biennial Budget Chapter 552, 2021 Special Session I

Amendments adopted in Chapter 552 of the 2021 Acts of Assembly, Special Session I (HB 1800) reflect upward adjustments in both resources and spending as compared to Chapter 56 of the 2020 Acts of Assembly, Special Session 1 (HB 5005). Assumed revenue adjustments reflect approximately \$1.8 billion in additional general fund resources, including revenues and transfers. Spending amendments adopted for Chapter 552 increased GF spending by \$1.5 billion and results in an unappropriated balance of \$8.1 million.

Amendments to the 2020-22 Budget Chapter 552, as Adopted (GF \$ in millions)			
	<u>FY 2021</u>	<u>FY 2022</u>	<u>2020-22</u>
GF Resources, Chapter 56, 2020 SS1	\$23,553.1	\$22,827.7	\$46,380.8
Net Resource Adjustments	<u>1,058.7</u>	<u>783.7</u>	<u>1,842.4</u>
Available Resources	\$24,611.8	\$23,611.4	\$48,223.2
GF Appropriations, Chapter 56, 2020 SS1	\$22,709.9	\$23,368.8	\$46,078.6
Net Spending Adjustments	<u>39.2</u>	<u>1,469.3</u>	<u>1,508.5</u>
Total GF Appropriations, Chapter 552	\$22,722.2	\$25,492.9	\$48,215.1
Unappropriated Balance	\$1,889.5	(\$1,881.5)	\$8.1

Resources

Chapter 552 of the 2021 Acts of Assembly, Special Session I (HB 1800) includes \$48,223.2 million in general fund resources available for appropriation, a net increase of \$1,842.4 million compared to Chapter 56 of the 2020 Acts of Assembly, Special Session 1 (HB 5005). This increase consists of a \$1681.4 million increase in assumed revenues, a \$155.1 million increase in assumed transfers and a \$6.1 million increase in balances.

The \$1,842.4 million increase in revenues includes an increases in the forecast of revenues of \$1,917.7 million, including the GACRE forecast and the midsession reforecast, partially offset by \$235.3 million in reductions from tax policy actions most of which is in response to recent federal legislation. The General fund growth rates assumed in the budget are 2.7 percent in FY 2021 and 2.8 percent in FY 2022 (excluding transfers).

Details on revenues, adjustments to general fund balances and transfers, as well as proposed tax policy changes, can be found in the Resources section of the summary.

Appropriations

As a result of additional resources available and a year-end balance of \$302.2 million for FY 2021, net general fund spending adjustments total \$1,508.5 million against Chapter 56 of the 2020 Acts of Assembly, Special Session 1 (HB 5005). Major general fund spending items include:

- \$900.0 million for a deposit to the Revenue Reserve Fund;
- \$437.5 million for K-12 No Loss Funding for Local School Divisions;
- \$174.6 million for a K-12 sales tax revenue update and general fund dollars to replace previous COVID-19 Relief Fund NGF support;
- \$153.6 million for the state share of a 5 percent salary increase for teachers and support staff in the second year;
- \$146.1 million for a state and state-supported local employee 5% salary increase in the second year;
- \$137.0 million for Capital Maintenance Reserve;
- \$113.5 million for Higher Education to Maintain Affordable Access
- \$100.0 million for a payment to the Virginia Retirement System to reduce unfunded liabilities;
- \$63.7 million for a Personal Care Rate Increase at DMAS;
- \$55.0 million for A Package of Transportation Initiatives;
- \$52.9 million for K-12 COVID Relief Payments; and
- \$50.0 million in Capital for a Nutrient Removal Certainty Program.

Proposed new spending is offset by spending reductions totaling approximately \$1,382.7 million. Savings items are largely driven by forecast and enrollment changes and include:

- \$551.8 million from Medicaid Forecast savings due to enhanced federal match rates;

- 404.1 million from revised K-12 enrollment projections,
- \$98.5 million from Health Care Fund revenue and cash balances;
- \$75.1 million from K-12 Lottery Proceeds; and
- \$49.8 million in assumed debt service savings.

Major spending and savings items are detailed in the table below.

**Major Spending and Savings in
Chapter 552 (HB 1800, as Adopted)
(GF \$ in millions)**

	<u>FY 2021-22</u>
Major Spending Proposed	
Revenue Reserve Deposit	\$900.0
K-12: No Loss Funding to Local School Divisions	437.5
K-12: Sales Tax Revenue Update	174.6
K-12: Teacher and Support Positions 5% Salary Inc. (2nd Year)	153.6
State and State-Supported Local Employee 5% Salary Inc. (2nd Year)	146.1
Capital: Maintenance Reserve	137.0
Higher Ed: Maintain Affordable Access	113.5
VRS Payment to Reduce Unfunded Liabilities	100.0
DMAS: Personal Care Rate Increases	63.7
VDOT: 2021 Transportation Funding Initiative	55.0
K-12: Use GF for COVID-19 Relief Payments	52.9
Capital: Nutrient Removal Certainty Program	50.0
K-12: Additional Support Positions (Ratio of 3:1,000)	49.5
DMAS: \$15 Per Diem Medicaid Payment for Nursing Homes	46.7
DHCD: Virginia Housing Trust Fund	40.7
K-12: One-Time Funds for Learning Loss	40.0
G3 Community College Initiative	38.5
COVID-19 Disaster Response	31.0
Higher Ed: Restore Undergraduate Financial Aid	30.3
K-12: Infrastructure and Operations Per Pupil Payments	30.0
DCR: Agricultural Best Management Practices	30.0
Statewide Agency Information Technology Costs	26.8
K-12: Additional School Counselors (Ratio of 1:325)	26.6
DEQ: Stormwater Local Assistance Fund	25.0
VEC: Overpayment Forgiveness	19.0
Medicaid Utilization and Inflation (2nd Year)	17.9
ELECT: Replace Virginia Election and Registration Info. System	16.7
NSU/VSU/VSU Ext: Restore Prior Reductions	16.1
DHCD: Virginia Telecommunication Initiative	15.3
VCU: Sale of ABC Property to VCU	14.7
K-12: Cost of Competing Adjustment	14.6
DOC: Inmate Medical Care	14.3
Capital: Projects Planning	14.2
DCR: Virginia Natural Resources Commitment Fund	13.6

**Major Spending and Savings in
Chapter 552 (HB 1800, as Adopted)
(GF \$ in millions)**

	<u>FY 2021-22</u>
VSP: Marijuana Expungement	13.0
DEQ: Restore Air, Land and Water Protection Funding	12.0
K-12: Restore VPI Per Pupil Amount Increase	11.1
DMAS: FAMIS Prenatal Coverage for Immigrants	11.1
K-12: English as a Second Language Update	10.7
GMU/ODU: Restore Enrollment Funding	10.0
VCU: Restore Massey Cancer Center Cuts	10.0
EDIP: Pharmaceutical Manufacturing Economic Development	10.0
DHCD: Community Development Financial Institutions Fund	10.0
VEC: Unemployment Insurance Customer Service	9.7
Foster Care Prevention Services	9.2
Slavery and Freedom Heritage Site	9.0
RU: Operation Support	8.0
SCHEV: Tuition Assistance Grants Restoration	7.9
One-Time \$1,000 Bonus for State Correctional Officers	7.5
State Police Vehicle Purchases	7.2
DMAS: Add 435 Developmental Disability Waiver Slots	7.1
State Policy Information Technology Transition	6.4
EDIP: Shipping and Logistics Fund	6.3
EDIP: Technology Development Grant Program	5.6
Pharmacy Costs at State Psychiatric Hospitals	5.3
Court of Appeals Additional Judges and Support Staff	5.1
NSU/ODU Joint School of Public Health	5.0
National Museum of the United States Army	5.0
VEDP: Virginia Business Ready Sites Program	5.0
VEC: Integrate Federal CARES Act Programs	5.0
K-12: Restoration Early Childhood Educator Incentive Program	5.0
DSS: CASA Welcome Center in Prince William County	5.0
Reserve for Cost of Legislation in 2021 Session	5.0
All Other Spending Items	<u>302.2</u>
Total:	\$3,484.8

Major Savings Proposed

DMAS: Medicaid Forecast (Enhanced Federal Match Savings)	(551.8)
K-12: Update Student Enrollment Projections (FM and ADM)	(404.1)

**Major Spending and Savings in
Chapter 552 (HB 1800, as Adopted)**
(GF \$ in millions)

	<u>FY 2021-22</u>
DMAS: Health Care Fund Revenue and Cash Balance	(98.5)
K-12: Lottery Proceeds	(75.1)
Debt Service Savings	(49.8)
K-12: Update English as Second Language Enrollment	(30.9)
K-12: Lottery Funded Programs Costs Update	(27.4)
K-12: Update Virginia Preschool Initiative Participation	(15.9)
DMAS: Children's Health Insurance Programs	(28.8)
DSS: Supplant School-Age Child Care with Federal Funds	(16.6)
DMAS: Emergency Medicaid Savings from FAMIS Prenatal Exp.	(13.4)
DMAS: Savings from Delay in Behavioral Health Redesign	(10.1)
DSS: Child Welfare Enhanced Federal Match Savings	(8.8)
DMAS: Medicare Premium Savings	(7.4)
Children's Services Act Caseload	(5.1)
DMAS: Involuntary Mental Commitment Caseload	(5.0)
Capital Indigent Defense Services	(3.9)
K-12: Update Remedial Summer School Participation	(4.6)
K-12: Categorical Programs Update	(3.7)
DMAS: Enhanced Federal Match Savings for State Facilities	(2.9)
All Other Savings Items	<u>(18.9)</u>
Total:	\$(1,382.7)
 Net Spending Adjustments	 \$2,102.1

Legislative. The adopted budget for the Legislative agencies results in a net increase of \$1.3 million GF for the biennium.

Significant general fund increases include \$846,907 for a comprehensive salary initiative for the Capitol Police, \$348,774 and four positions to establish a Behavioral Health Commission pursuant to Chapter 313 of the 2021 Acts of Assembly, Special Session I (SB 1273), and \$100,000 for the Dr. Martin Luther King Memorial Commission to support the construction of the Emancipation and Freedom Monument. Language also directs the Joint Rules Committee, on or

before June 30, 2021 to revert to the general fund \$5.9 million in legislative agency and standing commission balances.

Judicial Department. The adopted budget for the Judicial Department agencies result in a net general fund decrease of \$7.8 million the first year and a net increase of \$11.6 million the second year.

Significant general fund increases include \$8.7 million over the biennium to provide judicial and operational staffing to support legislation adopted in the 2021 Session including expanding the jurisdiction of the Court of Appeals; \$3.2 million for a new public defender office in Chesterfield County; and, \$1.5 million for courts system modification to accommodate automatic expungements. In addition, \$1.5 million the second year is provided to restore funding for the Virginia State Bar to hire up to 20 additional housing attorneys.

Significant general fund decreases include the removal of \$3.9 million in funding for the Capital Defender Office due to legislation adopted in 2021 that abolishes the death penalty, and \$1.1 million in Criminal Fund savings for court appointed counsel associated with the opening of the new public defender office. These increases were further offset by \$10.3 million in reductions that reflect the movement of approved reductions contained in Chapter 56 of the 2020 Acts of Assembly, Special Session I (HB 5005), in Central Appropriations to the agency budget.

Executive Offices. The adopted budget for Executive Offices increases by \$4.5 million GF over the biennium. Of the general fund increase, \$4.2 million and 40 positions In the Office of the Attorney General (OAG) to support legislation expanding the jurisdiction of the Court of Appeals; \$250,000 for the OAG to secure a third-party investigator to conduct an investigation into the Office of the State Inspector General's policies and procedures used during its handling of the Parole Board investigation of a parolee; and, \$200,000 in the Office of the Governor to provide contract support for a pilot program to promote diversity and inclusion in state agencies.

Administration. The adopted budget for Administration results in a net general fund increase of \$6.6 million GF for the biennium and a net nongeneral fund increase of \$74.3 million over the biennium.

Significant general fund increases include \$16.7 million the first year in additional funding for the replacement of the Virginia Election and Registration Information System (VERIS); a total of \$10.3 million over the biennium to restore previously unallotted and eliminated funding for constitutional officer staffing, salary adjustments, and technology enhancements; and, \$3.5 million in the second year to increase the salary scale for general registrars to be equal to that of local treasurers. Significant general fund decreases include \$28.5 million over the biennium to reflect approved reductions in Chapter 56 of the 2020 Acts of Assembly, Special Session I (HB 5005) that were moved from Central Appropriations to the agency budget.

Significant nongeneral fund adjustments include \$60.4 million the second year to adjust internal service fund appropriation for vendor pass-through rates, and \$13.0 million over the

biennium for the data center relocation in the Virginia Information Technologies Agency (VITA), and \$342,000 and 2.00 FTE positions in the second year for the Office of the Chief Data Officer. Significant nongeneral fund reductions include \$2.5 million the first year and \$3.6 million the second year due to the cancellation of an initiative to enhance security at state-owned facilities.

Agriculture & Forestry. The adopted budget for the Agriculture and Forestry agencies result in a net increase of \$800,000 GF the first year and \$2.7 million GF the second year. The largest expenditure items for the Department of Agriculture and Consumer Services (VDACS) include \$2.0 million GF the second year to increase funding available for grants and loans to nonprofit organizations providing innovative small food retail stores in underserved communities; \$1.0 million GF in the second year to establish a Dairy Producer Margin Coverage Premium Assistance program for Virginia dairy producers; and, \$600,000 to establish the Virginia Agriculture Food Assistance Program. In addition, a total of \$1.0 million GF is provided the second year to fund the Department of Forestry's WIP III plan and the restoration of funding to establish a hardwood habitat reforestation program.

Commerce and Trade. The adopted budget for Commerce and Trade includes net general fund increases of \$117.7 million over the biennium. The budget includes an additional \$40.7 million GF for the Virginia Housing Trust Fund and an additional \$34.7 million GF for the Virginia Employment Commission (VEC). Funding for the VEC includes \$19.0 million GF to reimburse the UI Trust Fund for overpayment forgiveness; \$10.0 million GF in one-time support to cover staffing cost associated with the high volume of unemployment insurance claims resulting from the pandemic; \$5.0 million GF for one-time costs to incorporate CARES Act programs into the new unemployment insurance system; and, \$750,000 GF for estimated interest on federal UI cash advances. Also included is a net increase of \$27.1 million for economic development incentive grants including \$10.0 million GF to the City of Petersburg for the installation of a water tank and associated infrastructure at a chemical plant complex. The adopted budget also provides a one-time appropriation of \$10.0 million GF to establish the Virginia Community Development Financial Institutions Fund to provide low-cost credit to small businesses impacted by the COVID-19 pandemic. Other non-technical changes include \$30.0 million NGF to administer federal Coronavirus Relief Funds; \$5.0 million GF for the Business Ready Sites Program; \$3.3 million GF to restore previously unallotted funding for the Eviction Prevention and Diversion Program at the Department of Housing and Community Development; \$1.5 million GF for the Main Street program; and, \$1.5 million GF for the Virginia Occupational Safety and Health program.

Public Education. The adopted budget for Direct Aid to Public Education result in a net increase of \$14.8 million GF above Chapter 56 of the 2020 Acts of Assembly, Special Session I (HB 5005), plus \$75.1 million NGF in additional Lottery Proceeds; \$76.0 million NGF in COVID-19 Relief Funds from gray machine revenue; and, \$36.5 million NGF in federal relief funds. The net GF amount reflects \$405.1 million GF in approved reductions in Chapter 56 of the 2020 Acts of Assembly, Special Session I (HB 5005); \$370.6 million GF in reductions from technical updates and other cost and participation updates; and, \$808.8 million GF in policy changes. Of the

technical updates, lower student enrollment in fall 2020 due to COVID-19 resulted in reductions of \$404.1 million GF when updating Direct Aid accounts for actual fall membership and projected Average Daily Membership in each year.

The adopted budget also includes \$443.0 million over the biennium to ensure that no school division receives less funding in the 2020-22 biennium as compared to Chapter 56 of the 2020 Acts of Assembly, Special Session I (HB 5005). These payments account for the declines in fall membership and projected Average Daily Membership as well as declines in enrollment or participation data in other Direct Aid programs during the 2020 calendar year due to the COVID-19 pandemic.

Other actions include: \$233.7million GF in FY 2022 to provide a 5 percent teacher salary increase; \$49.5 million GF in FY 2022 to fund specialized student support positions at 3:1,000; \$40.0 million GF in FY 2021 for learning loss instructional supports on a per pupil basis; \$30.0 million GF to distribute 40 percent of Lottery Proceeds as Infrastructure & Operations Per Pupil; \$30.0 million NGF in FY 2022 from federal relief funds to support competitive grants for COVID-19 learning loss and remediation and recovery grants; \$14.6 million GF in FY 2022 to increase the cost of competing adjustment for support positions; \$26.6 million GF in FY 2022 to fund counselors at a ratio of 1:325 in every school; \$12.9 million GF the first year to replace a like amount of NGF COVID-19 Relief Funds for the remaining COVID-19 Local Relief payments after accounting for the update to sales tax; \$11.1 million GF the second year to increase the VPI per pupil allocation; \$10.7 million GF over the biennium to include presumptive English Learner in the ESL program update; \$6.5 million NGF from federal relief funds to temporality extend special education eligibility for students who are aging out; \$2.0 million GF to provide supplemental support to Accomack and Northampton counties; and, \$10.7 million GF the second year for Supplemental Education programs.

In addition, there are several adjustments in the Department of Education Central Office that total \$2.8 million GF and \$68.2 million NGF. The adopted budget includes: \$52.5 million NGF to expand the child care subsidy program with federal relief funds from the Child Care Development Block Grant; \$8.8 million NGF from federal relief funds to implement a statewide growth assessments system; \$7.0 million NGF from federal relief funds to provide virtual education supports, including a statewide learning management system; \$1.9 million GF to repay a Treasury Loan used to reimburse subgrantees for services originally intended to be funded through a federal Substance Abuse and Mental Health Services Administration (SAMHSA) grant; \$395,991 GF to implement JLARC's recommendations on statewide teacher recruitment and retention efforts; \$345,000 GF to implement JLARC's recommendations on special education; \$365,300 GF for cultural proficiency initiatives; \$300,000 GF for Virginia Kindergarten Readiness Program expansion; \$208,000 GF for the replacement of the CTE resource center database; and, \$161,174 GF to support the Deputy Superintendent of Early Childhood position.

Higher Education. Under Education, the adopted budget for Higher Education institutions and related agencies results in restorations of \$126.9 million GF and new spending of \$136.0 million GF. The largest item is \$113.5 million GF for the Higher Education Unified Amendment for financial aid, operations or other cost impacts from COVID-19 providing \$73.5 million GF in on-going funding in FY 2022, plus \$40.0 million GF in one-time funding in FY 2022. Additionally, the Unified Amendment provides \$22.0 million NGF in federal relief funds for one-time undergraduate financial aid in FY 2022 and \$34.5 million NGF in federal relief funds for COVID-19 testing and contact tracing.

The adopted budget restores \$38.5 million GF for the last-dollar plus workforce initiative known as "G3" at the Virginia Community College System, followed by \$30.3 million for undergraduate need-based financial aid. Other adopted restorations include \$8.5 million GF for the Tuition Assistance Grant program; \$8.4 million GF for Norfolk State University; \$8.0 million GF for the Radford University merger with Carilion Nursing; \$7.7 million GF for Virginia State University; \$7.5 million GF for Massey Cancer Center at Virginia Commonwealth University; and, \$5.0 million GF each for George Mason University and Old Dominion University.

In addition, other actions include the following new spending items: \$5.0 million GF for a Joint School of Public Health for Old Dominion University and Norfolk State University; \$4.5 million GF to continue the Connected Campus initiative at Norfolk State University; \$4.0 million for James Madison University; and several other smaller items.

The adopted budget also includes several language changes, including recommending approval for George Mason University to pursue Level III designation. In addition, under the Virginia Economic Development Partnership, the adopted budget provide \$500,000 GF for creation of a new Office of Labor Market and Educational Alignment.

Finance. Adopted general fund adjustments for the Finance Secretariat result in a net increase of \$654.6 million GF over the biennium.

Of the general fund increases, \$250.0 million the first year and \$650.0 million the second year is provided for deposits to the Revenue Reserve Fund, as well as \$100.0 million the first year for a one-time deposit to the Virginia Retirement System to reduce unfunded liabilities of the public school teacher retirement plan and the state employee retiree health insurance credit program.

Significant general fund reductions include \$300.2 million over the biennium to reflect approved reductions in Chapter 56 of the 2020 Acts of Assembly, Special Session I (HB 5005), which were previously unallotted in Chapter 1289 of the 2020 Acts of Assembly (HB 30), and converted to budget reductions in the 2020 Special Session I, as well as \$49.8 million in debt service savings over the biennium due to the refunding of Virginia Public Building Authority and Virginia College Building Authority bonds.

Health and Human Resources. The adopted budget includes a net decrease of \$742.4 million GF and an increase of \$1.7 billion NGF for the amended 2020-22 biennial budget. Spending of \$271.4 million GF is offset by \$1.0 billion GF in reductions. A significant part of the savings is a technical change to reflect \$233.8 million GF in budget reductions that were adopted in Chapter 56 of the 2020 Acts of Assembly, Special Session I (HB 5005), as a result of the revenue impact from the Coronavirus pandemic. The other major savings of \$469.0 million GF in HHR is primarily a result of enhanced federal funds from an increase in the federal match rate for Medicaid of 6.2 percentage points. This savings is due to the federal Families First Coronavirus Response Act, which provides for enhanced federal Medicaid funds for each quarter of the declared federal health emergency. The increase in nongeneral funds is primarily due to adjustments in the budget to reflect the increase of additional federal funds for Medicaid and higher Medicaid spending, specifically hospital payments. These adjustments account for about \$1.1 billion or 68 percent of the increase in nongeneral funds over the biennium.

Mandatory general fund spending of \$34.1 million GF (14 percent of new GF spending in HHR, which is atypical since mandatory spending is normally the primary driver) is primarily related to the second year costs of the Medicaid Forecast, increased caseload in the Temporary Assistance to Needy Families Unemployed Parent program, and funding related to addressing federal penalties for the eligibility error rate for the Supplemental Nutrition Assistance Program. The general fund share of Medicaid forecast is partially offset by \$98.5 million in additional revenue and a prior year cash balance in the Health Care Fund.

The adopted budget includes \$198.4 million GF in discretionary spending in HHR. Out of this spending, 56 percent is related to increases in Medicaid rate for personal care services to reflect the impact of an increasing minimum wage and a \$15 per diem payment for nursing facilities. Other major expenditures include \$9.2 million for additional funding to support implementation of the federal Family First Prevention Services Act; \$7.1 million to add 435 developmental disability waiver slots; \$5.3 million to address higher pharmacy costs at state behavioral health facilities; \$4.4 million to increase the Auxiliary Grant rate by 10 percent; \$3.5 million to create pilot programs for individuals with dementia to divert or discharge them from state facilities; \$2.8 million to update the Cooperative Health Budget formula; and, \$1.2 million to add doula services as a covered Medicaid benefit.

Natural Resources. The adopted budget for the Natural Resources agencies result in a net increase of \$55.1 million GF over the biennium. The largest single expenditure is the FY 22 deposit to the Water Quality Improvement Fund (WQIF) totaling \$69.9 million which includes a \$35.0 million GF deposit to the Natural Resources Commitment Fund (NRCF) for the implementation of Agricultural Best Management Practices (Ag BMPs) and \$8.5 million GF for base technical assistance provided by local Soil and Water Conservation Districts (SWCDs). In addition, a one-time deposit of \$25.0 million GF to the Stormwater Local Assistance Fund is provided in the second year for matching grants to localities for stormwater retrofits and upgrades. The adopted amendments also include \$4.0 million GF for the establishment of the Harmony Living Shoreline memorial and \$3.5 million to assist the Chickahominy Tribe with the reclamation of ancestral

tribal lands. For the Department of Environmental Quality, a total of \$12.0 million GF is included to restore funding for additional positions in its Water Protection, Air Protection, and Land Protection programs.

Public Safety and Homeland Security. The adopted budget for the Public Safety and Homeland Security agencies result in a net decrease of \$13.2 million GF the first year and an increase of \$42.0 million GF the second year, a 0.6 percent decrease the first year and 1.9 percent increase the second year in GF support for the programs within the Secretariat. The largest increase is for the Virginia Department of Emergency Management (VDEM) for ongoing expenses related to pandemic response, totaling \$10.8 million GF the first year and \$21.1 million GF the second year. The majority of these expenditures are intended for the purchase, storage, and distribution of personal protective equipment. For the Department of Corrections, a total of \$14.3 million GF in additional funding is provided over the biennium to reflect the increased cost of providing medical care to inmates. Actions also include \$13.0 million GF the second year for an automatic records sealing process related to criminal justice reform legislation and \$7.2 million GF the second year for the State Police to increase the annual expenditure for the replacement of patrol vehicles to support a change from using sedans to SUVs, which represents a significant increase above the base funding available.

Veterans and Defense Affairs. The adopted budget for the Veterans and Defense Affairs agencies result in a net increase of \$4.5 million GF in spending the second year. The largest amount is \$5.0 million GF in the Department of Veterans Services (DVS) to provide support for the National Museum of the United States Army. In addition, \$727,000 GF in the second year is included for the restoration of several items originally included but later removed from Chapter 1289 of the 2020 Acts of Assembly (HB 30) for DVS including an assistant manager for the Women Veterans Program, additional veterans peer specialists and veteran resource specialists.

Transportation. The adopted budget for transportation includes net increases of \$353.1 million NGF and \$55.0 million GF over the biennium. Included within these amounts is new one-time funding totaling \$323.4 million dedicated for seven specific multimodal investments identified within the 2021 Transportation Funding Initiative. The 2021 Funding Initiative includes federal funding authorized in the Coronavirus Response and Relief Supplemental Appropriations Act, one-time general funds, and one-time program balances to provide for investments in additional intercity passenger rail service between Washington, D.C and Roanoke (with eventual service to the New River Valley); funding for the Hampton Roads Express Lanes; widening of the Interstate 64 corridor; support to the Washington Metropolitan Area Transit Authority; as well as dedicated funding for fare-free transit pilot projects, the expansion of long-distance multi-use trails greater than 35-miles in length, and a connected infrastructure demonstration project. The adopted budget also reflect a technical decrease of \$281.0 million NGF the first year and an increase of \$400.7 million NGF the second year from revisions to the Commonwealth Transportation Fund revenue forecast and allocations in Six Year Program adopted by the Commonwealth Transportation Board in December, 2020.

Central Appropriations. Adopted adjustments in the Central Accounts result in a net increase of \$569.4 million the first year and \$1.2 billion the second year.

Significant general fund spending items include \$236.2 million the second year for a 5 percent raise for state and state-supported local employees, effective June 10, 2021 (for the July 1 payday) and July 1, 2021, respectively, as well as \$25.3 million the second year for targeted compensation actions; \$26.8 million over the biennium for the general fund share of agency information technology costs recovered by the Virginia Information Technologies Agency; \$9.0 million the second year for the City of Richmond for the planning and development of the Slavery and Freedom Heritage Site and improvements to the slave trail; and, \$3.5 million the second year for the initial operating costs of the Virginia Cannabis Control Authority, created pursuant to Chapters 551 and 550 of the 2021 Acts of Assembly, Special Session I (HB 2312/SB 1406).

Significant general fund adjustments include \$1.5 billion, which reflects the increase in appropriation resulting from moving approved reductions from Chapter 56 (2020 Special Session I) to the agency budgets, net of adopted restorations.

Other changes include adopted adjustments to the state and local allocations of federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funds, relative to Chapter 56 of the 2020 Acts of Assembly, Special Session I (HB 5005). The net adjustments account for the projected allocation of the full \$3.1 billion distributed from the federal government directly to the Commonwealth. Language also provides flexibility for the Governor to shift and reclassify unspent funds remaining after December 30, 2020, if allowed pursuant to federal guidelines, and the subsequent use of remaining funds shall be transferred to the Unemployment Compensation Fund.

Independent Agencies. The adopted budget for the Independent Agencies include a net reduction of \$4.3 million the first year and \$3.9 million the second year from the general fund, and a net nongeneral fund increase of \$55.5 million over the biennium. General fund increases include \$350,000 the first year for the development and submission of a state innovation waiver request to establish the Commonwealth Health Reinsurance Program and \$775,000 the second year to increase funding for the Workers' Compensation Commission's Sexual Assault Forensic Exam Program.

The general fund increases are net of reductions of \$4.7 million each year, which reflect the movement of approved reductions contained in Chapter 56 of the 2020 Acts of Assembly, Special Session I (HB 5005), from Central Appropriations to the Virginia Workers' Compensation Commission's budget. Significant nongeneral fund increases include \$37.0 million over the biennium for the Virginia Lottery to support continued internet lottery sales and the purchase of additional self-service machines, \$15.0 million in the second year for the State Corporation Commission (SCC) to implement the new State Health Benefit Exchange, as well as \$3.5 million over the biennium to replace the SCC's Case Management System.

Capital Outlay. The adopted budget for the capital outlay program for 2020-22 total about \$559.9 million (all funds). General fund supported actions contain \$238.7 million GF cash and \$244.9 million from general fund supported bonds issued by the Virginia Public Building Authority (VPBA) and the Virginia College Building Authority (VCBA). These bonds include \$192.0 million for the construction of three additional projects that had previously completed detailed planning; \$69.4 million across 15 projects for systems upgrades, facility repairs, and life/safety projects (the largest of which is \$34.0 million at Virginia State University); \$58.3 million in capital pool supplements; and, \$6.8 million for equipment for projects coming online. Savings in bond proceeds over the introduced budget were achieved by reversing \$137.0 million in proposed debt in maintenance reserve in the second year to be switched to general funds support.

For nongeneral fund capital actions, about \$55.1 million is funded through 9 (c) and 9 (d) NGF revenue bonds for four higher education projects. Another \$21.2 million is funded with nongeneral fund cash to support another 10 projects at multiple state agencies, including acquisition of a new state forest