



# 2022 Session Revenue and Budget Outlook

HAC Retreat  
November 16, 2021

Prepared by House Appropriations Committee Staff

# REVIEW OF FY 2021 REVENUES

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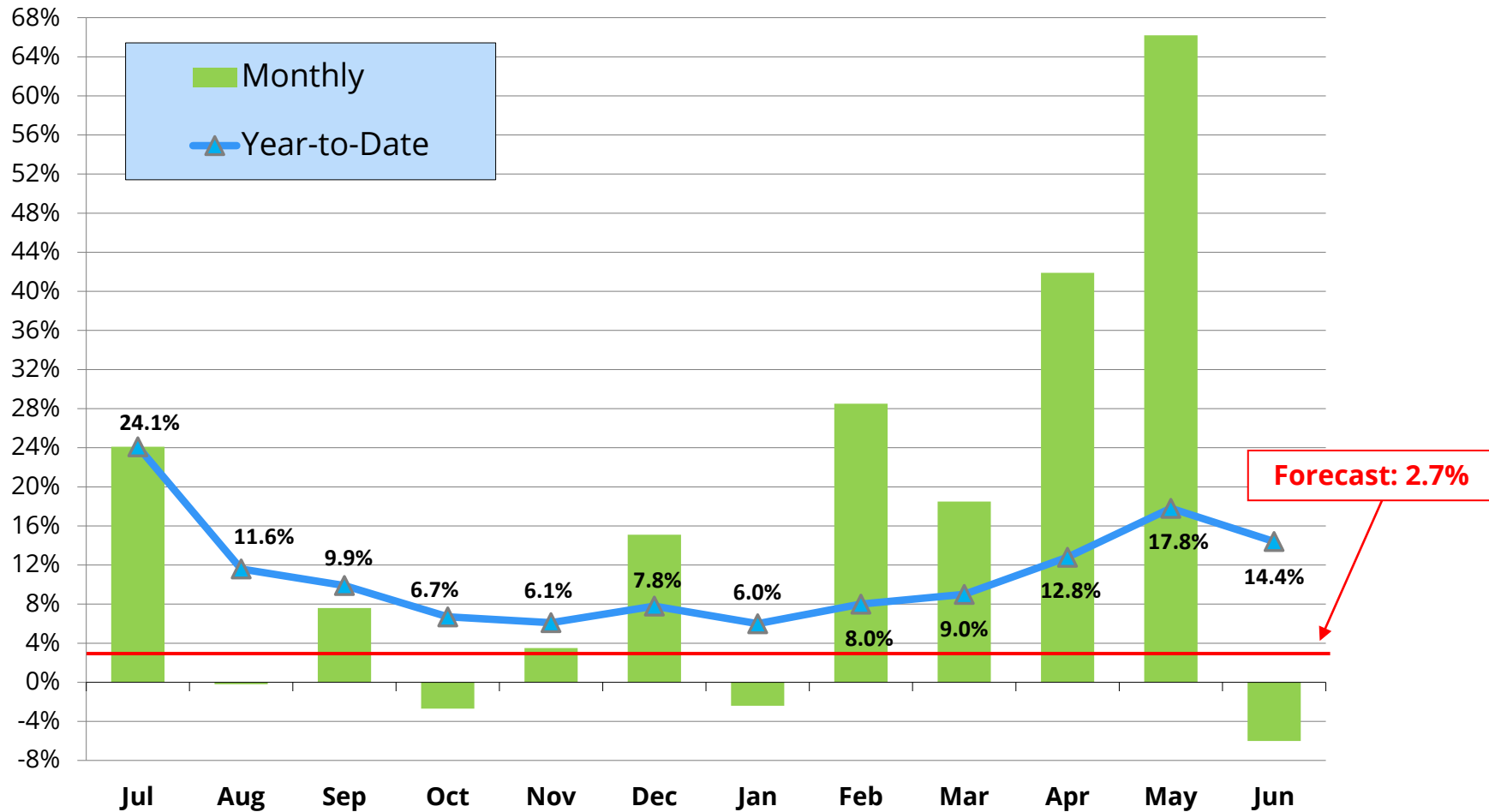
# Including Transfers, FY 2021 GF Resources Grew 14.2 % & Finished \$2.6 b. Above Forecast

## Summary of Fiscal Year 2021 Revenue Collections (\$ in millions)

Source	Official Forecast	Actual Collections	Difference	Growth Forecast	Actual Growth
Withholding	13,739.6	14,012.9	273.3	2.7%	4.7%
Nonwithholding	3,972.0	5,217.0	1,245.0	4.4%	37.1%
Refunds	(2,265.6)	(1,926.2)	339.4	23.7%	5.2%
<b>Net Individual</b>	<b>15,446.0</b>	<b>17,303.7</b>	<b>1,857.7</b>	<b>0.6%</b>	<b>12.7%</b>
Sales	3,879.3	4,166.2	286.9	4.7%	12.4%
Corporate	1,288.7	1,515.7	227.0	27.4%	49.8%
Recordation	601.3	679.7	78.4	24.4%	40.6%
Insurance	314.9	363.1	48.2	(12.7%)	0.7%
All Other Revenue	790.6	850.1	59.5	(4.0%)	3.2%
<b>Total Revenue</b>	<b>22,320.8</b>	<b>24,878.5</b>	<b>2,557.7</b>	<b>2.7%</b>	<b>14.4%</b>
<b>Total Transfers</b>	<b>695.5</b>	<b>758.6</b>	<b>63.1</b>	<b>(1.2%)</b>	<b>7.8%</b>
<b>Total General Fund</b>	<b>23,016.3</b>	<b>25,637.1</b>	<b>2,620.8</b>	<b>2.6%</b>	<b>14.2%</b>



# Monthly Revenue Growth Escalated Throughout FY 2021

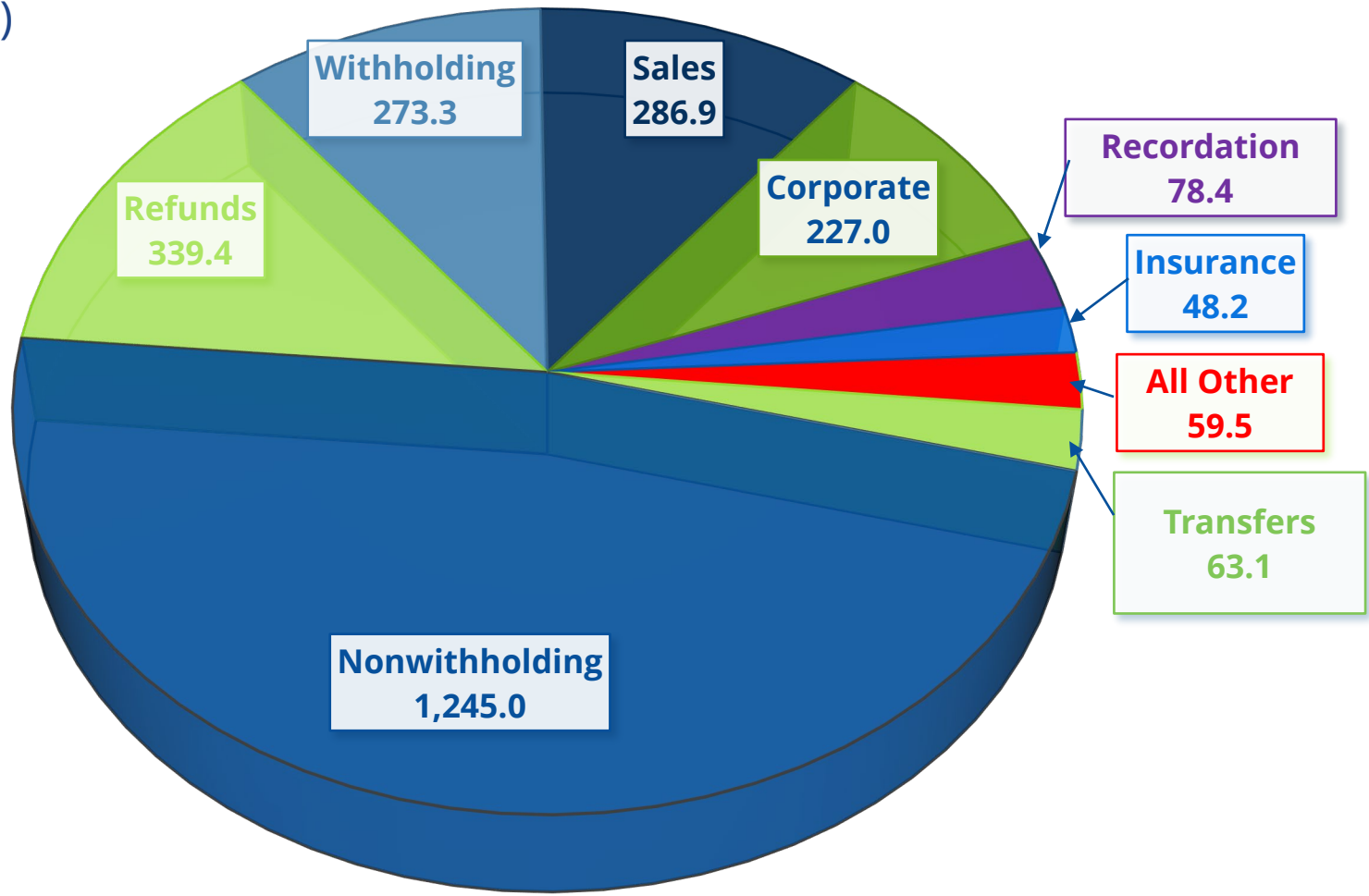


Monthly Growth: 24.1% -0.2% 7.6% -2.7% 3.5% 15.1% -2.4% 28.5% 18.5% 41.9% 66.2% - 6.0%



# What Drove the FY 2021 Surplus?

(\$ in Millions)



# Governor's Accounting of Uses of the FY 2021 GF Surplus

Distribution Requirements	Amount (\$ in millions)
Constitutionally Required Rainy Day Fund (RDF) Deposit	\$1,128
Water Quality Improvement Fund (Part A – based on revs.)	\$256
WQIF (Part B – based on agency balances)	\$58
Natural Disaster Set Aside (sum sufficient)	\$14
Potential “Super Deposit” to RDF (Code based triggers)	\$564
Backfill ARPA Funds Used Under “Revenue Loss” Provisions	\$222
Dedicate GF to Continue ARPA Initiatives Included in 2021 SS 2 Budget	\$170
Transportation Trust Fund (per Code)	\$116
Non-Recurring Expenditures (per Code)	\$58
<b>TOTAL</b>	<b>\$2,586</b>



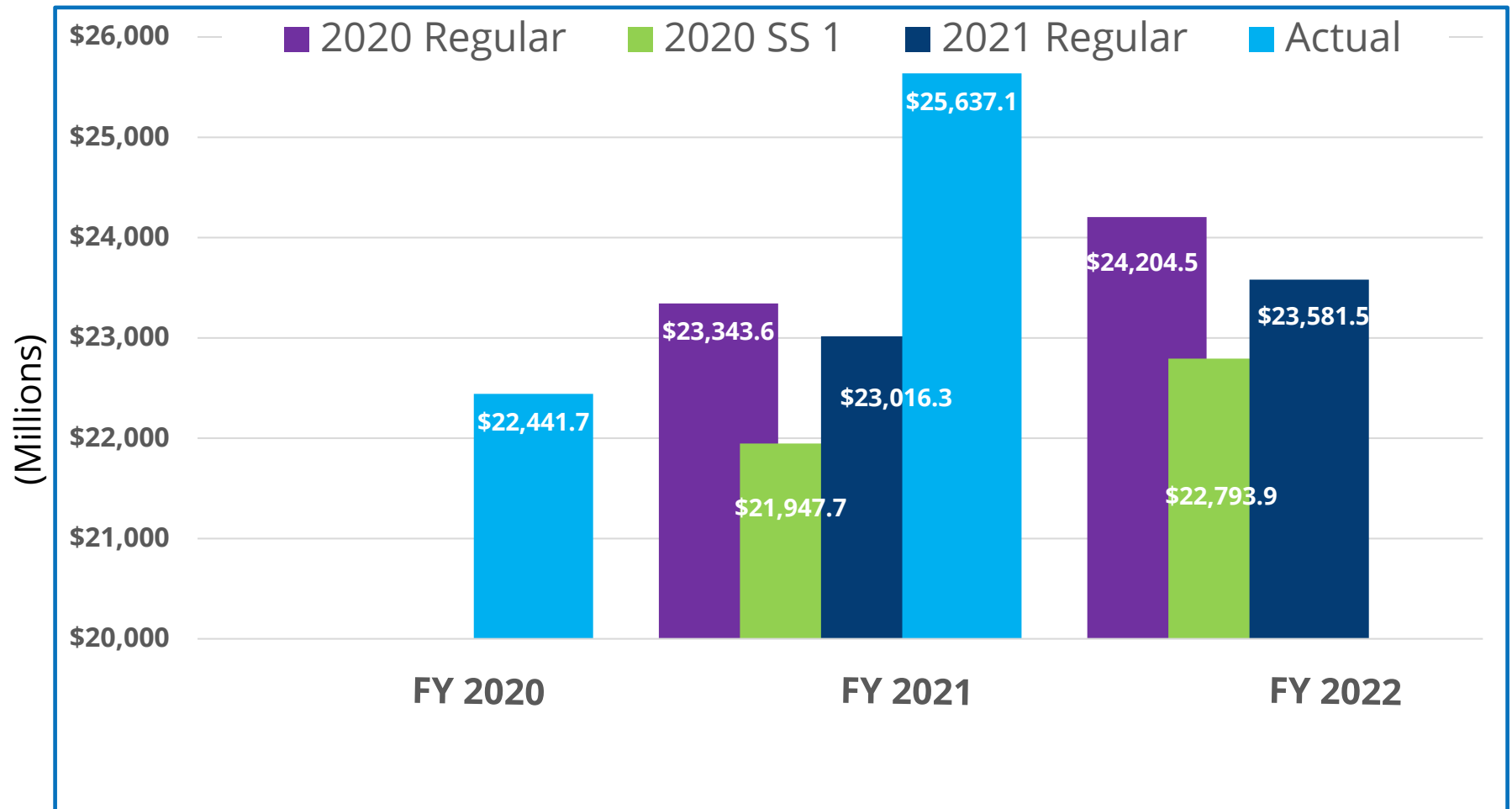
# FY 2021 Revenues in Context

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- When the forecast first was adopted the revenue outlook was cloudy
  - COVID was just entering the landscape
  - No vaccines had been approved
  - Not clear if, or how much, federal stimulus would become available
  - Prospects of economic recovery seemed fragile
- So, what happened?
  - The economic impact of COVID-19 didn't mirror prior recessions – it was deeper, but shorter than anticipated
  - High income earners were largely unaffected
  - Stock market continued to soar
  - Housing market exploded
  - The development and roll-out of the vaccine and the federal stimulus funds put us on a path to recovery



# FY 2021 Revenues Exceeded Pre-Pandemic Expectations





# FY 2022 REVENUE REFORECAST

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# 2021 Revenue Forecasting Schedule

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- **October 13.** Joint Advisory Board of Economist (JABE) met to review the economic outlook for the current year and next biennium (FY 22 – FY 24)
- **November 5.** Nongeneral Fund Agencies' Final Adjustments to Revenues are due to the Department of Taxation
- **November 22.** Governor's Advisory Council on Revenue Estimates (GACRE) reviews economic and revenue outlook for current and next biennium (FY 22 – FY 24)
- **December 16.** Governor releases revised forecast and proposed budget amendments to Chapter 552 as well as for the FY 2022 – 24 biennium. Also includes a six-year revenue forecast through FY 28



# FY 2022 Performance Through October

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- Chapter 552 assumed a GF growth rate of 2.6% in FY 2022
- Because FY 2021 actual collections exceeded the revenue forecast by approximately \$2.6 billion, this increases the base against which growth is calculated
- We can now meet the budget forecast – the revenue numbers needed to support appropriations in Ch. 552 – with a revenue contraction of 8.0% (excluding transfers)
- Through the first third of the current fiscal year, revenues have increased 11.8% and are exceeding the revised forecast by almost 20 percentage points
- Year-to-date strengths are widespread – no single source is underperforming the forecast
- We could meet the current forecast for FY 2022 even if revenues contract 15.7% over the remaining 8 months of the fiscal year
- Translated to dollars, this means collections are \$1.38 billion above the annual forecast rate through the first 1/3 of the year



# Strong Revenue Growth Continues

## General Fund Revenue Forecast for Fiscal Year 2022

Source	<u>Growth Rates</u> Assumed in Ch. 552 Forecast	Growth Required to Meet Ch. 552 <u>Revenue</u> Forecast	Actual Performance Through October	Nov-June Required to Meet Forecast	Prior Year Nov-June
Withholding	3.7%	1.7%	9.7%	(1.9%)	6.8%
Nonwithholding	(2.1%)	(25.4%)	(5.4%)	(31.0%)	36.0%
Refunds	(5.3%)	11.4%	(31.5%)	(21.9%)	(2.1%)
<b>Net Individual</b>	<b>3.5%</b>	<b>(7.6%)</b>	<b>9.5%</b>	<b>(14.6%)</b>	<b>16.4%</b>
Sales	2.9%	(4.2%)	15.4%	(11.8%)	14.3%
Corporate	(1.3%)	(16.1%)	37.1%	(33.4%)	55.9%
Wills (Recordation)	(22.3%)	(31.3%)	4.8%	(49.3%)	42.2%
Insurance	14.6%	(0.6%)	--	--	0.7%
<b>Total GF Revenues</b>	<b>2.6%</b>	<b>(8.0%)</b>	<b>11.8%</b>	<b>(15.7%)</b>	<b>17.8%</b>



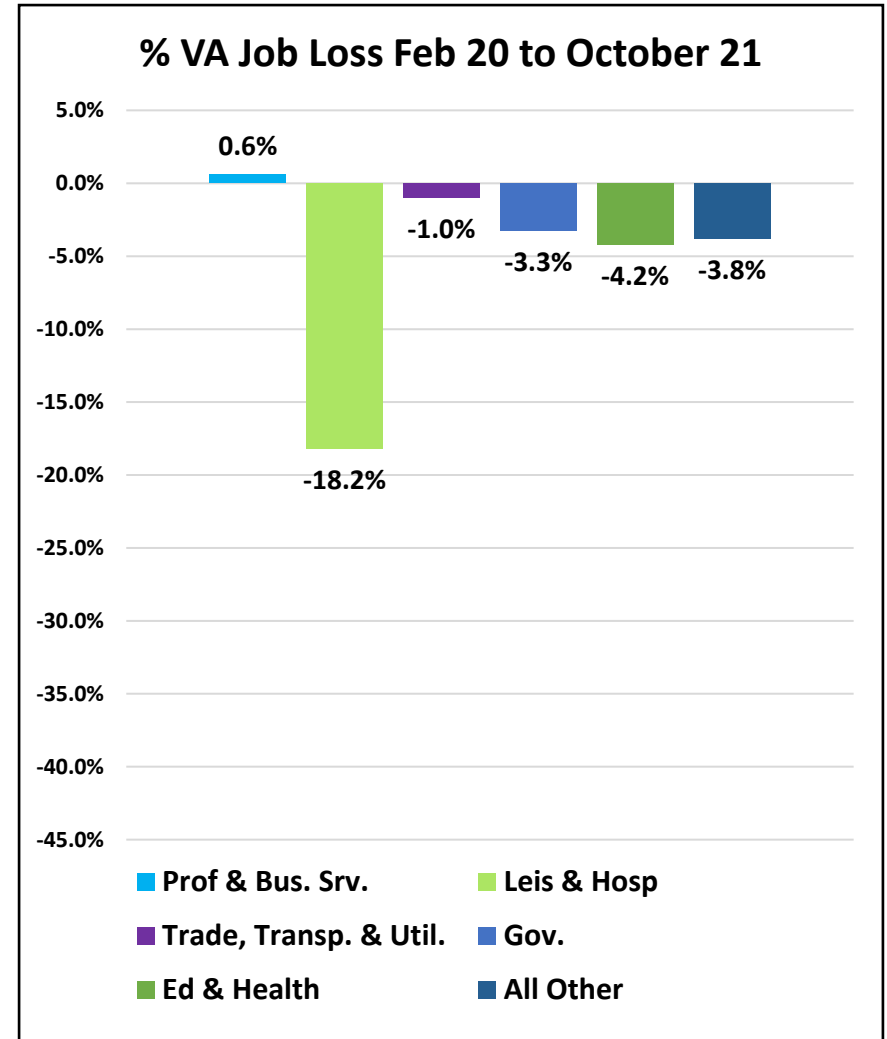
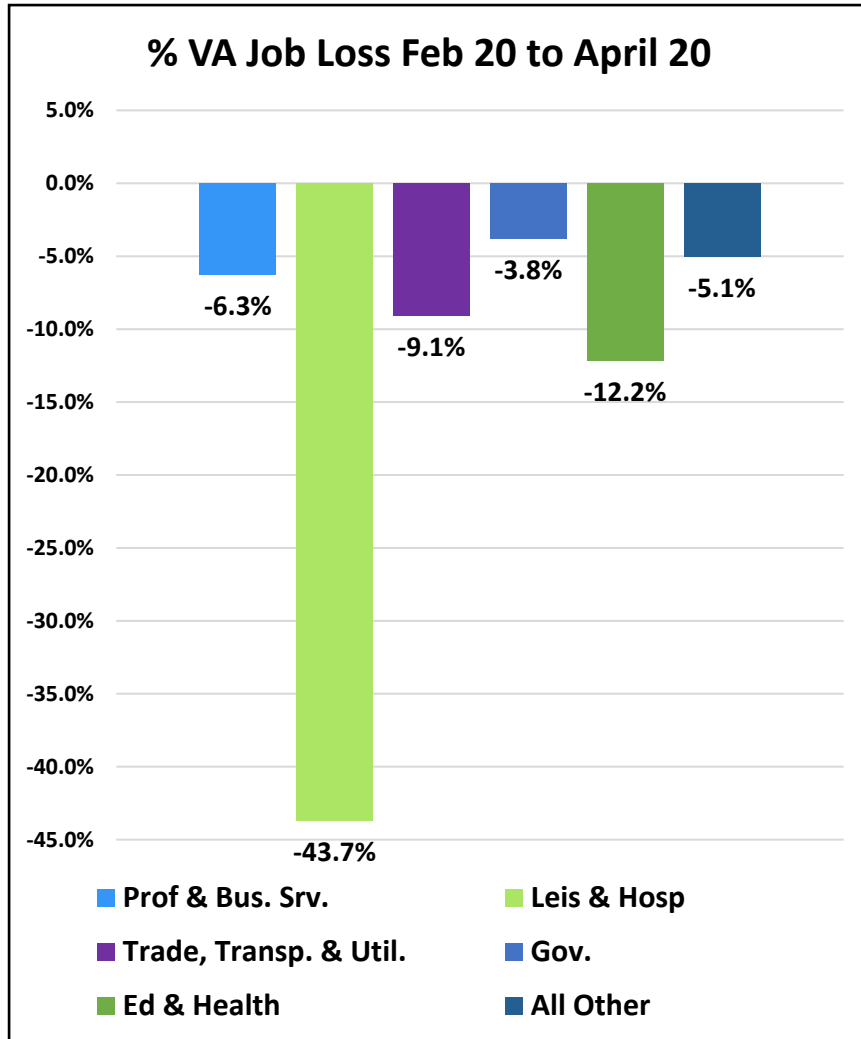
# Adjustments to the FY 2022 Economic Outlook

- Economic outlook for jobs and wages has improved substantially over the past year
- A small decline in personal income projections is partially offset by higher anticipated consumer spending and balance sheets are incredibly strong
- Economic proxies – especially when combined with “cash in the bank” – would call for an increased forecast for our core withholding and sales tax forecasts

Percent Change	Job Growth	Avg Wage/ Salary	Jobs +Avg Wage/ Salary	Total Personal Income	Consumer Spending	Proprietor Income	Dividends Interest & Rent
Chapter 552 / Official	1.0%	2.9%	3.9%	3.4%	3.1%	(0.9%)	3.1%
<b>Oct. 2021 Standard</b>	<b>2.8%</b>	<b>3.3%</b>	<b>6.1%</b>	<b>2.5%</b>	<b>3.3%</b>	<b>1.1%</b>	<b>4.1%</b>
Oct. 2021 Pessimistic	2.6%	3.0%	5.8%	2.0%	1.5%	(0.5%)	2.6%
Oct. 2021 Moody's	3.3%	1.2%	4.5%	0.7%	4.1%	7.5%	3.5%

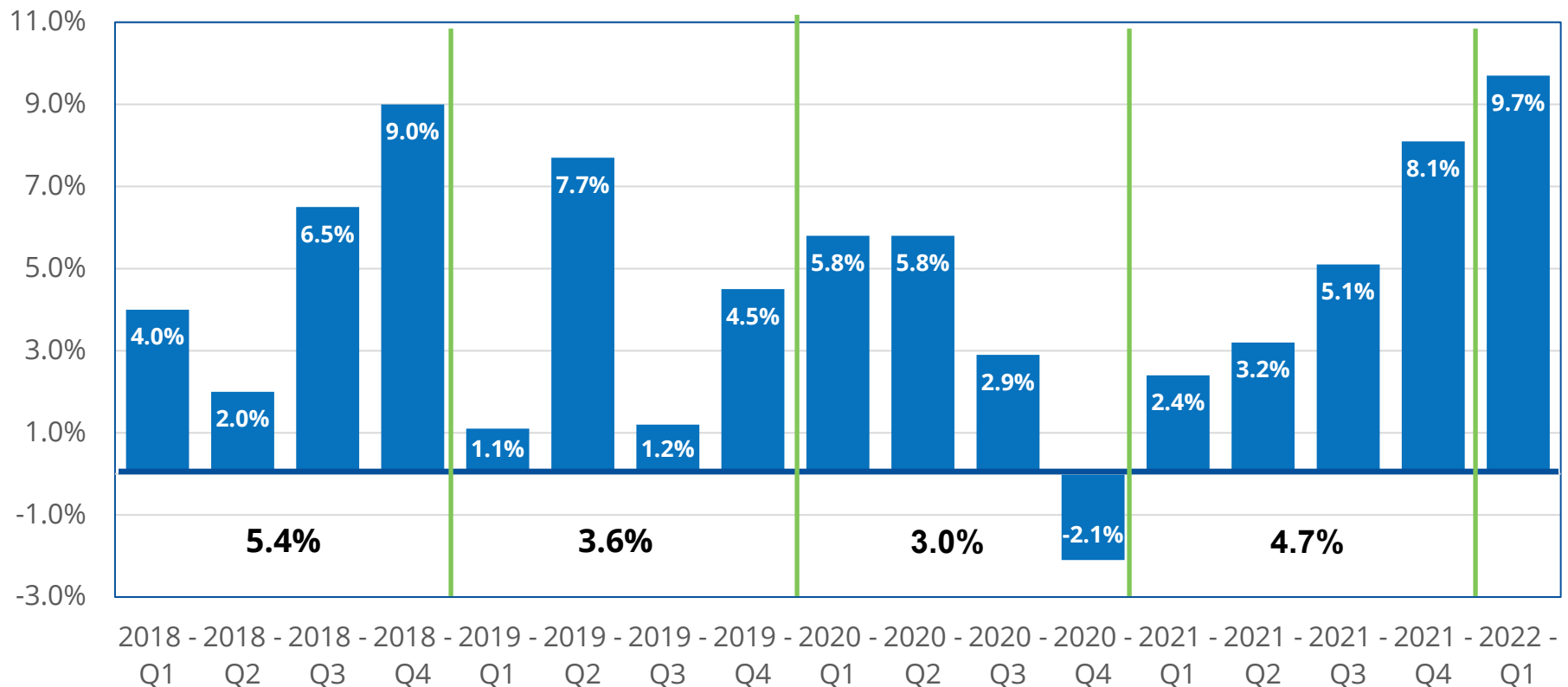


# Outside of Hospitality Sector, Most Job Losses Recovered



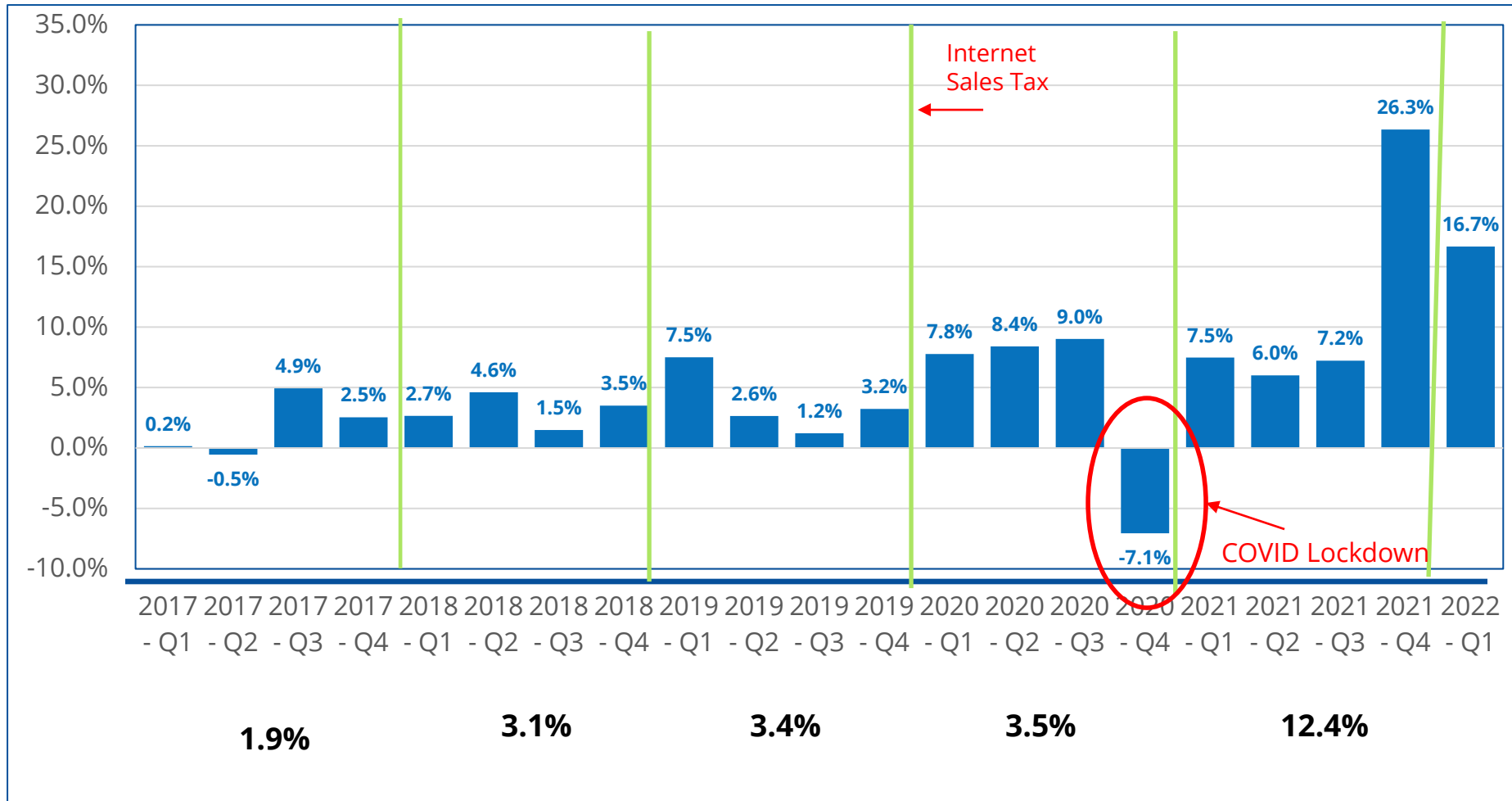
# Withholding Collections By Quarter

Quarterly Year- Over-Year Percentage Change in Withholding Taxes



# Consumer Spending Continues to Center on Goods, Not Services, Driving Sales Tax Growth

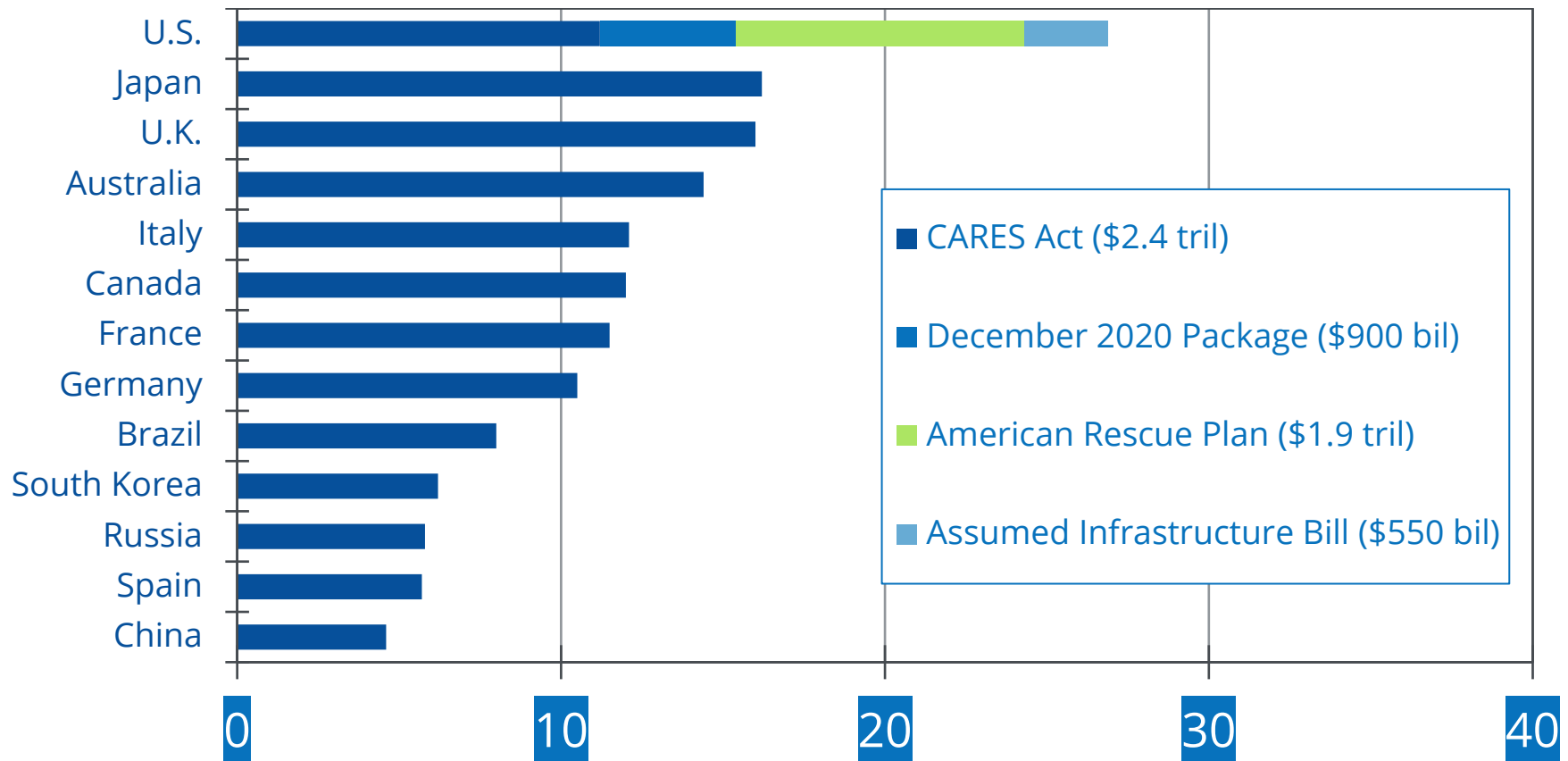
## Quarterly Year-Over-Year Change in Sales Tax





# Record Level of Fiscal Support

- Fiscal support since start of pandemic, % of 2019 GDP



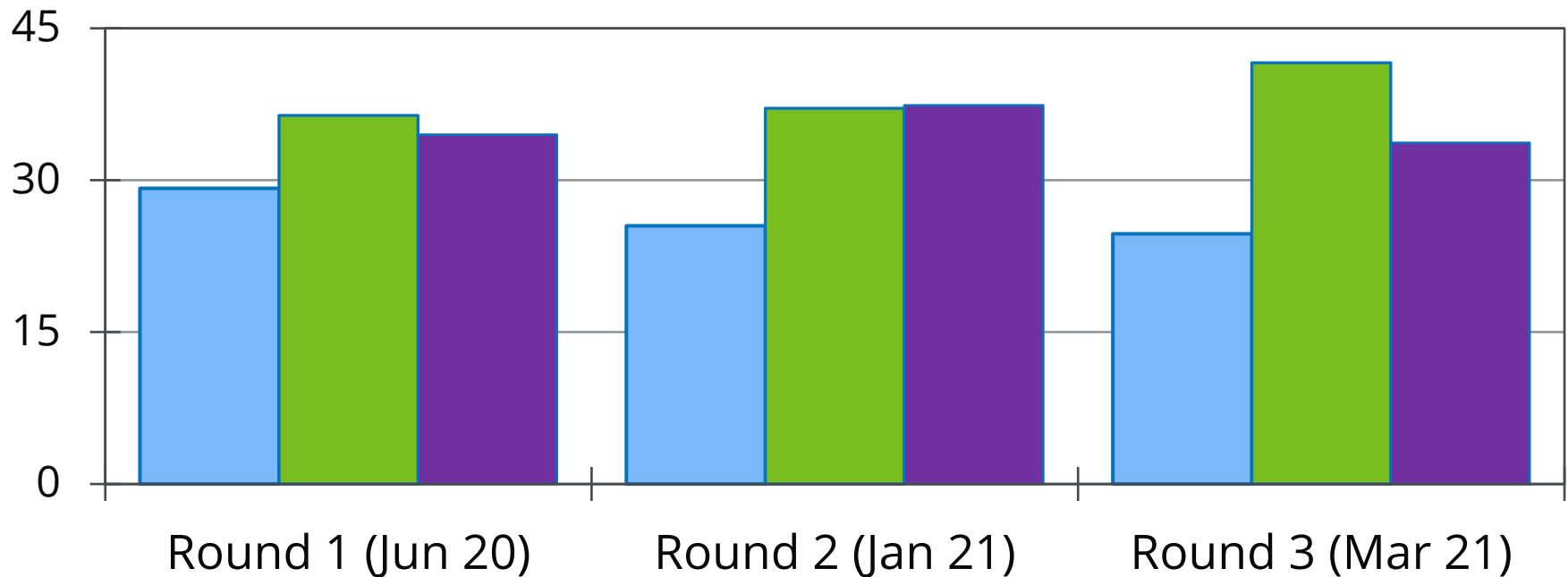
Source: Moody's Analytics



# How Households Used Stimulus Checks

Avg % of stimulus checks that households reportedly...

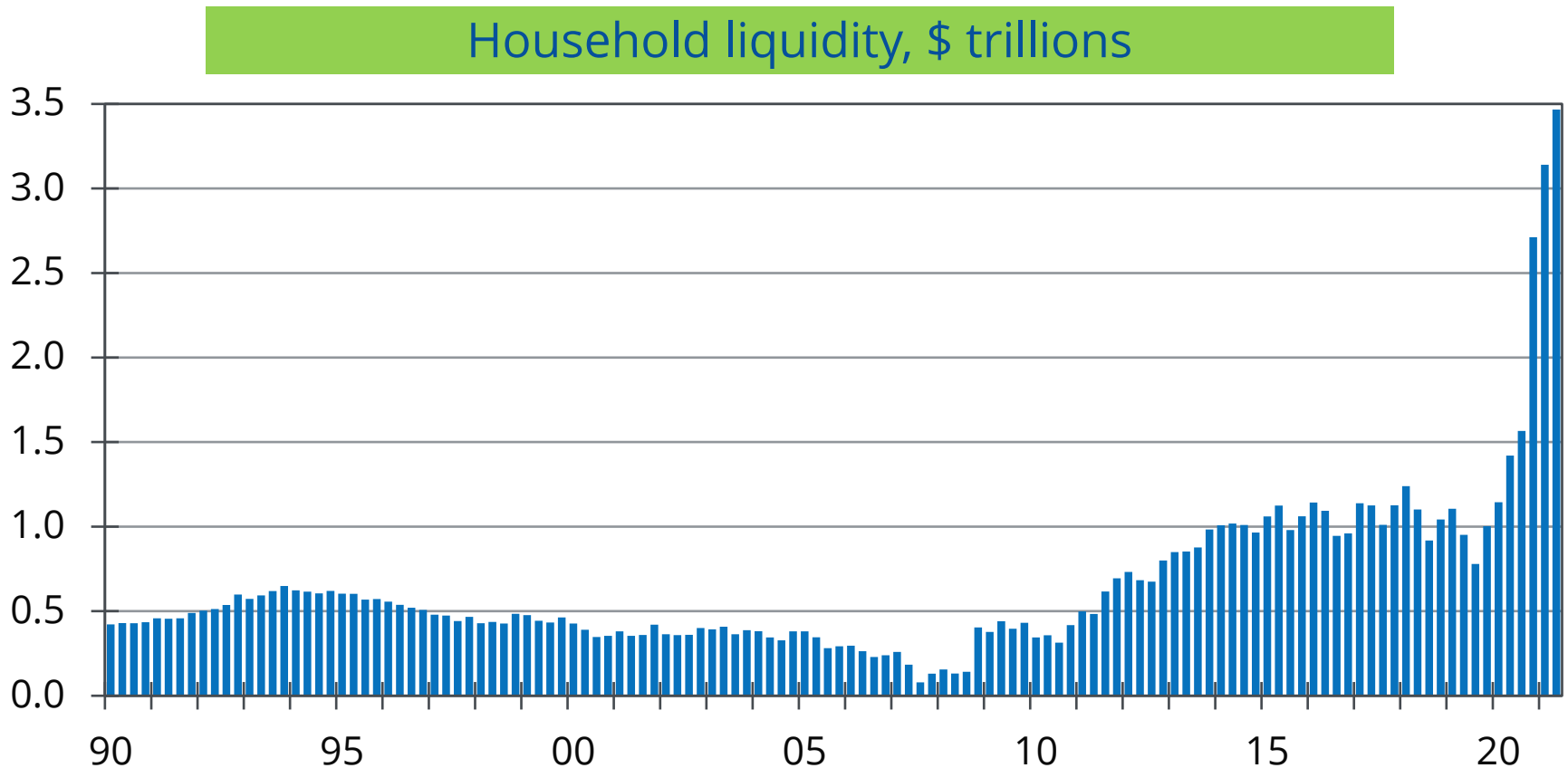
■ Spent ■ Saved ■ Used to pay debt



Sources: New York Fed, Moody's Analytics



# Potential Pent-Up Demand is Historic



Sources: Federal Reserve, Moody's Analytics



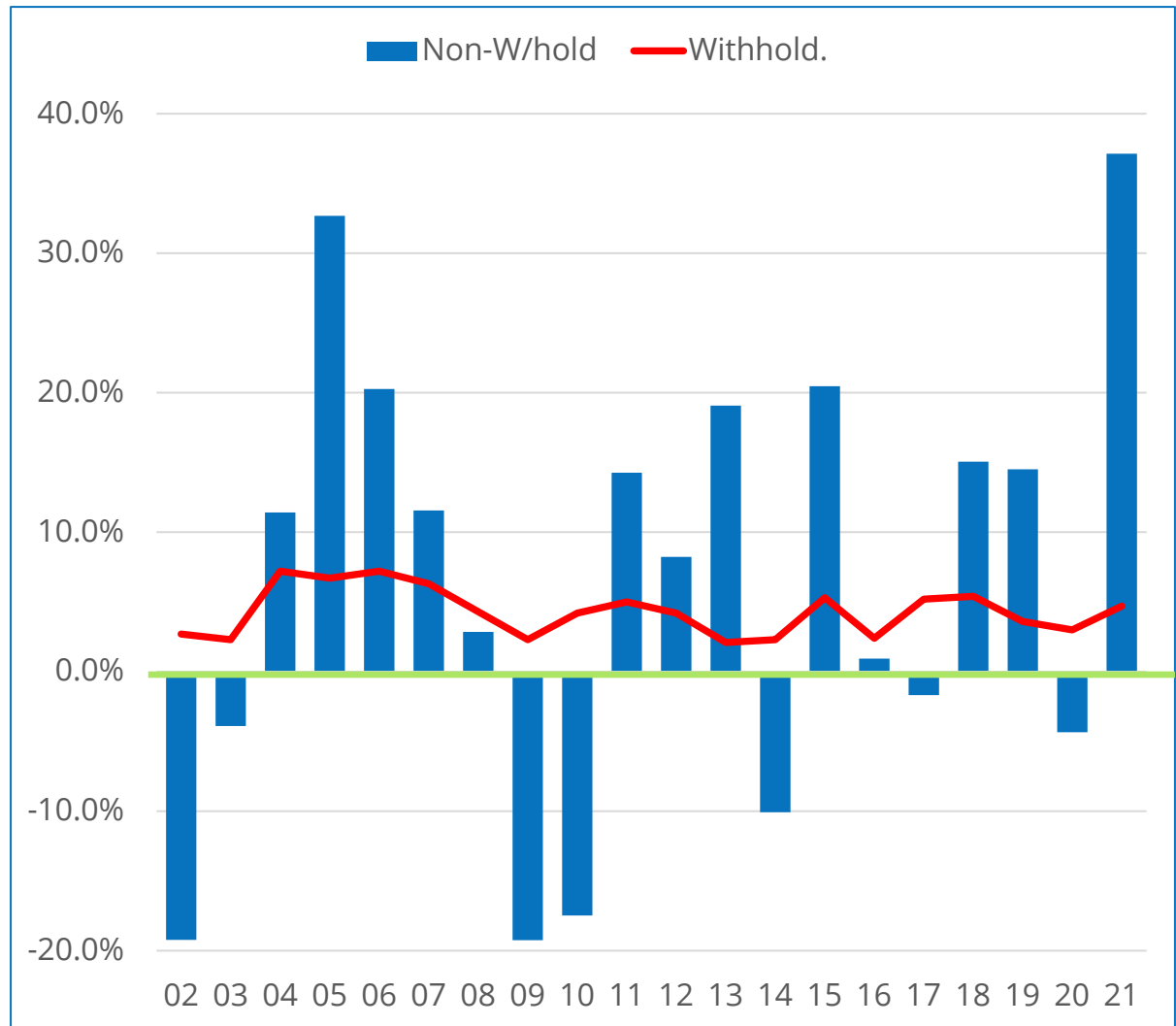
# Greatest Risk to the FY 2022 Forecast is Nonwithholding Tax Collections

Nonwithholding typically makes up about 16% of the general fund revenues, but it has accounted for more than 50% of the forecast error over time

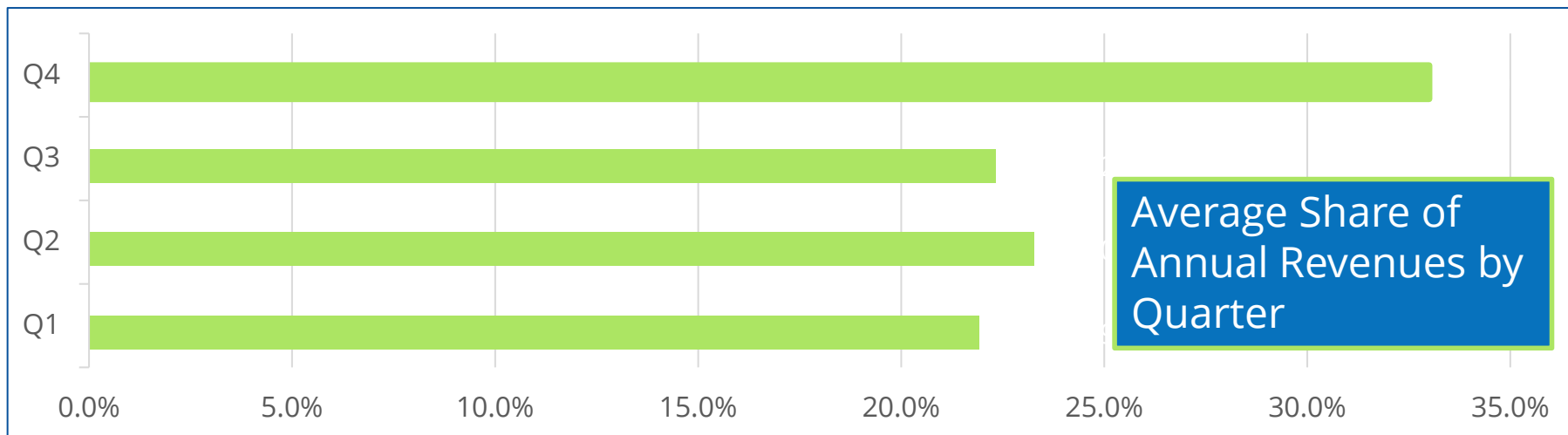
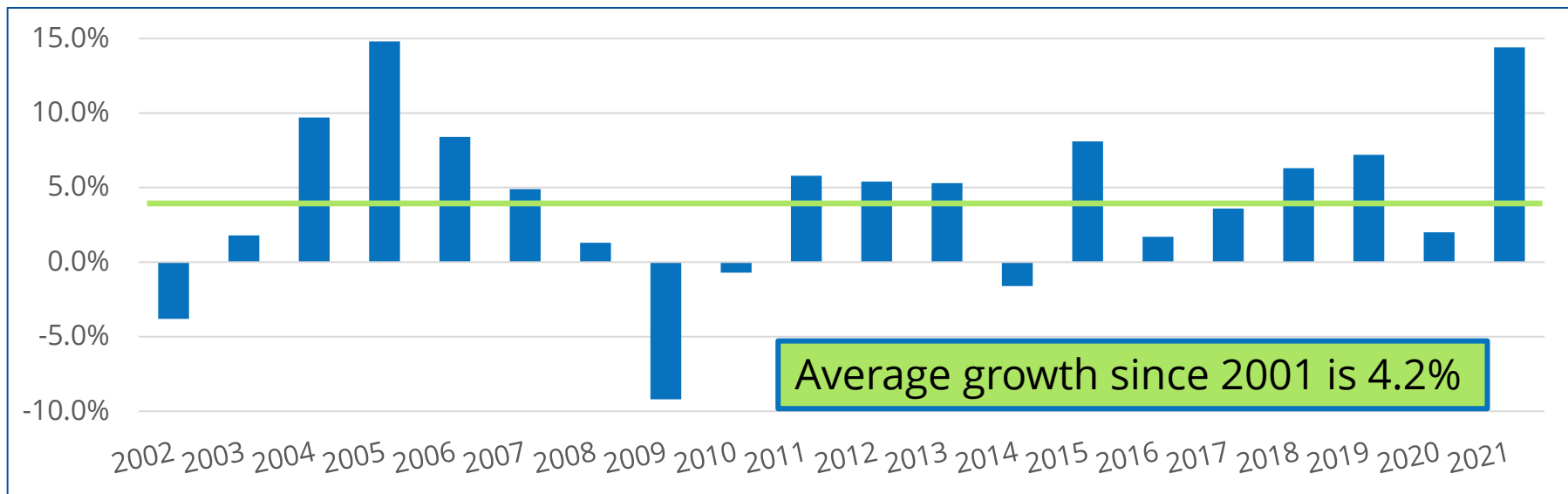
Nonwithholding payments are heavily backloaded into the end of the fiscal year

On average, fully 55% of nonwithholding is remitted in the 4<sup>th</sup> Quarter, and 75% are received in the second half of the fiscal year

The difficulty in identifying trends is hampered further by the fact that September and January payments often are “safe harbor” payments rather than a reflection of current year wage and non-wage income



# Recent Levels of Revenue Growth Are Atypical



# What Adjustments Can We Expect in December Forecast for FY 2022?

Source (\$ in millions)	Current Forecast	Percent Growth	HAC Forecast	Percent Growth	Difference
Withholding	\$14,245.9	1.7%	\$14,770.0	5.4%	\$524.1
Nonwithholding	3,890.5	-25.4%	5,155.9	-1.2%	1,265.4
Refunds	(2,145.0)	11.4%	(1,774.6)	-7.8%	370.4
Net Individual	15,991.4	-7.6%	18,151.3	4.9%	2,159.9
Sales	3,992.2	-4.2%	4,481.1	7.6%	488.8
Corporate	1,271.6	-16.1%	1,676.3	10.6%	404.7
Recordation	467.0	-31.3%	599.8	-11.8%	132.8
Insurance	360.9	-0.6%	377.6	4.0%	16,724.0
All Other Revenue	727.0	-5.8%	873.8	2.8%	202.5
<b>Total Revenue</b>	<b>22,899.1</b>	<b>-8.0%</b>	<b>26,159.8</b>	<b>5.2%</b>	<b>3,405.5</b>
Total Transfers	682.4	-1.9%	764.0	-0.8%	81.6
<b>Total General Fund</b>	<b>\$23,581.5</b>	<b>-8.0%</b>	<b>\$26,923.8</b>	<b>5.0%</b>	<b>\$3,487.1</b>



# “Caboose Bill” Budget Pressures Are Limited

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- Because the 2021 General Assembly already updated the budget for the current year, spending pressures for the current year should be minimal
  - FY 2021 surplus used to meet mandatory items like Water Quality Improvement Fund and Rainy Day Fund
- Current year budget adjustments will be refined through the Fall
- Agency requests to date total about \$216 million, inclusive of a request for \$150 million for business ready sites that could be addressed either in the caboose or in the next biennium
- In addition, conformity with tax elements of ARPA package will reduce revenues by about \$102 million in the current year
- Based on our record-level reforecast estimate, the vast majority of forecast adjustments will be available to flow through for use in next biennium or to jumpstart one-time initiatives
  - Danger is using too much carry-forward funding for on-going activities – need to fund continued programs with current year revenues to ensure sustainability



# BUDGET OUTLOOK: FY 2022-2024 BIENNIUM

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# Virginia's Revenue Outlook: Turning to the 2022-24 Biennium

- Job growth is anticipated to slow over the upcoming biennium while wage and income growth are expected to continue increasing as we reach full employment
- Baseline forecast is given a 50% probability while the pessimistic alternative is given a 30% likelihood and the alternative optimistic forecast is rated at a 20% likelihood

## Projected Economic Variables

(National Forecast, adjusted for Virginia specific data)

Percent Change	Job Growth	Avg Wage/ Salary Growth	Jobs +Avg Wage/ Growth	Proprietor Income Growth	Dividends, Int. & Rent Growth	Consumer Spending	Personal Income Growth
<b>FY 23 Oct. Stand.</b>	<b>1.1%</b>	<b>4.1%</b>	<b>5.2%</b>	<b>-1.7%</b>	<b>5.3%</b>	<b>2.7%</b>	<b>4.2%</b>
FY 23 Oct. Pess.	0.8%	3.4%	4.2%	-1.2%	4.8%	2.1%	3.3%
<b>FY 24 Oct. Stand.</b>	<b>0.8%</b>	<b>3.6%</b>	<b>4.4%</b>	<b>0.9%</b>	<b>5.0%</b>	<b>2.9%</b>	<b>4.1%</b>
FY 24 Oct. Pess.	0.6%	2.7%	3.3%	2.2%	5.3%	3.3%	3.3%



# Estimated FY 2022-2024 Forecast

(\$ in millions)	Actual	HAC Staff Estimate		
	FY 2021	FY 2022	FY 2023	FY 2024
<b>Growth by Revenue Source</b>				
Net Individual	12.7%	4.9%	4.6%	4.2%
Sales	12.4%	7.5%	3.7%	3.5%
Corporate	49.8%	10.6%	1.5%	1.5%
All Other Revenue Sources	13.5%	(2.2%)	(0.7%)	(0.6%)
<b>Total GF Revenue Growth</b>	<b>14.4%</b>	<b>5.2%</b>	<b>3.9%</b>	<b>3.6%</b>
General Fund Revenues	\$24,878.5	\$26,159.8	\$27,172.8	\$28,152.7
Transfers	758.6	764.0	735.0	752.1
<b>Total GF Resources</b>	<b>\$25,637.1</b>	<b>\$26,923.8</b>	<b>\$27,907.8</b>	<b>\$28,904.7</b>
GF Resources Above Forecast	\$2,620.8	\$3,487.1		



# Budget Outlook: FY 2022-2024 Biennium

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- What is our likely carry-forward/beginning balance?
- What is our base budget?
- What are the known budget drivers?
- How can we utilize higher than typical carry-forward balances while maintaining structural integrity?
- What other policy priorities can be addressed?



# Estimated FY 2022 Adjustments

## Total \$4.6 billion

- In addition to the revenue forecast adjustments, substantial resources have become available from FY 2021 discretionary balances and revenue surplus and reduced appropriation needs for Medicaid in FY 2022
- The net available in the table below is an estimate of the starting balance in FY 2023 as part of the new biennial budget

FY 2022 Revenue Reforecast and Savings/Carry Forwards	(\$ in millions)
Chapter 552 Unappropriated Balance	\$7.6
HAC Estimated Forecast Adjustment	3,487.1
GF Medicaid Forecast Reduction for FY 2022	653.7
Virginia Health Care Fund FY 21 Balance – offsets GF Medicaid costs	92.5
Assumed Cost of Tax Conformity with ARPA Provisions	(101.6)
Excess Lottery Proceeds from 2021 and 2022 Reforecast	152.5
Assumed Reversion FY 2021 Discretionary Balances	308.5
<b>TOTAL</b>	<b>\$4,600.3</b>



# Adjusted Base Budget for FY 2022-24

(GF Dollars in Millions)

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	FY 2023	FY 2024
Chapter 552 (FY 2022 GF Appropriation)	\$25,492.9	\$25,492.9
Remove One-Time Spending	(\$1,058.4)	(\$1,065.2)
Remove GF for Capital Outlay	(\$236.9)	(\$236.9)
<b>HAC Estimated Base Budget</b>	<b>\$24,197.6</b>	<b>\$24,190.8</b>



# Spending Pressures for the Upcoming Biennium

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- Agency budget requests for FY 2023 and FY 2024 will be evaluated and refined through the Fall
  - Agency budget requests were due to the Department of Planning and Budget on October 1
  - Other forecast driven items – like SOQ rebenchmarking data – will not be finalized until later this month
- To date, agencies have submitted 930 individual requests totaling \$2.1 billion in FY 2023 and \$2.5 billion in FY 2024
- Even if the legislature looked positively on all these items, sufficient revenues should be available to address all needs – at least for the coming biennium



# Cost Increases: Current Budget Programs

General Fund \$ in millions	FY 2023	FY 2024
<b>Public Education</b>		
Update Sales Tax Projection – Net Impact	\$110.6	\$134.6
Update Lottery Proceeds Projection	(73.8)	(73.8)
Preliminary Rebenchmarking Costs as of Oct. 2021	153.8	177.2
VRS Rate Reduction	(67.4)	(67.5)
LCI and Fall Membership Updates	30.5	29.0
New State Operated Programs @ CHKD & MCV	1.5	1.5
<b>Public Safety</b>		
DOC - Inmate Medical Cost Increases	11.0	8.8
HB 599 (estimated based on HAC forecast)	7.5	14.7
Establish Virginia Cannabis Control Authority	12.1	21.9
<b>Natural and Historic Resources</b>		
DEQ – VCWRLF State Matching Funds	8.1	9.5
DCR – Meet AG BMPs Needs Assessment	0.0	19.6
DCR – Funding to Support Minimum Wage Increases	1.0	1.9



# Cost Increases: Current Budget Programs

(continued)

General Fund \$ in millions		FY 2023	FY 2024
<b>Health and Human Resources</b>			
DMAS – Medicaid Forecast of Utilization and Inflation		\$291.3	\$529.9
DMAS – Children’s Health Insurance Utilization and Inflation		21.4	31.1
DMAS – Reinvest in Home and Community Based Services		75.0	75.0
DBHDS – Continue Crisis/MARCUS Alert System Changes		5.3	27.3
DBHDS – STEP VA Services and Infrastructure Needs		22.2	28.3
DSS – Foster Care and Adoption Subsidy Forecast		16.8	13.9
DSS – Mandated COLA Foster Care/Adoption Programs		2.3	2.3
DSS – Mandated Reinvestment in Child Welfare Services		2.5	2.5
DSS – Family First Prevention Services Act Program		15.4	16.2
VDH – Local Health Department – Complete Phase-In		2.8	5.7
Involuntary Civil Commitment		TBD	TBD
Children’s Services Act (CSA) – Caseload Growth		TBD	TBD
CSA – Implement Program Improvements Per HB 2212		3.2	3.1





# Cost Increases: Current Budget Programs

(continued)

General Fund \$ in millions	FY 2023	FY 2024
<b>General Government</b>		
DGS: Supply chain disruption costs	\$250.0	\$250.0
State Employee Health Insurance (estimate)		50.0
Treasury Board – Debt Service Costs	TBD	TBD
<b>Higher Education</b>		
Affordable Access	115.0	190.0
Financial Aid	40.0	155.0
<b>Commerce and Trade</b>		
DHCD – Increase in admin staffing for expanded programs	2.9	2.9
VEDP – Sustained funding for JLARC recommendations	1.0	1.0

Cost increases for current budget programs total  
\$1.1 billion in FY 2023 and \$1.6 billion in FY 2024



# Debt and Capital Outlay

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- Outstanding Tax-Supported Debt of the Commonwealth
  - Tax-Supported 9(b), 9(c), and 9(d) Debt - \$11.7 billion
    - 10.5% (\$1.2 billion) is General Obligation debt
    - 89.5% (\$10.5 billion) is appropriation-backed 9(d)
- Capital requests total \$24.5 million for the caboose bill
  - These are largely supplements for ongoing projects or life/safety needs
- Requests in the next biennium have been received for more than 170 capital projects whose total GF/tax supported debt costs exceed \$6.4 billion
  - \$4.0 billion of these requests come from higher education institutions
- Authorized but unissued debt totals \$6.5 billion



# Dedicate One-Time Revenues to One-Time Spending

Spending Item	Cost/Range (\$ in millions)
<u>Pay Down VRS and OPEB Liabilities</u>	
Maintain current rates for state program	\$11.8
Maintain current rates for teacher program	260.0
Reduce amortization period from 22 to 20 years	26.1
Use level dollar amortization model	132.0
<u>Capital Outlay</u>	
Replace authorized but unissued bonds w/cash	1,000.0-2,000.0
Fund maintenance reserve	150.0/year
Fund Higher Ed. Equipment Trust Fund with cash	85.0-90.0/year
Cash for remaining wastewater treatment	200.0
Unwind remaining Accelerated Sales Tax (AST)	202.8
Provide taxpayer relief payment (est. per cost of \$110 indiv./\$220 married in 2019)	420.0+



# Dedicate One-Time Revenues to One-Time Spending

Spending Items (continued)	Cost/Range (\$ in millions)
Recapitalize Literary Fund to Expand Loan Pool	\$170.0
Set Aside Deposit for Major HQ Workforce Grant Fund	43.0+
Fund unaddressed system upgrades	TBD
<u>Supplement "adjustable" programs</u> VATI/Other broadband initiatives Housing Trust Fund/Workforce housing	TBD 95.0/year
<u>Economic Development Infrastructure</u> Fund business ready sites Industrial site revitalization/brownfields	100.0-150.0 25.0/year
Revert to Pre-2009 Medicaid provider reimbursement schedules	300.0



# Additional Possible Funding Priorities

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- In addition to the standard agency requests, there are a number of on-going initiatives that have been proposed:
  - K-12: In addition to rebenchmarking, the Board of Education has recommended a number of high-cost additions to the standards of quality totaling more than \$800 million
  - Consideration may be given to utilizing a different base year for rebenchmarking given the anomalous nature of 2020
  - Higher Education and Workforce:
    - Additional funding for New Economy Workforce Credential Grant, G3 or free community college ideas, financial aid, internships and adult completion
    - Increasing concern about the mismatch between skills and difficulty filling available jobs
  - Public Safety and Mental Health: strong wage pressures to address unsustainable vacancy rates in these fields
  - Increased wage pressures across government affecting both operating and capital project costs
  - Increasing number of Medicaid waiver slots
  - Tax Reform: Multiple on-going studies looking at both individual and corporate taxation which could result in recommendations for substantial tax policy changes



# Comparison of Available Resources To Potential Budget Drivers

\$ in millions	FY 2022	FY 2023	FY 2024
HAC Estimate – Revenue Increase	\$3,487.1	\$4,326.3	\$5,323.2
Known Budgetary Savings/Carryforward (could be 22 or 23 depending on caboose spending)	1,113.2		
<b>Total Additional Resources</b> (Compared to CH 552)	<b>4,600.3</b>	<b>4,326.3</b>	<b>5,323.2</b>
Mandatory Spending	216.0	1,062.0	1,611.6
Cost of Potential One-Timers	\$3.6-\$4.6 billion		
Other Potential Policy Initiatives	<b>TBD</b>	<b>TBD</b>	<b>TBD</b>



# Potential Forces Impacting Revenue Outlook

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- While there are both upside and downside risks, economists view downside risks as the predominant ones:
  - Length and breadth of supply chain disruptions
  - Long-term economic effects of changing work and education patterns
  - Labor market mismatch
  - Continuation of current high inflation levels
  - Impact of a potential winter resurgence of COVID



# \$1.1 Billion in Flexible State ARPA Funds Remain Available

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- Chapter 1, 2021 Special Session II (HB 7001) appropriated \$3.2 billion in State and Local Recovery Funds (SLRF) made available through the American Rescue Plan Act
- \$1.1 billion in SLRF funds remain available for spending by the 2022 General Assembly
- Additional funds could be used to:
  - Continue spending on programs funded by Ch 1, 2021 Special Session II (about \$353.9 million in potential spending)
  - Provide additional small business and industry assistance through Rebuild Virginia
  - Continue to make improvements to Virginia's UI program







# Overview of Direct Aid for Public Education Rebenchmarking Costs for 2022-2024 Biennium

# 2020-22 Biennium Highlights

- After the 2020 session, schools closed mid-March through end of school year
- FY 2021 enrollment was 44,000 lower (3.5%) than projected in original budget; \$442.9 million in No Loss payments appropriated to hold school divisions harmless from loss of state funds
- Significant funding increases for salaries, at-risk students, early childhood education, and SOQ staffing
- Despite unallotments and reductions, FY 22 K-12 allocations increased throughout biennium

2020 & 2021 Sessions: New Ongoing K-12 Actions (\$ in millions)	FY 22 Impact
<b>Provide 5% Compensation Supplement in FY22</b>	\$236.2
<b>Increase At-Risk Add-On</b>	87.4
<b>Establish Specialized Student Support Position Standard</b>	49.5
<b>Expand Access to Early Childhood Expansion</b>	49.4
<b>Additional School counselors</b>	23.2
<b>Increase Cost-of-Competing Adjustment</b>	14.6
<b>Additional English Learner Teachers</b>	14.3

\*Impact at time of passage. Impact at end of biennium may differ



# 2020-22 Biennium Highlights

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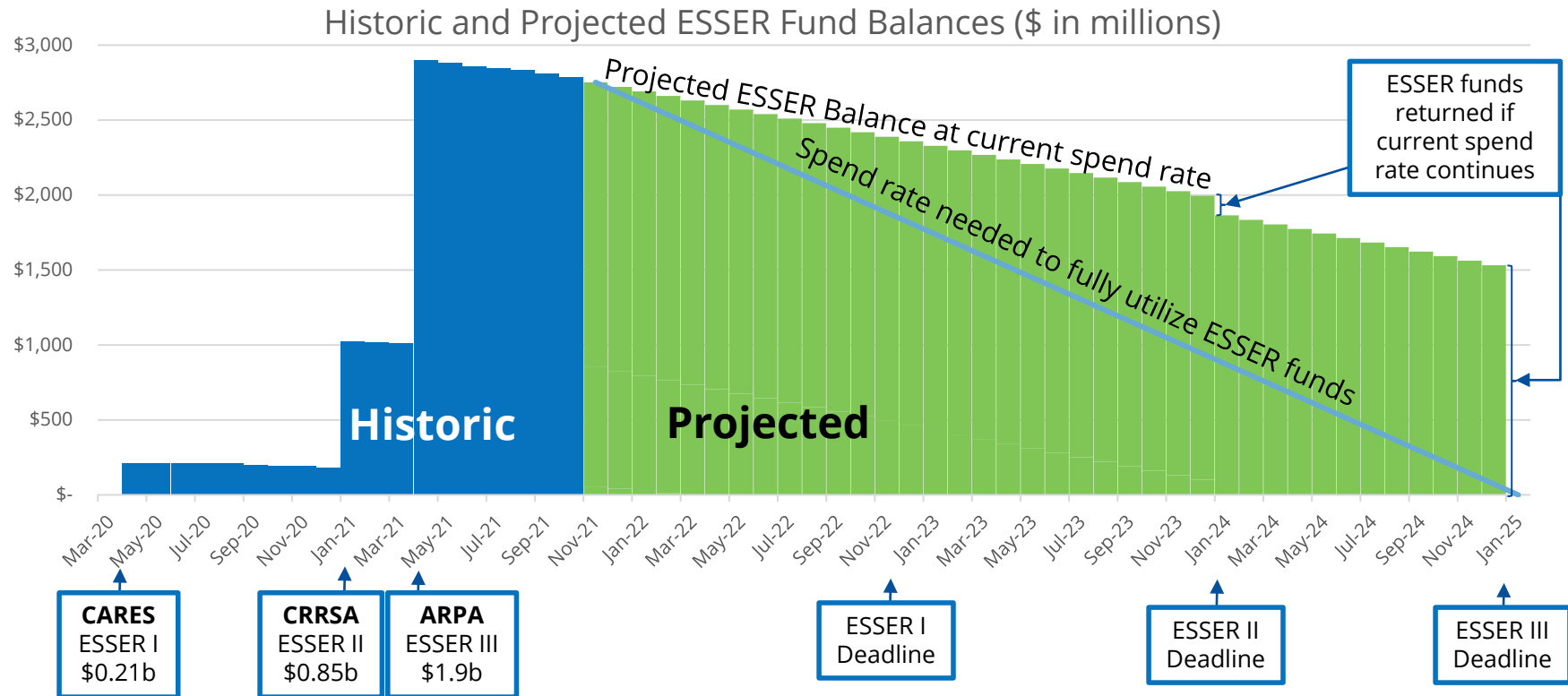
Three federal relief packages provided K-12 assistance

- General Assembly provided portion of state's discretionary relief to school divisions:
  - \$220.8 million for reopening costs (2020, Sp. Sess. I, CARES Act - CRF)
  - \$250.0 million for school ventilation projects (2021, Sp. Sess. II, ARPA - SLRF)
- School divisions awarded \$3.0 billion in federal relief through Elementary & Secondary School Emergency Relief (ESSER):
  - Equivalent to ~40% of current annual K-12 state appropriation
  - Funds paid on a reimbursement basis
  - Contingent on meeting maintenance of effort requirement
    - Must maintain at least 29.9% of state GF spending in K-12 in FY 23  
(29.9% = average FY 17 thru FY 19 state GF spending in K-12)



# ESSER Funds must be expended by December 2024; At current spend rate, funds would be returned

- ESSER will remain available through 2021-22, 2022-23, and 2023-24 school years
- \$3 billion awarded; only 6% (~\$180 million) has been reimbursed
- Limited information about how and when divisions plan to use funds
- Due to slow spending rate, implementing a reporting requirement for school divisions' intended uses of funds could guide future state budget decisions



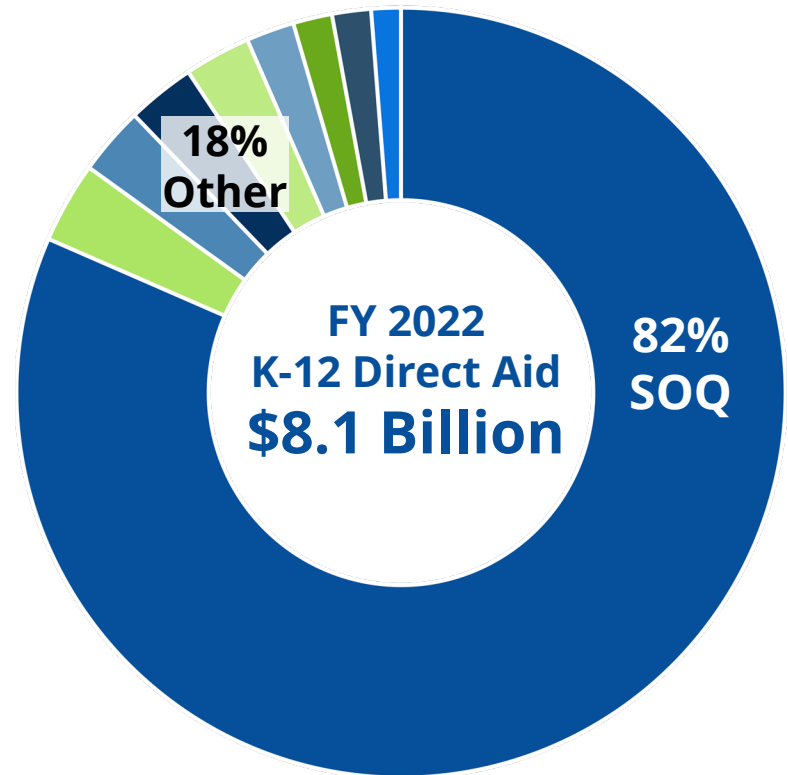
# FY 22 Distribution of K-12 Funds

In FY 2022, about \$6.6 billion (82%) of K-12 funding is provided through the Standards of Quality

Remaining funds include:

- \$276.4 m. Infrastructure & Ops. Lottery
- \$233.0 m. At-Risk Add-On
- \$232.7 m. 5% Pay Increase
- \$164.3 m. No Loss Payments
- \$133.4 m. Va. Preschool Initiative
- \$133.0 m. K-3 Class Size Reduction
- \$226.5 m. Other programs

These amounts serve as the base for FY 23 & FY 24



# SOQ Funding Model



## Staffing Standards

Staffing Ratios and  
Maximum Class Sizes

Prescribed by the  
General Assembly &  
Board of Education

## Students & Characteristics

How many students are  
enrolled?

How many have unique  
characteristics?

Applied to Staffing Standards  
to generate # of instructional  
positions



## Prevailing Costs

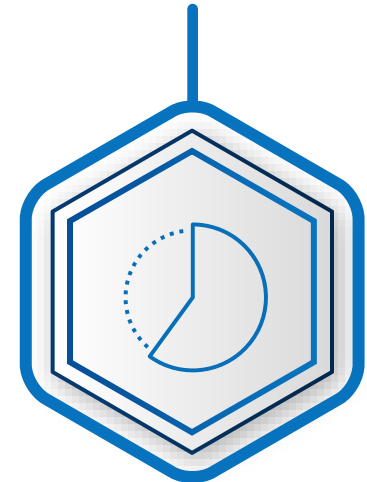
What are the prevailing salaries  
and benefit costs paid to those  
instructional positions?

What other prevailing costs are  
incurred by school divisions?

## State & Local Shares

How much revenue can  
each locality reasonably  
raise to support K-12?

How much of the 1 1/8%  
dedicated K-12 sales tax  
is anticipated to offset  
state & local shares?



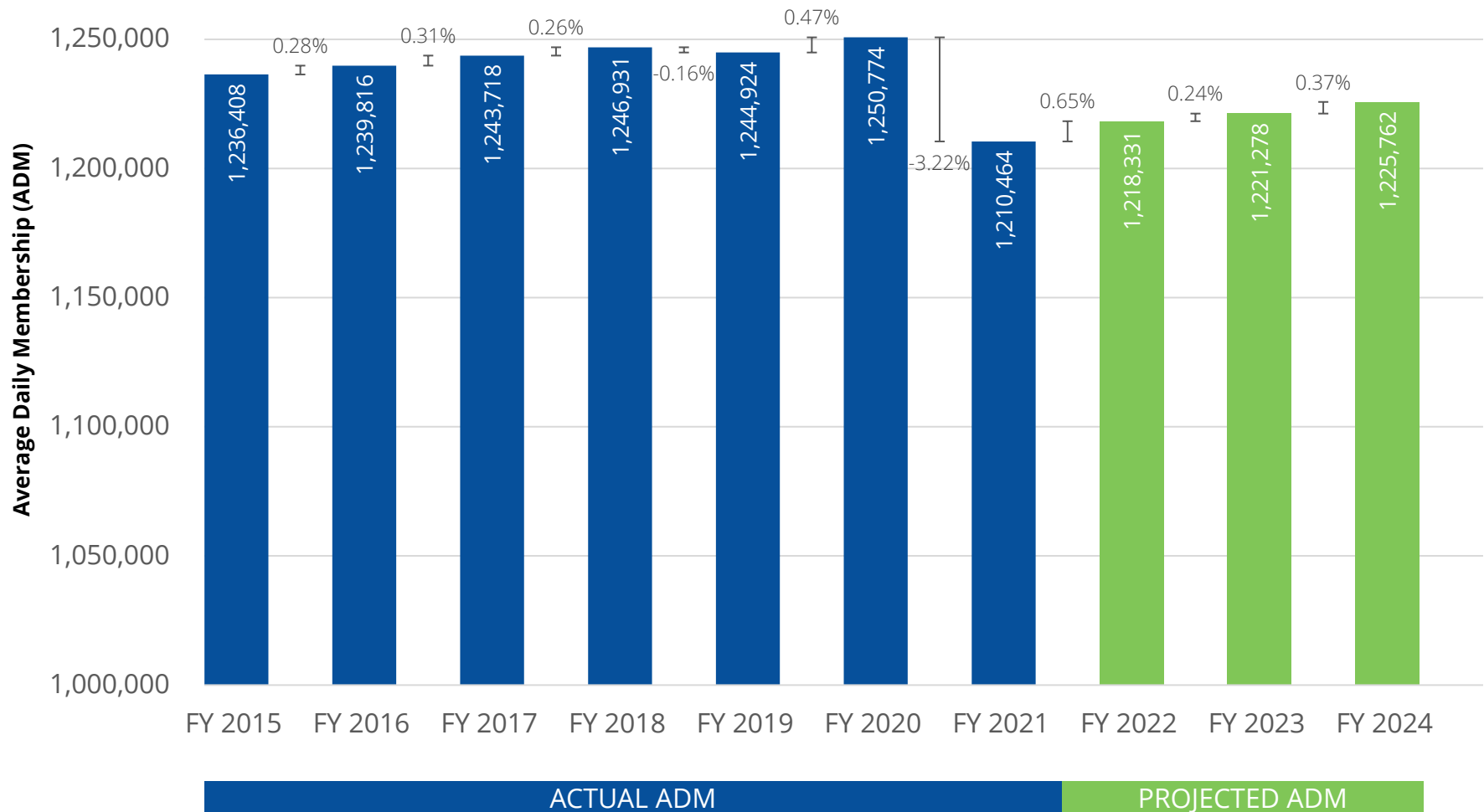
**Staffing Standards** are  
established in state law  
and regulation

**Rebenchmarking** updates above data points to determine the base  
cost of public education for the next biennium – it does not include any  
policy spending decisions



# Enrollment Trends:

## Average Daily Membership by Year



# Prevailing Costs

- Prevailing costs for 2022-24 are based on FY 2020 data
  - FY 2020 data does not represent costs for a typical school year, as schools were closed in March 2020 due to COVID-19
    - For example, pupil transportation, substitute teacher and utility costs were much lower than normal
  - Alternately, FY 2019 data could be used, with an additional year of inflation factors added

## Prevailing Costs:

- Determine state-recognized SOQ costs for:
  - Instructional position salaries
  - Support positions (# of positions and salaries)
  - Fringe benefits costs
  - Other support costs (operations & maintenance, utilities, substitute teachers, transportation, etc.)
- Are based on most-recent financial data submitted by school divisions, with inflation factors added
- Are calculated using a linear weighted average to reduce influence of outlier school divisions on overall SOQ cost





# 2022-24 REBENCHMARKING

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# 2022-24 Rebenchmarking

**2022-24 Impact:  
\$233.0 million**

K-12 costs in 2022-24 would have resulted in **\$95.7 million** in savings; however, administration retained funding for FY 22 No Loss Payments in 2022-24 base

- Ensures these funds will remain available for K-12; proposed use of these funds is to be determined
- Post-COVID-19 enrollment growth remains difficult to project

Additional data updates will be included in the Governor's Introduced budget

K-12 Direct Aid Cost Updates for 2022-24 (\$ in millions GF)	Biennium
Remove FY 22 one-time spending	(\$279.9)
Retain one-time FY 22 No Loss Funds in K-12	328.7
Student Enrollment & Characteristics*	119.4
Prevailing Cost Data*	162.8
<b>TOTAL SEPTEMBER REBENCHMARKING COST</b>	<b>\$331.0</b>
Other Updates for 2022-24*	Biennium
Update LCI for 2022-24 Biennium	\$8.1
Update Fringe Benefit Contribution Rates	(134.9)
Update ADM projections (preliminary)	(67.6)
Update Lottery Proceeds Forecast (offsets GF)	(147.6)
Update sales tax revenues & distribution	244.0
<b>TOTAL OTHER UPDATES</b>	<b>(\$98.0)</b>
<b>TOTAL PRELIMINARY 2022-24 COST UPDATE</b>	<b>\$233.0</b>

\* Detail on following slides



# 2022-24 Rebenchmarking

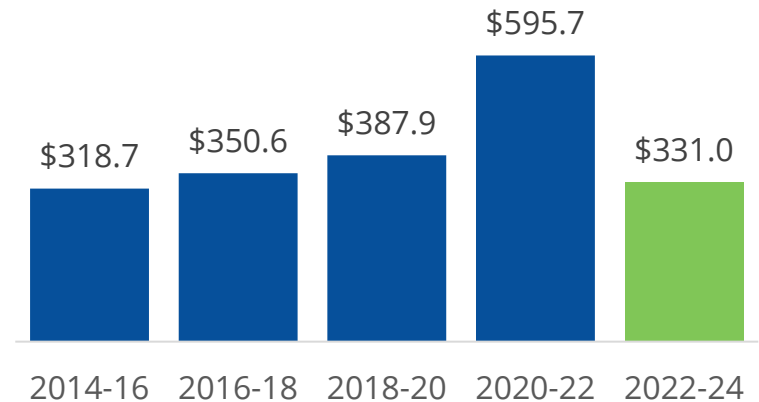
Effects of COVID-19 significantly reduced rebenchmarking costs

- 30,000 fewer students than last rebenchmarking
- FY 20 expenditure data informing rebenchmarking –
  - Salaries increased
  - Support costs decreased – schools closed in March 2020

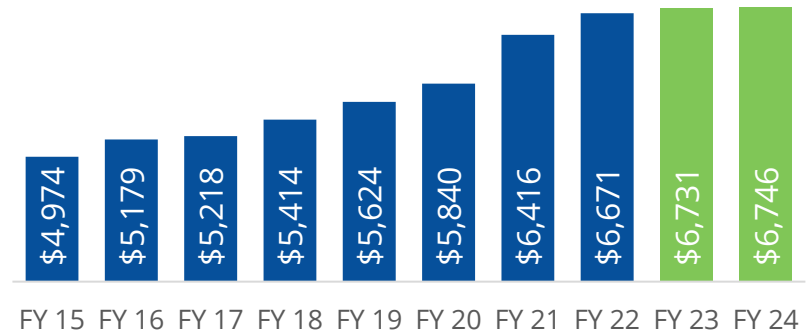
If no additional spending added during 2022 Session, growth in per-pupil funding would flatten

- Federal relief contingent on maintaining a minimum level of support for K-12
  - Must maintain at least 29.9% of state GF spending in K-12 in FY 23 (29.9% = average FY 17 thru FY 19 state GF spending in K-12)

**Sept. Rebenchmarking Costs**  
(\$ in millions)



**Direct Aid Per Pupil**



# Students and Characteristics

**\$182.1 million in additional costs**, mostly increased enrollment

**\$62.7 million in savings**, mostly attributable to decrease in share of special education students in self-contained classes in Dec. 2020 count

**2022-24 Impact**  
**\$119.4 million**

Update Student Enrollment & Characteristics (\$ in millions GF)	2022-24 Impact
<b>Enrollment</b> ADM expected to increase 2,947 (0.24%) in FY 23 and then 4,484 (0.37%) in FY 24 (as of September 2021)	\$145.0
<b>Special Education</b> Negligible change in child count from FY 18 to FY 20; Percent in self-contained classrooms decreased 23%	(60.2)
<b>CTE Course Enrollment</b>	4.0
<b>English Learner Enrollment</b>	3.3
<b>SOL Test Failure Rate &amp; Free Lunch Rate</b>	1.3
<b>Remedial Summer School</b>	(2.5)
<b>Update Non-SOQ Programs</b> Incentive, Categorical, Lottery programs	28.5
<b>TOTAL 2022-24 IMPACT</b>	<b>\$119.4</b>



# Prevailing Costs

## \$262.8 million in additional costs:

- salaries
- support positions
- textbooks
- health insurance

## \$99.9 million in savings, driven largely by March 2020 closure of schools:

- substitute teacher costs
- utility costs
- instructional support
- transportation

**2022-24 Impact**  
**\$162.8 million**

Prevailing Cost Data Updates (\$ in millions GF)	2022-24 Impact
<b>Salaries</b> Based on FY 20 cost data, plus 5% FY 22 increase	\$114.5
<b>Support Positions</b> First-ever increase in instructional-to-support staff ratio since inception in FY 10 - 'Support Cap'	34.7
<b>Other Support Costs (incl. Non-Personnel)</b> 2020 school closures reduced rebenchmarking costs especially substitutes, utilities, instructional support	(95.4)
<b>Textbooks</b> 22% increase in reported costs	30.8
<b>Transportation</b> 2020 school closures reduced costs slightly	(4.5)
<b>Health Care Premiums</b> Prevailing cost per employee increased 11.3%, or \$624 from FY 18 to FY 20	82.6
<b>Federal Revenue Deduction</b>	0.2
<b>TOTAL 2022-24 IMPACT</b>	<b>\$162.8</b>



# Other Updates for 2022-24

**\$252.1 million in additional costs**, nearly all due to increased sales tax projections

**\$350.1 million in savings, driven by:**

- lower VRS fringe benefit rates
- ADM reforecast lower than in September projection
- Additional Lottery Proceeds

Remaining updates will be in December budget release

**2022-24 Impact**  
**(\$98.0 million)**

Other Data Updates (\$ in millions GF)	2022-24 Impact
<b>LCI for 2022-24 Biennium</b> 62 divisions up, 64 divisions down; see Appendix	\$8.1
<b>Fringe Benefit Rates</b> Teacher retirement rates decreased 16.62% to 14.76% Group life rates decreased 0.54% to 0.48%	(134.9)
<b>Enrollment Projections</b> Preliminary Fall 2021 enrollment indicates fewer students – decreasing FY 23 & FY 24 projections	(67.6)
<b>Lottery Proceeds Projection</b> \$147.6 m increase offsets general fund costs	(147.6)
<b>Sales Tax Projection &amp; Distribution</b> 1 1/8% sales tax distributed to school divisions reduces state and local basic aid costs; distributed based on est. school age population	244.0
<b>Other Updates</b> Including additional student data, inflation, and program data updates	TBD
<b>TOTAL 2022-24 IMPACT</b>	<b>(98.0)</b>

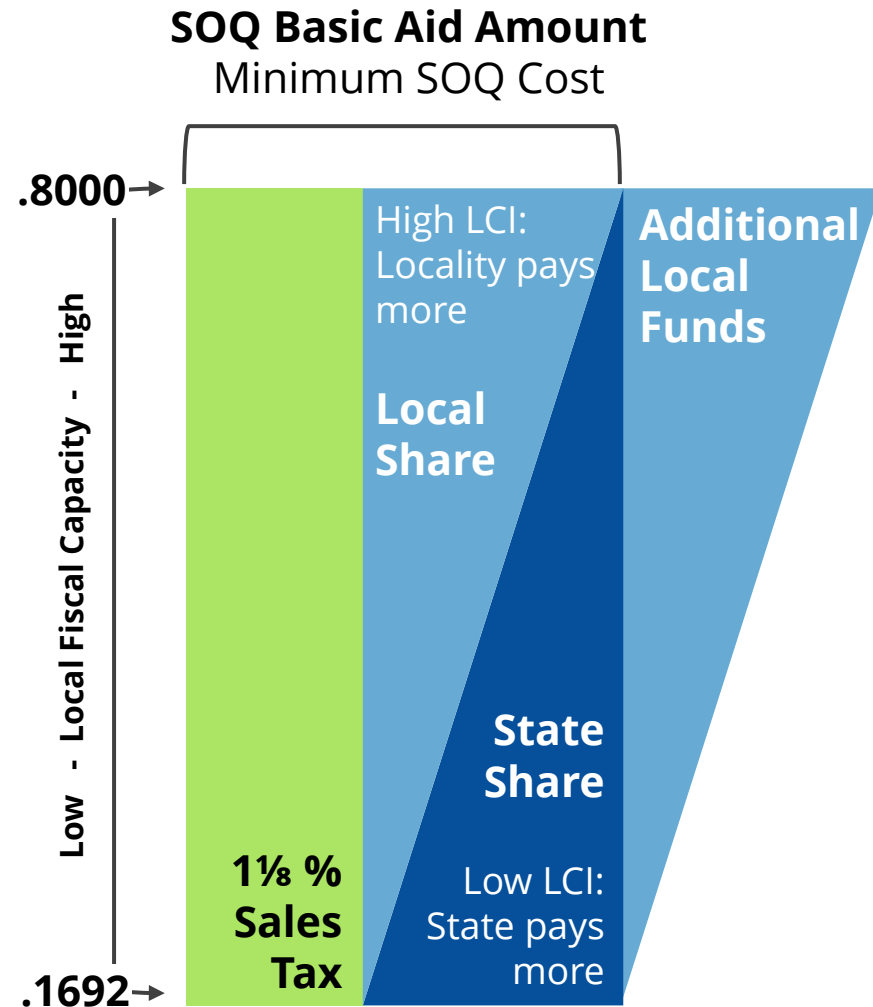


# State & Local Shares

## Funding SOQ Basic Aid Costs:

- **1⅞ % sales tax** dedicated to SOQ funding is distributed to school divisions based on school-age population
- Remaining cost shared between state and localities based on the **Local Composite Index (LCI)**
  - LCI compares local tax base of each school division among all school divisions
    - Lower LCI: state pays more – lowest is .1692
    - Higher LCI: locality pays more – capped at .8000 to ensure state pays at least 20%
  - In aggregate, the state's share is 55% of total, localities providing 45% share

Most other K-12 programs funded similarly, except sales tax does not offset program costs



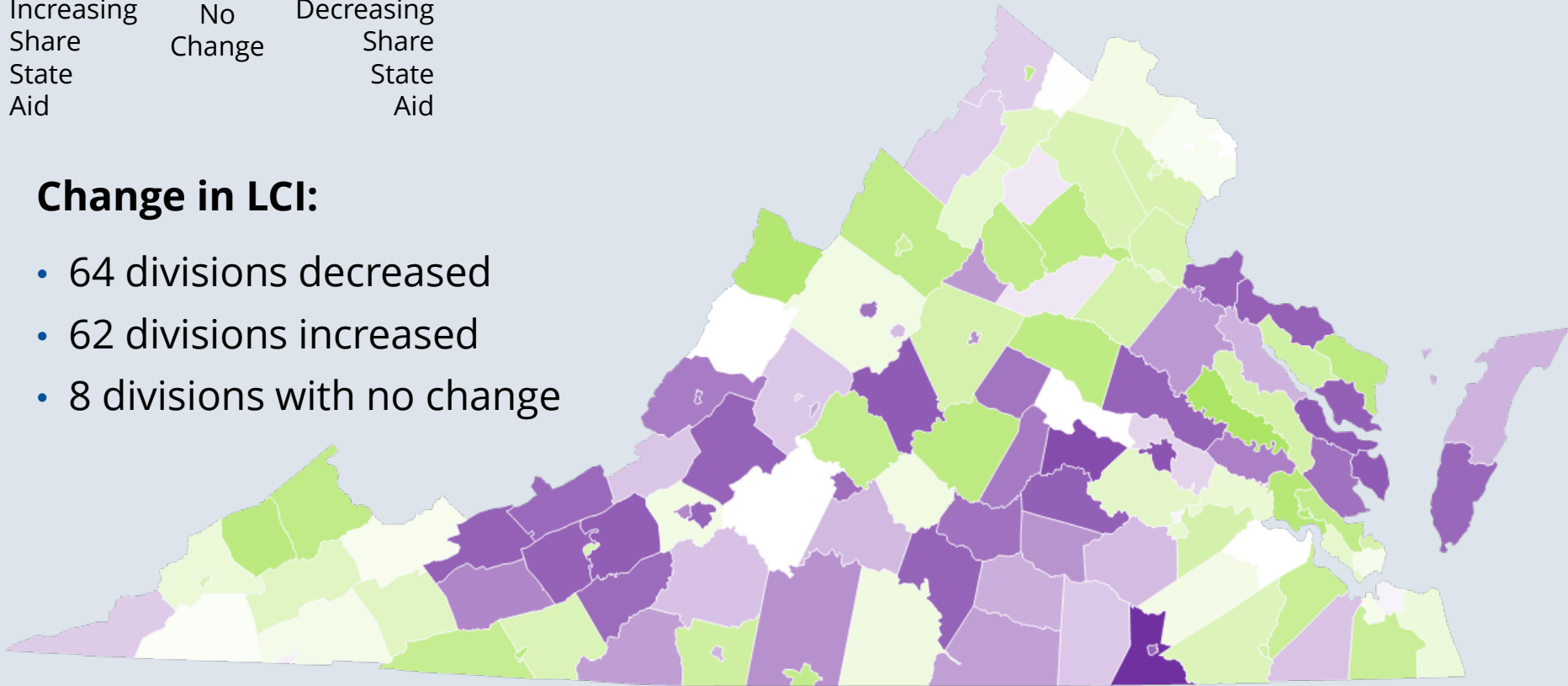
# State & Local Shares

## Change in LCI: 2020-22 to 2022-24



### Change in LCI:

- 64 divisions decreased
- 62 divisions increased
- 8 divisions with no change





# 2022 SESSION OUTLOOK

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# 2022 Session Outlook

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- An additional **\$233.0 million in K-12 costs in 2022-24**; subject to change as additional data updates occur
- **Policy considerations:**
  - ‘Maintenance of Effort’ requirements connected to federal relief
    - Must maintain at least 29.9% of state GF spending in K-12 in FY 23 (29.9% = average FY 17 thru FY 19 state GF spending in K-12)
  - Rebenchmarking costs based on atypical FY 2020 data
    - FY 2019 data with inflation adjustments may be appropriate
  - Lower VRS rates present opportunity to reduce unfunded liabilities if current rate held steady
    - Otherwise, if lower rates observed, state would save ~\$130 million and localities would save ~\$215 million



# 2022 Session Outlook

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- **Policy considerations** (continued)
  - Enhance Literary Fund: \$170.0 million (one-time)
  - School Construction & Modernization Commission recommendations: forthcoming after Dec. 1 meeting
  - 1% salary increase cost: \$49.2 million/year
  - Amend Governor's school formula: \$7.4 million
  - Board of Education SOQ recommendations: \$812.7 million





# Medicaid Forecast

# Medicaid Forecast

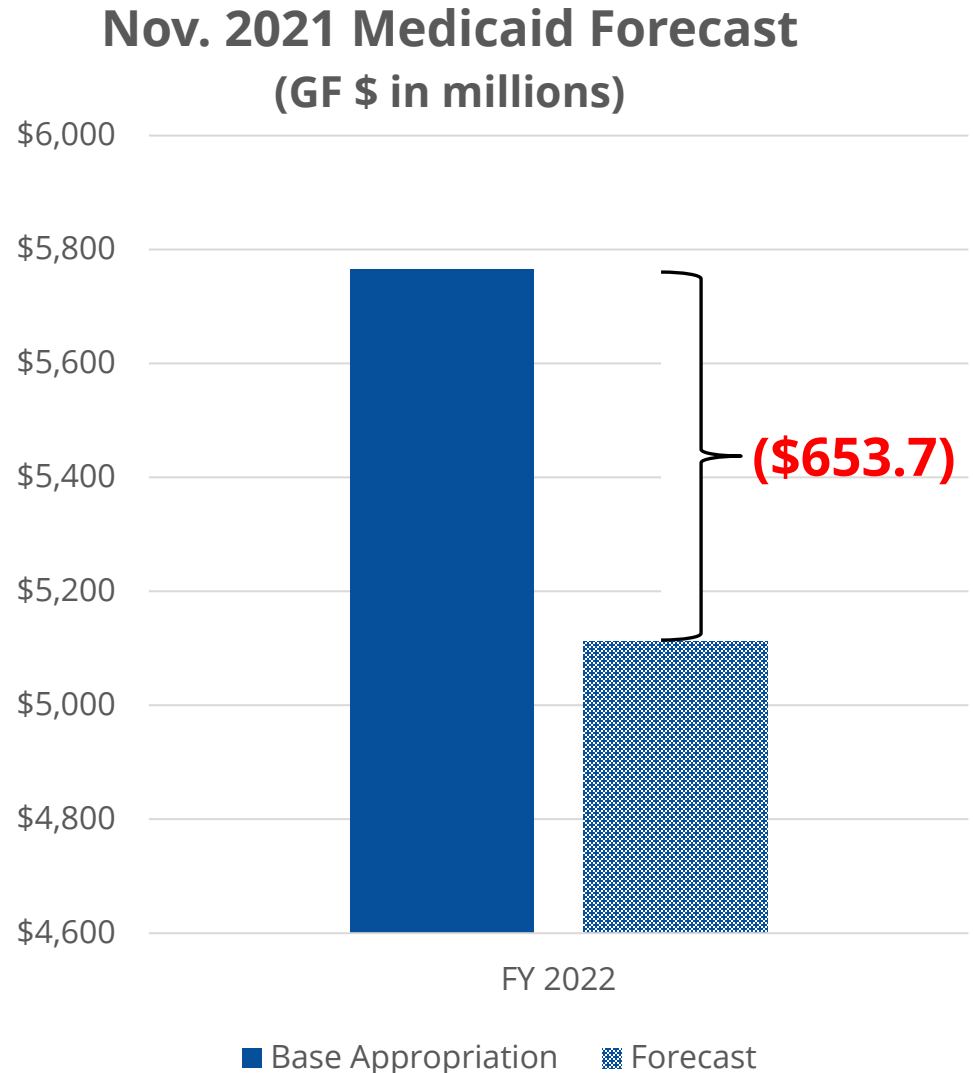
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- Official Medicaid forecast updated every November
- 2021 Official Medicaid forecast updates projected spending for FY 2022 and the 2022-24 biennium for the current Medicaid program
- Virginia Health Care Fund (VHCF) revenues will influence how much general fund dollars are required to meet the forecast costs of the Medicaid program
  - Revenues in the fund are used as a portion of the state's match for the Medicaid program
  - Comprised of tobacco taxes, Medicaid recoveries (including drug rebates) and 41.5% of the Master Tobacco Settlement Agreement
  - The VHCF ended FY 2021 with a \$92.5 million balance which will be used to offset GF costs in the Medicaid program in FY 2022
    - Attributable to Medicaid managed care organization (MCO) remittances related to low medical loss ratios and/or excessive underwriting gains, as well as unexpected additional tobacco revenues
- Revenue changes in the VHCF are not included in Official Medicaid forecast, but will be included in the introduced budget in Dec.



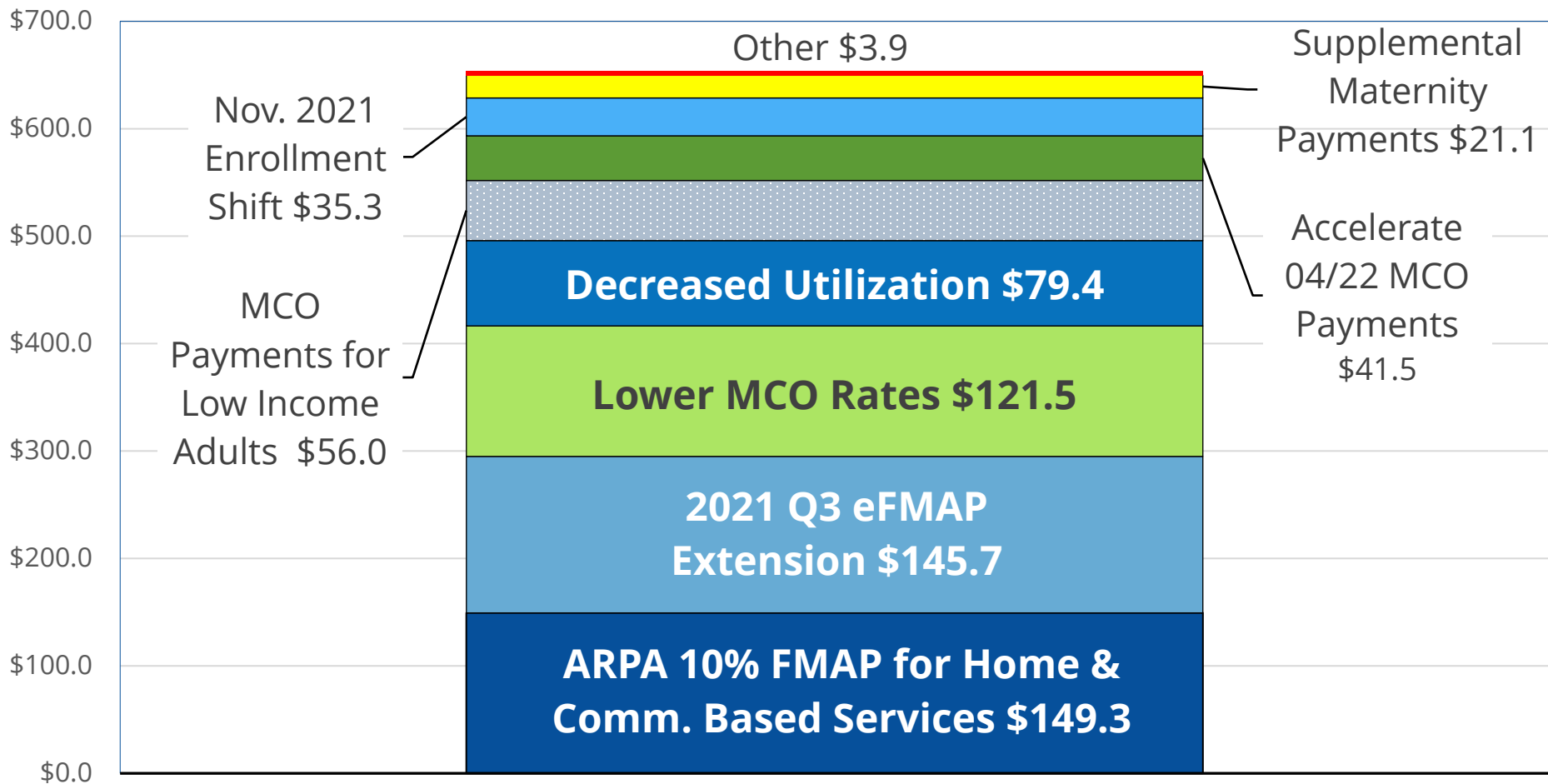
# Medicaid Forecast

- The revised base Medicaid forecast for FY 2022 results in a reduction in spending of \$653.7 million GF compared to Ch. 552, as adopted
  - Does not include costs for Medicaid expansion, funded through a hospital assessment and federal funds
- Unprecedented reduction in adjusted Medicaid forecast
  - Driven by pandemic related enhanced federal funding



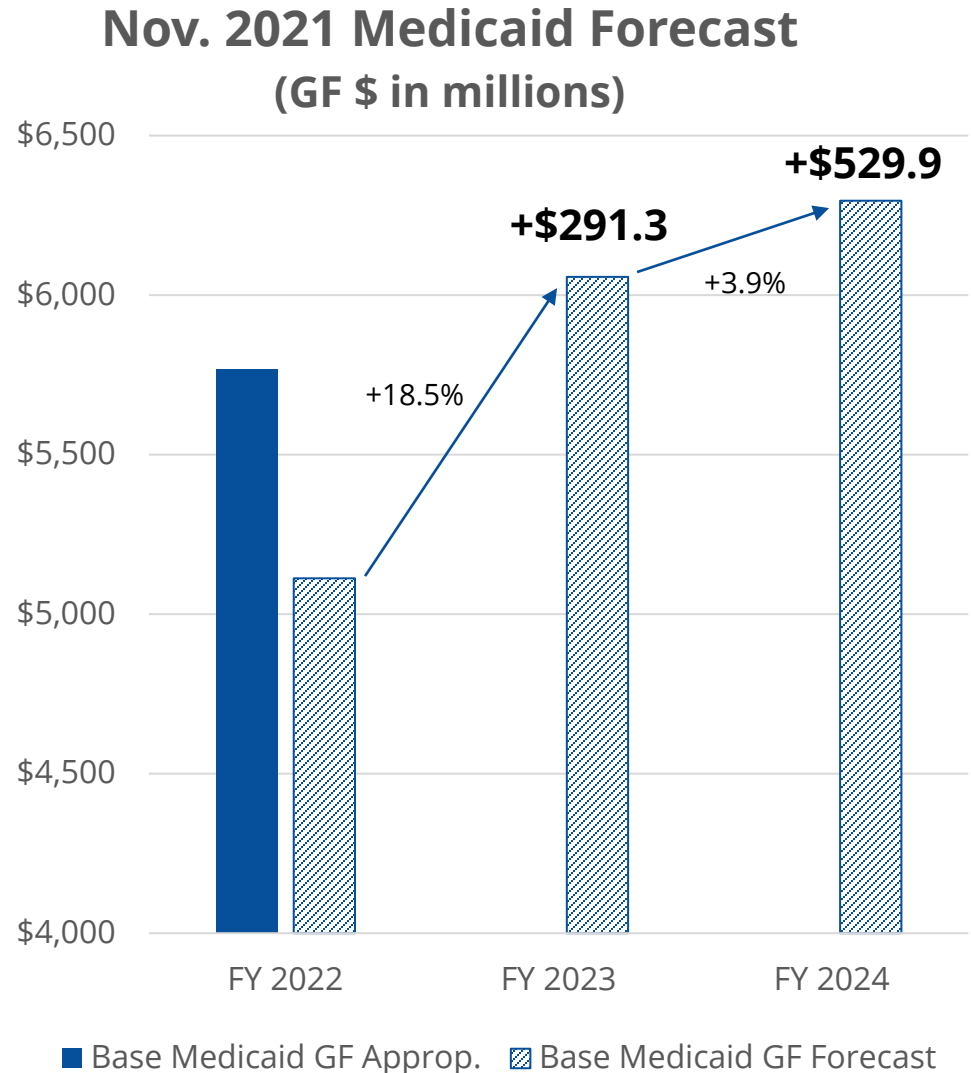
# Factors Driving \$654 million GF Reduction in State Spending

(\$ in millions)



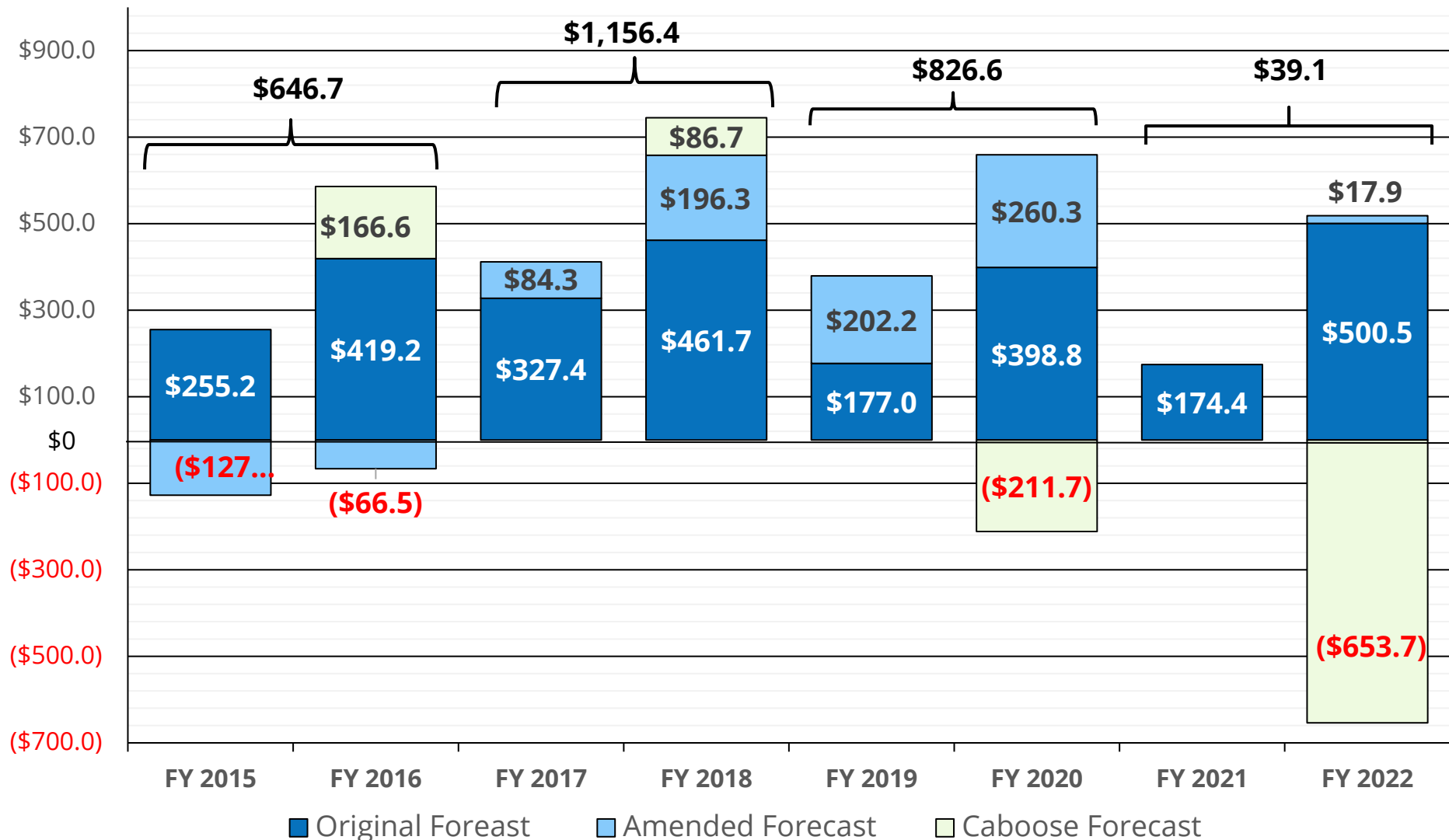
# Medicaid Forecast

- Overall Medicaid program (base Medicaid and Expansion) is projected to grow by
  - 1.0% in FY 2023 and 5.4% in FY 2024
- The base Medicaid forecast impacts state general fund spending
- Thus, the Medicaid forecast estimates an additional an \$821.2 million GF will be needed in the 2022-24 biennium
  - Does not include Medicaid expansion, funded through a hospital assessment and federal funds
- Represents annual growth in GF of
  - 18.5% in FY 2023
  - 3.9% in FY 2024
- FY 2023 growth rate influenced by receipt of federal aid in FY 2022 as well as return to pre-pandemic utilization rates





# Historical Medicaid Annual Forecast Changes Base Program (GF \$ in millions)



# Summary of Medicaid Forecast

(\$ in millions)

FY 2022	2022 Base Approp.	Forecast	Difference
General Fund	\$5,765.7	\$5,112.0	(\$653.7)
Federal Funds	\$10,923.5	\$12,061.0	\$1,137.5
Hospital Assessment for Expansion	\$435.4	\$453.4	\$18.0
Hospital Rate Assessment	\$527.1	\$457.0	(\$70.1)
Total Funds	\$17,651.7	\$18,083.4	\$431.7
<b>FY 2023</b>			
General Fund	\$5,765.6	\$6,056.9	\$291.3
Federal Funds	\$10,923.6	\$11,235.5	\$311.9
Hospital Assessment for Expansion	\$435.4	\$465.8	\$30.4
Hospital Rate Assessment	\$527.1	\$505.5	(\$26.1)
Total Funds	\$17,651.7	\$18,263.7	\$612.0
<b>FY 2024</b>			
General Fund	\$5,765.7	\$6,295.6	\$529.9
Federal Funds	\$10,923.5	\$11,926.1	\$1,002.6
Hospital Assessment for Expansion	\$435.4	\$512.6	\$77.2
Hospital Rate Assessment	\$527.1	\$516.0	(\$11.1)
Total Funds	\$17,651.7	\$18,805.3	\$1,598.6



# Factors Driving Expenditures in the 2022-24 Biennium

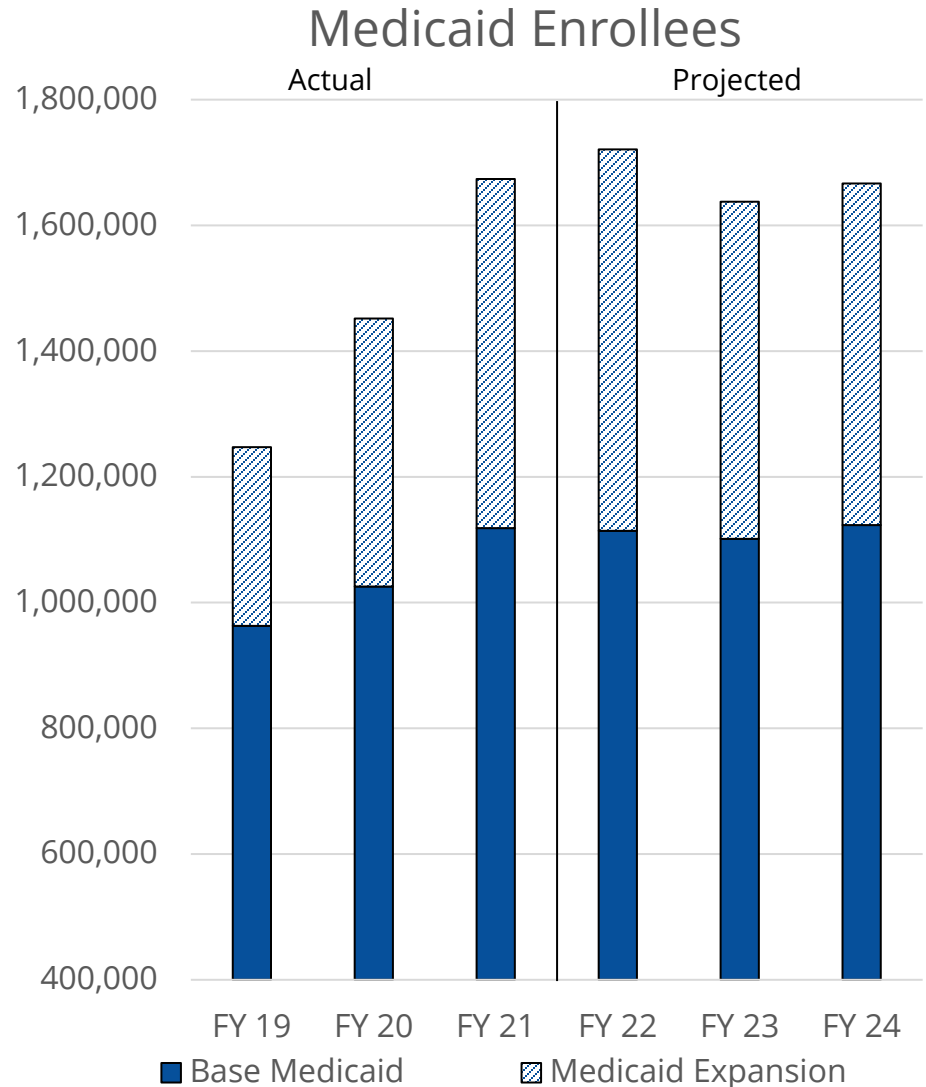
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- End of 6.2% Enhanced Federal Medical Assistance Percentage (eFMAP) by March 31, 2022
  - GF share will revert to 50% (pre-pandemic)
  - Affects base Medicaid program
- Medicaid managed care expenditures/rates are the major drivers of Medicaid growth in the 2020-22 biennium
  - Medicaid makes capitation payments on behalf of 90% of all Medicaid enrollees
  - Changes in the capitation rates significantly affect Medicaid spending
- Medical expenditures are largely driven by enrollment and utilization of services
  - FY 2023 will see a gradual decline in enrollment due to expiration of federal requirement for eligibility maintenance of effort
  - FY 2024 should expect normalizing of long-term care population and more normal growth in low income population
  - Utilization of services estimated to rebound to pre-pandemic levels
- Hospital and nursing home inflation rates



# Post Pandemic Enrollment Decline Will Be Gradual

- Receipt of eFMAP requires eligibility maintenance of effort
- Medicaid enrollment grew by 373,953 from March 2020 to Oct. 2021
  - 170,775 in base Medicaid
  - 203,178 in Medicaid Expansion
- Enrollment projected to decline in FY 2023 with slight uptick in FY 2024
  - Base Medicaid enrollment drops as the eFMAP goes away
  - Larger drop in Medicaid Expansion
  - Some in base Medicaid may become eligible for Medicaid Expansion
    - Individuals cannot be disenrolled automatically
    - States must determine if enrollees are eligible for any other Medicaid eligibility category



# Managed Care Rate Increases

- Rates required to be actuarially sound by federal government
- Managed care rate increases influence spending in the base Medicaid program and Medicaid expansion
- Base Medicaid fiscal impact is \$307.7 million GF

	FY 2023			FY 2024		
Base Medicaid	% Chg.	GF	NGF	% Chg.	GF	NGF
CCC Plus	4.4%	\$117.5	\$117.4	4.1%	\$112.1	\$112.1
Medallion 4.0	1.9%	\$24.1	\$24.2	4.3%	\$54.0	\$54.1
Total		\$141.6	\$141.6		\$166.1	\$166.2
Medicaid Expansion	% Chg.	10% *	Federal	% Chg.	10% *	Federal
CCC Plus	6.1%	\$6.5	\$58.0	6.6%	\$8.3	\$75.0
Medallion 4.0	6.2%	\$16.1	\$144.8	6.4%	\$18.6	\$166.9
Total		\$22.6	\$202.8		\$26.9	\$241.9

\*10% non-federal match is provided through the Hospital coverage assessment.



# Hospital & Nursing Home Inflation Adjustments

- Required by regulations
  - 2.5% in FY 2023 and 2.5% in FY 2024 for hospital expenditures
  - 3.1% in FY 2023 and 3.1% in FY 2024 for nursing facility services
  - Fiscal impact is \$87.9 million GF over the biennium

(\$ in millions)	FY 2023			FY 2024		
Inflation Adjustment	GF	MedEx	NGF	GF	MedEx	NGF
Hospitals	\$24.9	\$4.5	\$65.4	\$26.1	\$4.9	\$70.1
Nursing Homes	\$18.0	\$0.1	\$18.5	\$18.9	\$0.1	\$19.4
<b>Total</b>	<b>\$42.9</b>	<b>\$4.6</b>	<b>\$83.9</b>	<b>\$45.0</b>	<b>\$5.0</b>	<b>\$89.6</b>



# Post Forecast Factors Could Impact Medicaid Expenditures

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- Pending FMAP change from 50% to 50.65%
  - Would take effect October 1, 2022
  - Full year impact would be a savings of roughly \$70 million GF
- New federal human infrastructure legislation provides for a more gradual eligibility redetermination timeline to coincide with gradual decline in eFMAP
- Medicare Part A premium rate increases
  - Medicaid makes these payments on behalf of dually eligible Medicaid/Medicare enrollees
  - Final rates not published yet
- Potential for additional MCO remittances related to low medical loss ratios and/or excessive underwriting gains
  - Payments would be deposited in VA Health Care



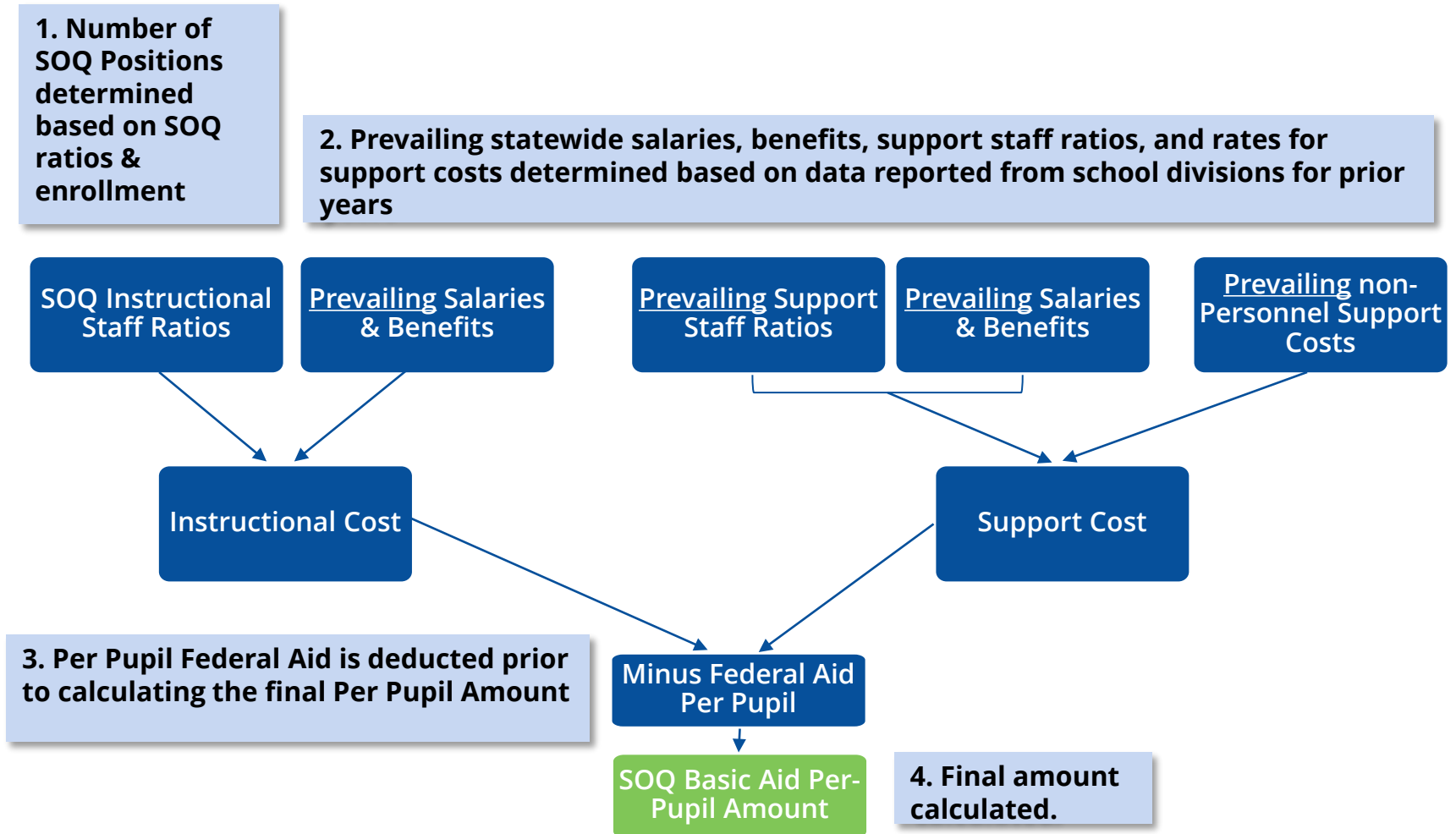
# K-12 APPENDICES

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# SOQ: Basic Aid Funding



# Staffing Standards

As provided in *Va. Code* § 22.1-253.13:2 and the Appropriation Act

Teacher Staffing Ratios	
Grade K Teachers	1:24 divisionwide; max class size 24, 29 if aide provided
Grade 1-3 Teachers	1:24 divisionwide; max class size 30
Grade 4-6 Teachers	1:25 divisionwide; max class size 35
Grade 6-12 English Classes	1:24 divisionwide
Secondary Teachers	1:21 schoolwide
K-5 Resource Teachers	5:1,000 K-5 students
IT Resource & Support	2:1,000 students
School Counselors	
1:325 students	

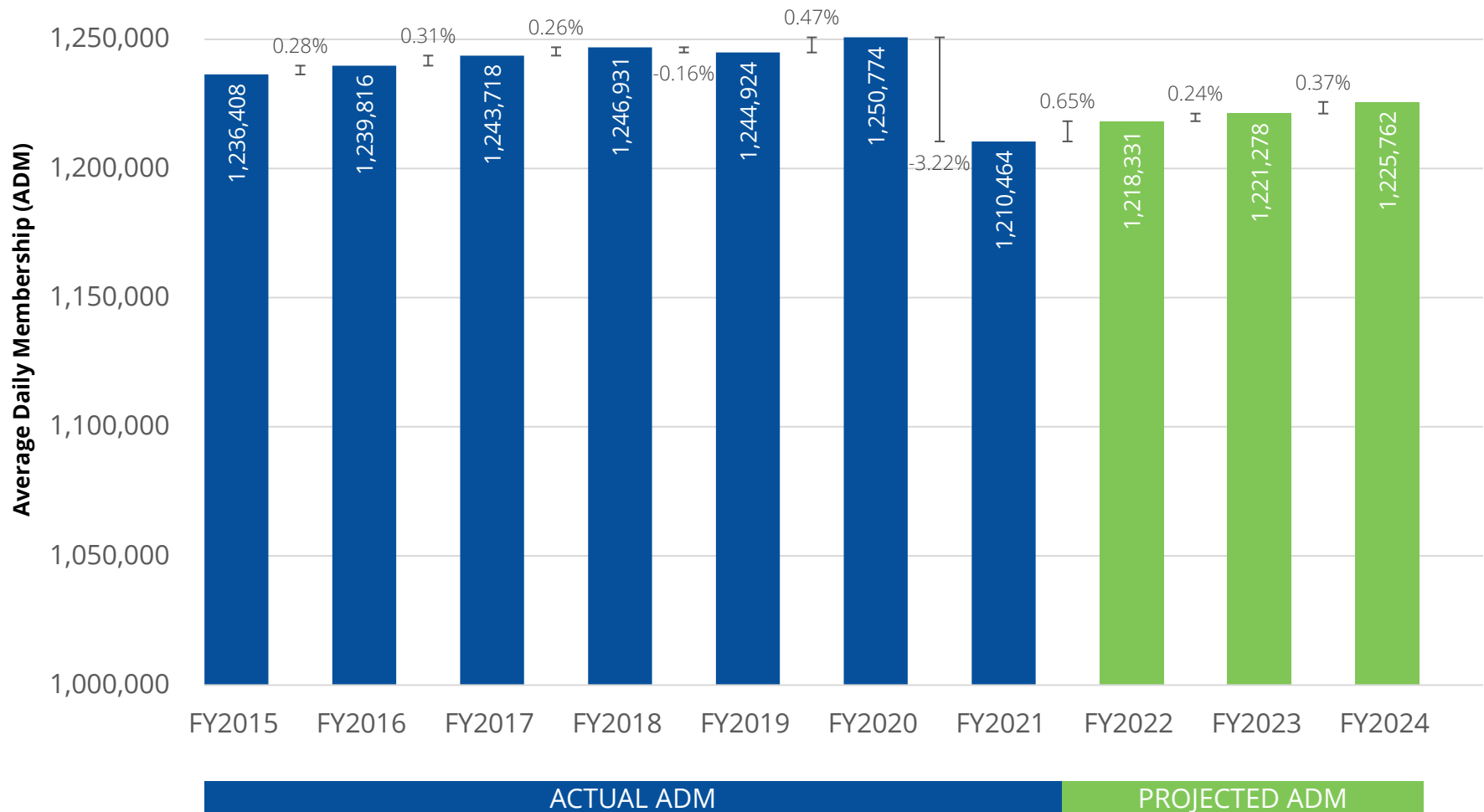
Principals	
Elementary	≤ 300 students: 0.5 ≥ 300 students: 1 FTE
Middle & High	1 FTE per school
Assistant Principals	
Elementary	600-899 students: 0.5 ≥ 900 students: 1 FTE
Middle & High	1 FTE per 600 students
Librarians	
Elementary	≤ 300 students: 0.5 ≥ 300 students: 1 FTE
Middle & High	≤ 300 students: 0.5 300-999 students:1 FTE ≥ 1,000 students: 1 FTE
Specialized Student Support	
Specialized student support (social workers, psychologists, nurses, etc)	3:1,000

Remediation	
1:10 to 1:18, based on SOL failure rates, one hour per day	
English Learner Teachers	
20 per 1,000 English Learner students	
Special Education & CTE Teachers	
6 per 1,000 students	
Support Positions	
<ul style="list-style-type: none"><li>• Executive &amp; Central Office</li><li>• Operations &amp; Maintenance</li><li>• Transportation</li><li>• Clerical</li></ul>	At the discretion of the local school board



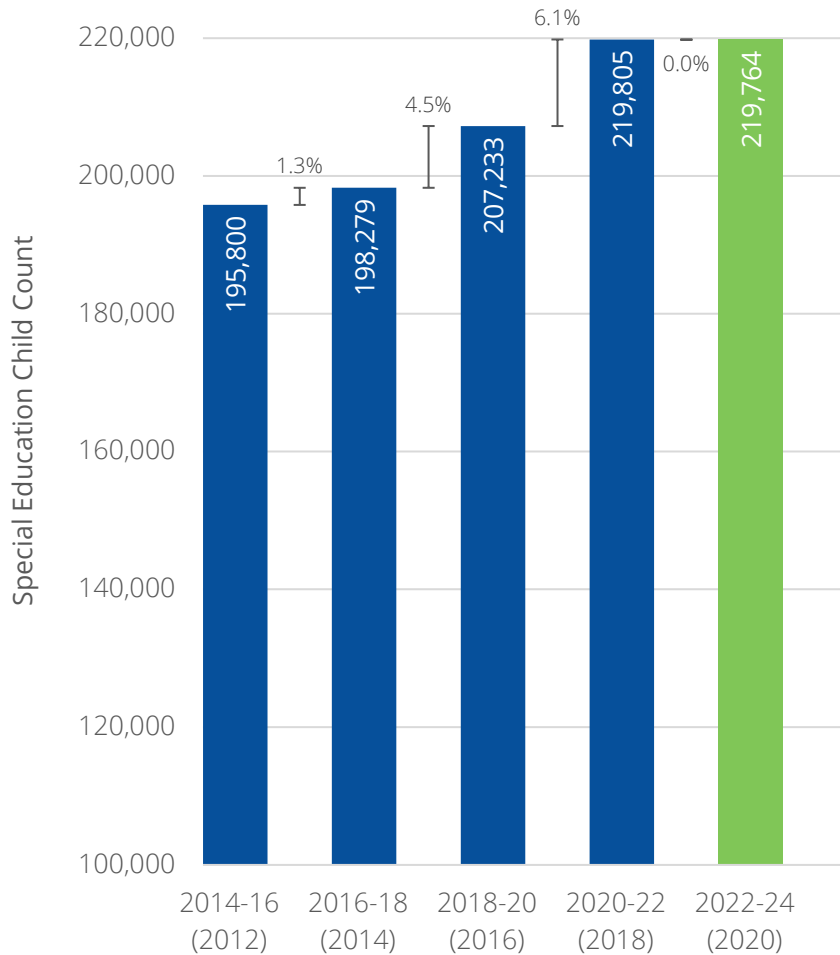
# Students and Characteristics

## Average Daily Membership by Year

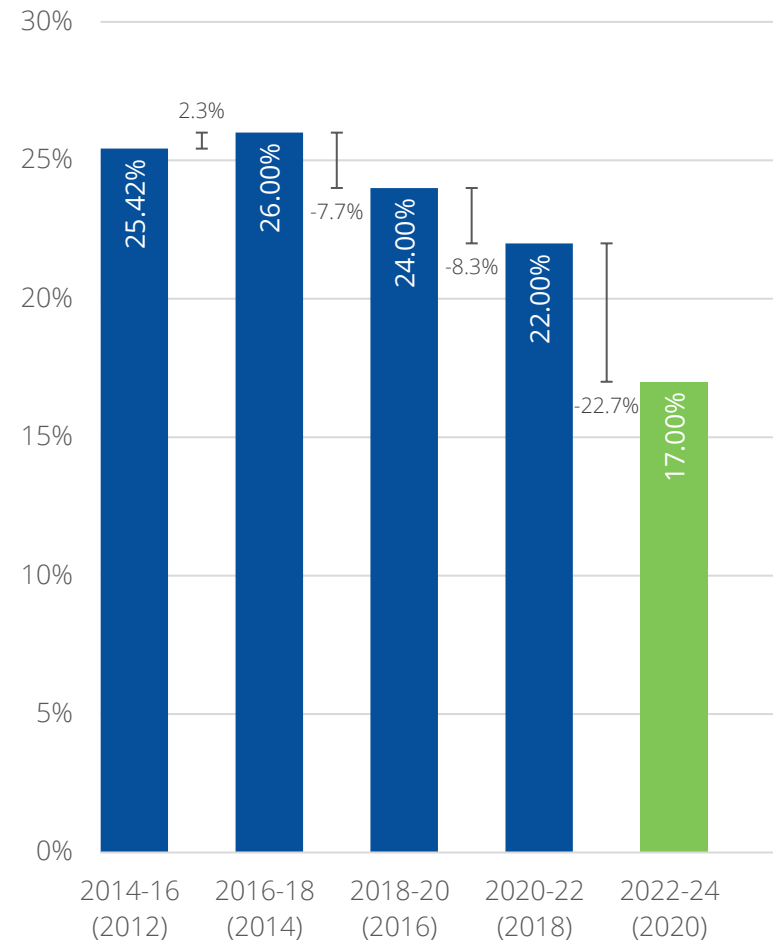


# Students and Characteristics

## Special Education Child Count

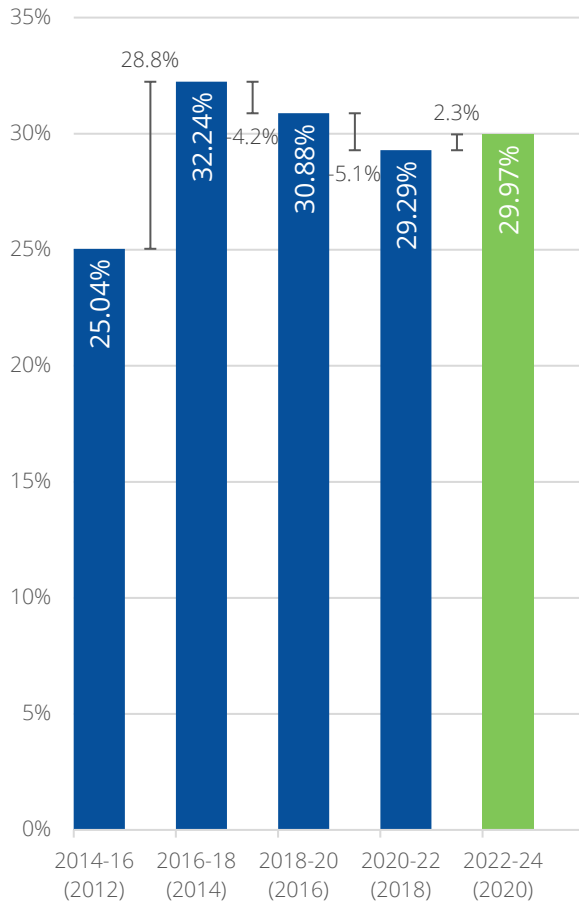


## Percent of Special Education in Self-Contained Classrooms

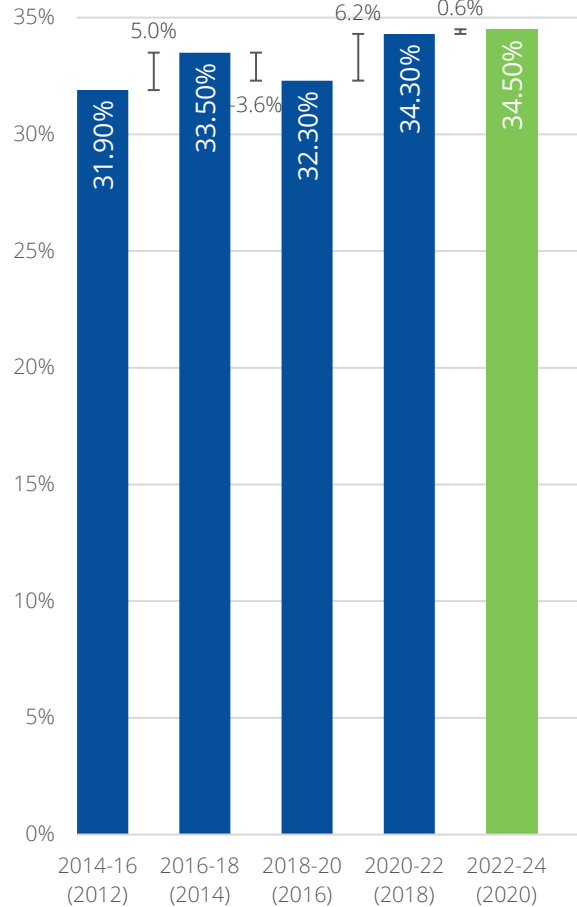


# Students and Characteristics

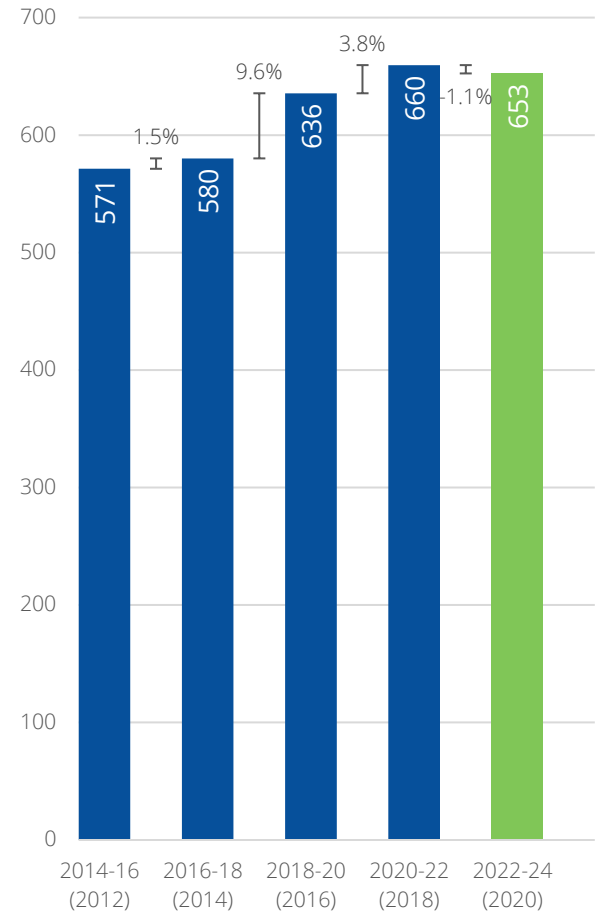
SOL Test Failure Rates



Free Lunch Eligibility Rates

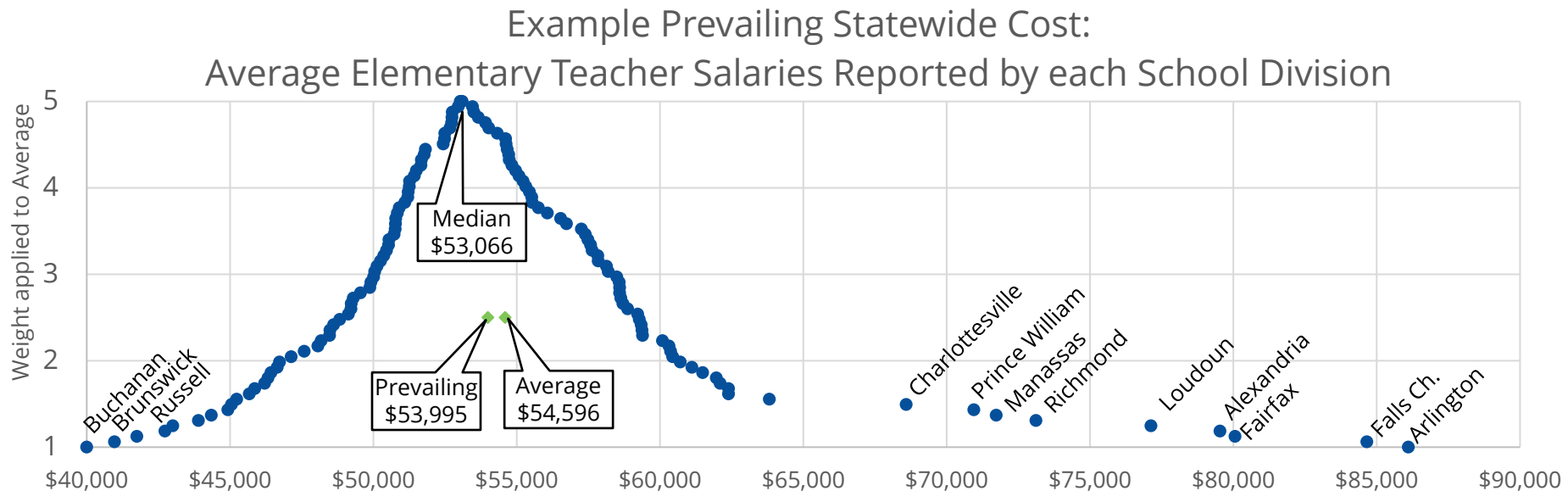


CTE Course Enrollments  
(in thousands)

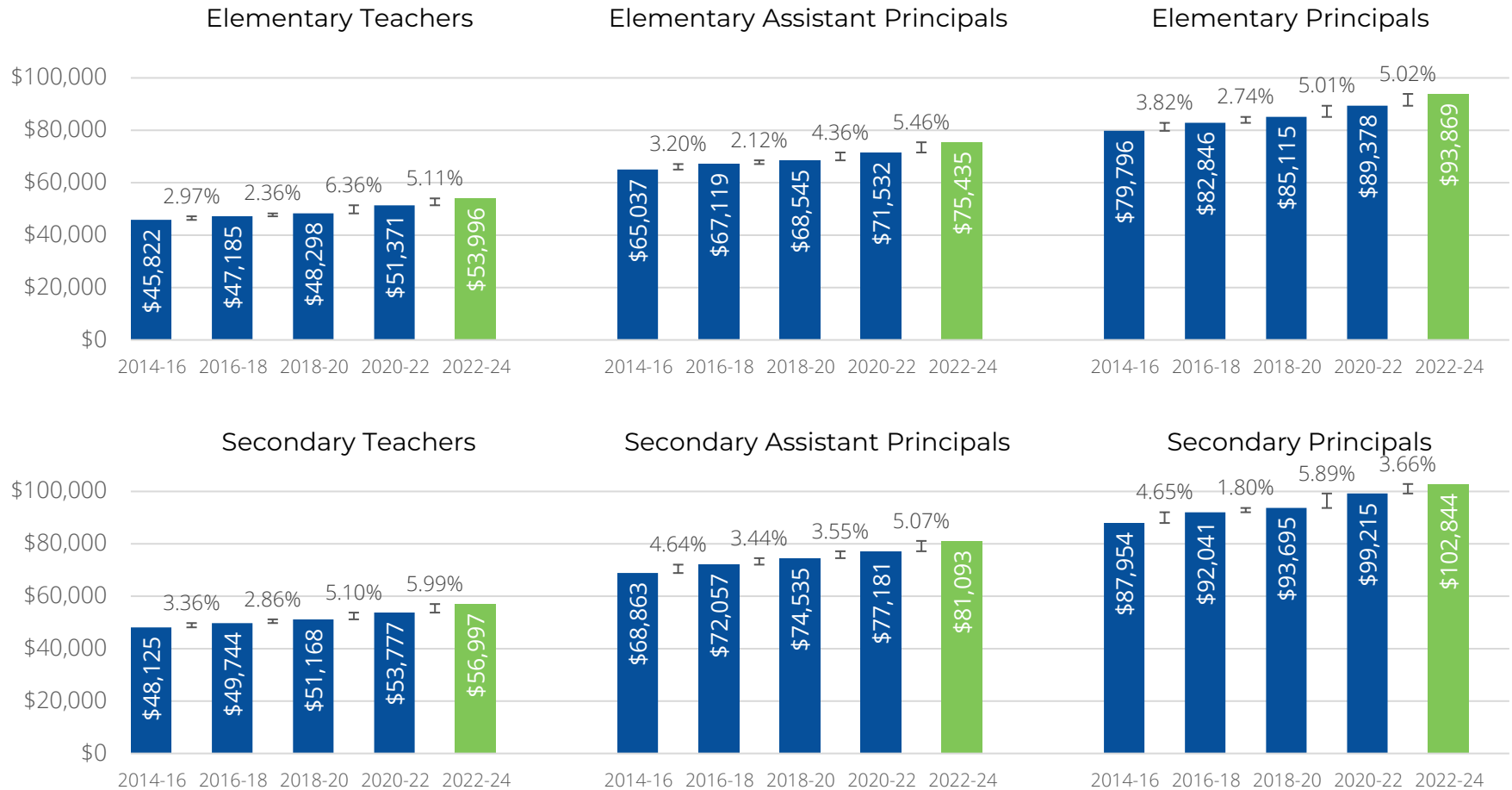


# Prevailing Costs

- **Prevailing Cost** recognized in SOQ Model is calculated using a **Linear Weighted Average**
  - School divisions reporting values (salaries, per-pupil utilities costs, etc.) closest to the median are weighted up to five times greater than those furthest from median
  - This methodology measures overall cost trends while reducing the influence of outliers in calculation of prevailing statewide costs

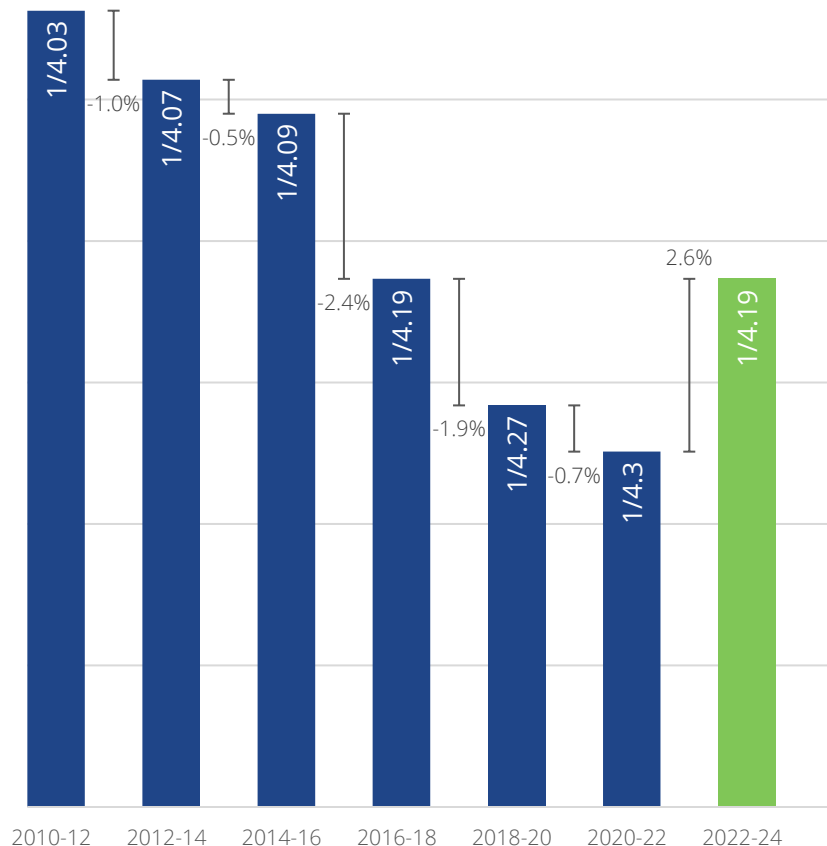


# Prevailing Costs: Instructional Salaries



# Prevailing Costs: Support Positions

Ratio of Support Positions Funded per Instructional Position



Support Positions	20-22 Prevail. Salary	22-24 Prevail. Salary	% Chg
Superintendent	\$154,287	\$164,865	7%
Assistant Superintendent	\$122,862	\$127,757	4%
School Nurse	\$37,581	N/A	*
Specialized Student Support	N/A	\$48,869	*
Instructional Professional	\$73,821	\$87,671	*
Instructional Technical/Clerical	\$32,701	\$36,187	11%
Attendance & Health Administrative	\$80,919	\$87,237	*
Attendance & Health Technical/Clerical	\$31,043	\$34,541	11%
Operations & Maintenance Professional	\$77,590	\$79,771	3%
Operations & Maintenance Technical/Clerical	\$30,942	\$32,921	6%
School Board Member	\$5,405	\$5,672	5%
Administration Administrative	\$81,176	\$83,985	3%
Administration Technical/Clerical	\$43,740	\$46,522	6%
Technology Professional	\$78,624	\$81,458	4%
Technology Technical/Clerical	\$37,375	\$43,133	15%
Technology Support Standard	\$49,145	\$53,205	8%
School Based Clerical	\$30,723	\$32,538	6%

\* Comparability across years for these positions not possible, due to implementation of SB1217 (2021 SS I), which established Specialized Student Support Position standards





# Prevailing Costs: Non-Personnel Support

Category	20-22 Prevail. Cost	22-24 Prevail. Cost	\$ Chg	% Chg
<b>Per Pupil Distributions</b>				
Instructional Classroom	\$310.93	\$286.52	(\$24.41)	-8%
Instructional Support	\$15.66	\$12.83	(\$2.83)	-18%
Principal's Office	\$8.27	\$6.92	(\$1.35)	-16%
Administration	\$49.67	\$56.58	\$6.91	14%
Attendance & Health	\$17.84	\$21.90	\$4.06	23%
Utilities	\$296.39	\$266.65	(\$29.74)	-10%
Communication	\$30.55	\$31.30	\$0.75	2%
Other Operations & Maintenance	\$285.32	\$293.52	\$8.20	3%
Facilities	\$1.10	\$1.20	\$0.10	9%
Unemployment Insurance	\$2.49	\$2.31	(\$0.18)	-7%
Worker's Compensation	\$28.48	\$27.70	(\$0.78)	-3%
Disability Insurance	\$4.76	\$6.02	\$1.26	26%
Technology	\$226.26	\$219.60	(6.66)	-3%
Insurance	\$32.14	\$32.58	0.44	1%
Contingency Reserve	\$0.01	\$0.00	(0.01)	-100%
<b>Per Position Distributions</b>				
Substitute Teachers	\$1,204.55	\$967.28	(237.27)	-20%
Improvement	\$424.58	452.52	27.94	7%



# Prevailing Costs: Inflation Factors

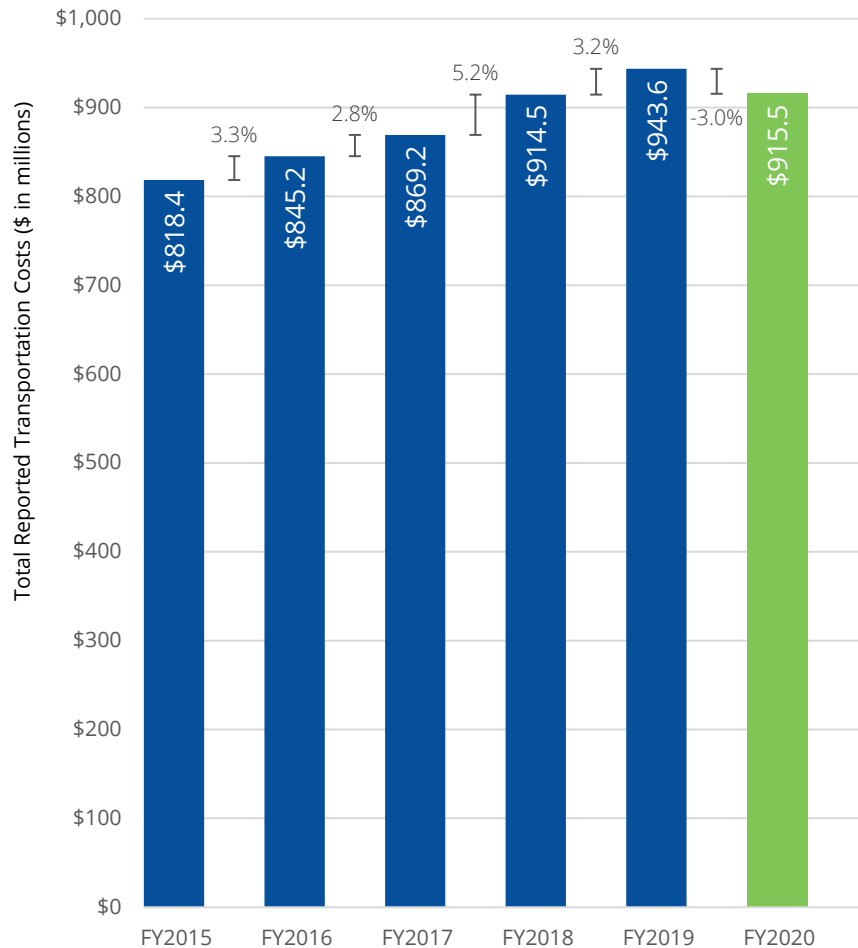
Inflation Factor	20-22 Inflation	22-24 Inflation	% Chg
<b>Instructional</b>			
Instructional Classroom	4.31%	4.16%	(0.15%)
Instructional Support	4.25%	4.09%	(0.16%)
Improvement	4.13%	4.03%	(0.10%)
Principals Office	4.24%	4.11%	(0.13%)
<b>Miscellaneous</b>			
Administration	4.22%	4.09%	(0.13%)
Attendance & Health	4.28%	4.15%	(0.13%)
Facilities	4.54%	4.12%	(0.42%)
<b>Textbooks</b>	4.37%	4.23%	(0.14%)
<b>Pupil Transportation</b>	4.11%	3.97%	(0.14%)

Inflation Factor	20-22 Inflation	22-24 Inflation	% Chg
<b>Operations and Maintenance</b>			
Utilities	(0.28%)	4.32%	4.60%
Communications	4.35%	3.90%	(0.45%)
Insurance	4.37%	4.23%	(0.14%)
Other	4.37%	4.23%	(0.14%)
<b>Fixed Charges</b>			
Unemployment	4.37%	4.23%	(0.14%)
Workers Compensation	4.37%	4.23%	(0.14%)
Disability Insurance	4.37%	4.23%	(0.14%)
Other Benefits	4.37%	4.23%	(0.14%)
<b>Health Care Premium</b>	3.47%	3.31%	(0.16%)
<b>Contingency Reserve</b>	4.37%	4.23%	(0.14%)

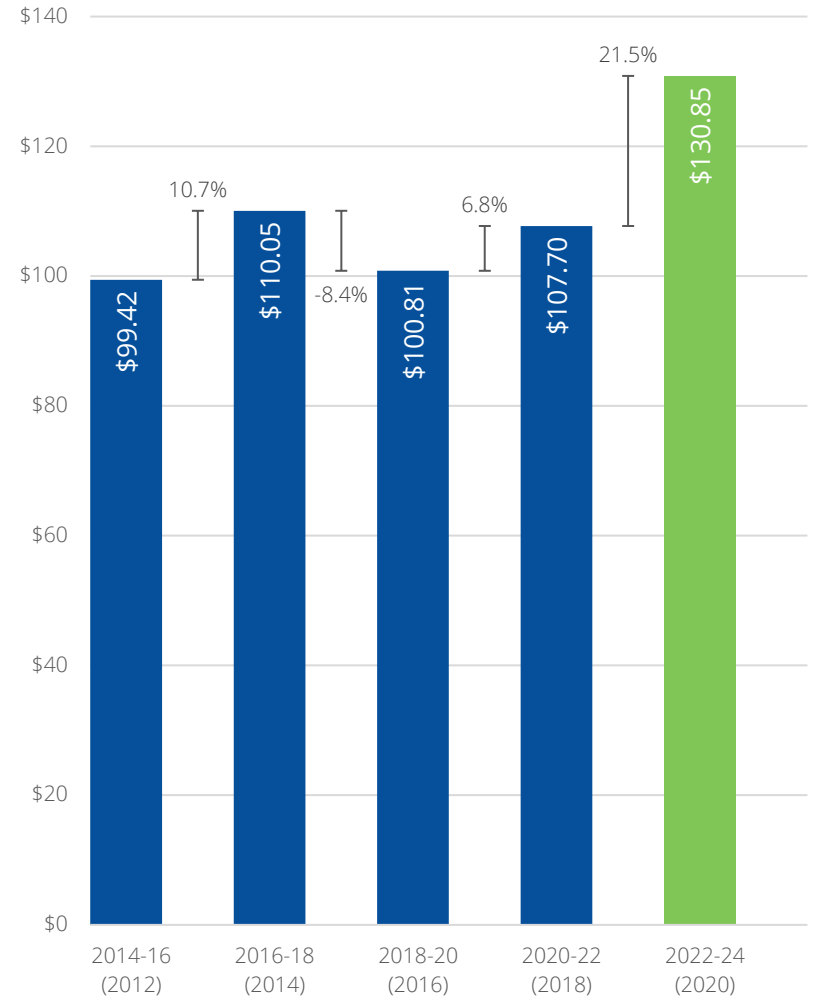


# Prevailing Costs

## Statewide Pupil Transportation Costs

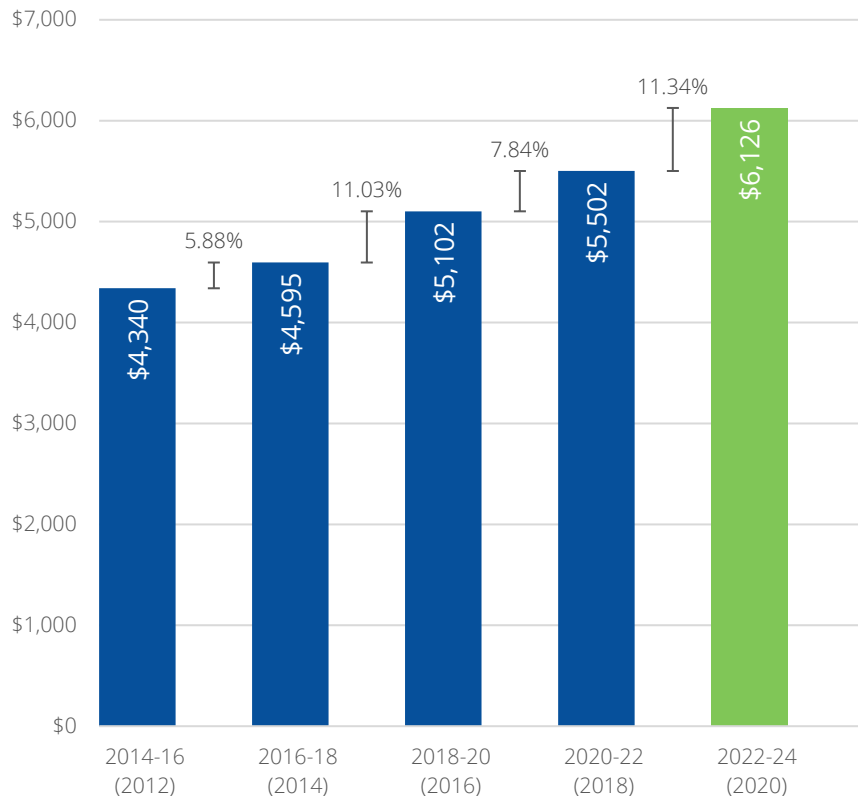


## Textbook Funding Per Pupil

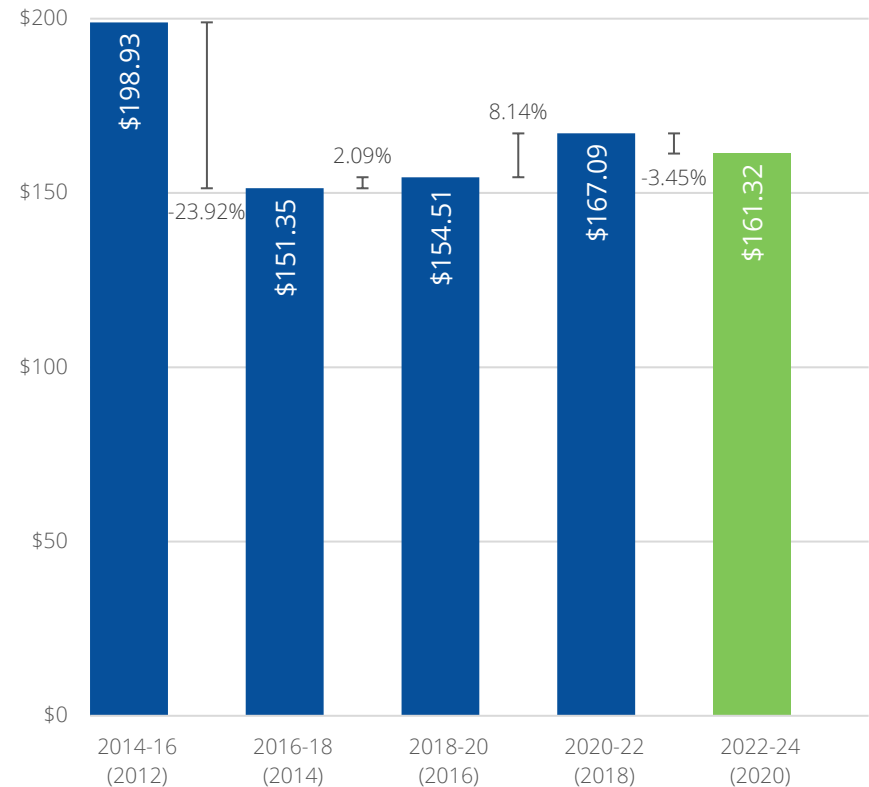


# Prevailing Costs

## Health Care Premium Per Employee



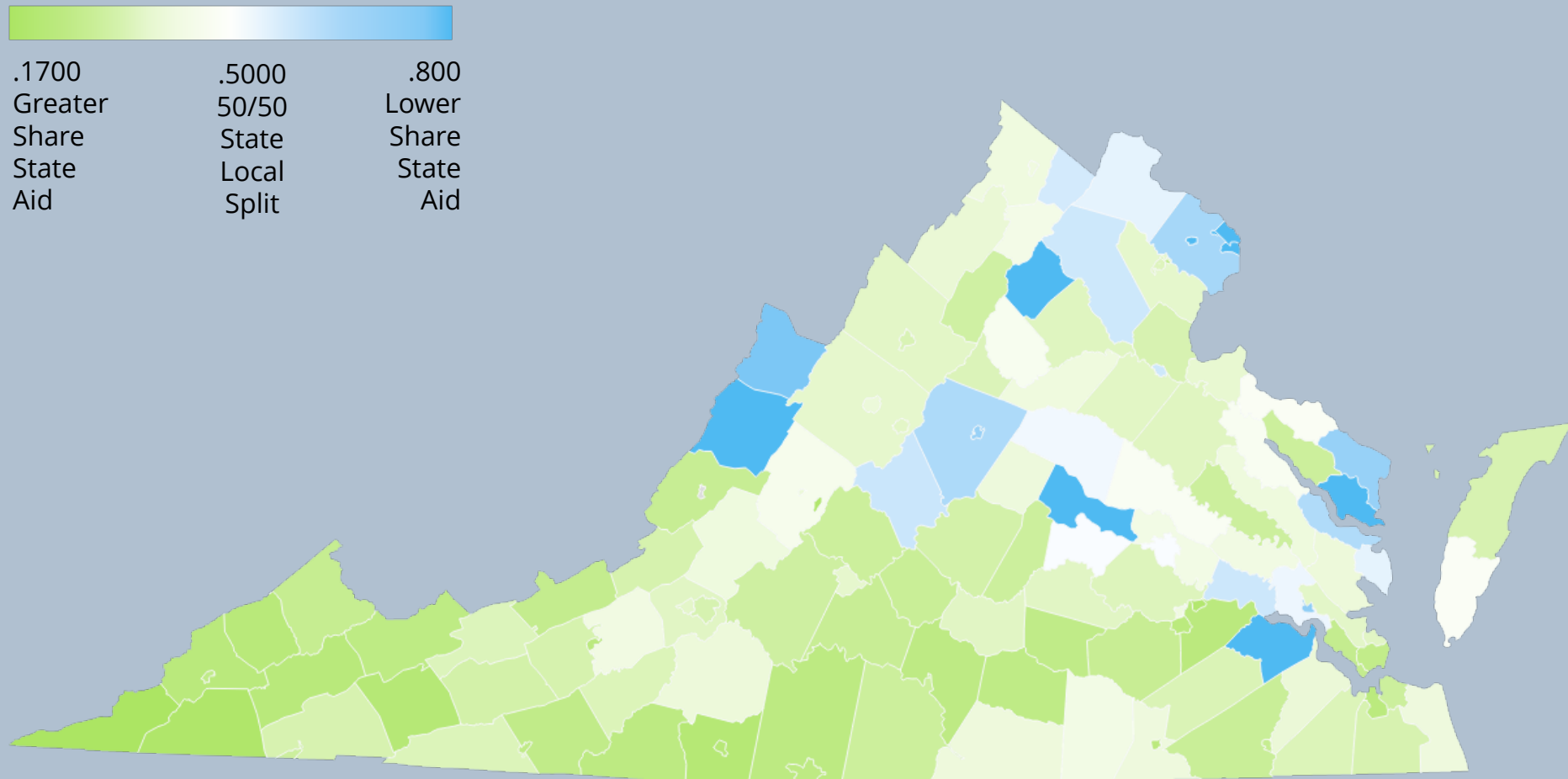
## Federal Revenue Deduction/Pupil



This action reduces basic aid in the new biennium by the rate of federal revenue per pupil received by school divisions in FY20, reduces 'double-dipping' federal and state aid.



# 2022-24 Local Composite Index



# 2022-24 Local Composite Index

School Division (County)	New 2022-2024 LCI	Previous 2020-2022 LCI	Variance
ACCOMACK	.3413	.3374	.0039
ALBEMARLE	.6387	.6449	(.0062)
ALLEGHANY	.2900	.2819	.0081
AMELIA	.3652	.3479	.0173
AMHERST	.3048	.3141	(.0093)
APPOMATTOX	.2960	.2978	(.0018)
ARLINGTON	.8000	.8000	.0000
AUGUSTA	.3751	.3769	(.0018)
BATH	.8000	.8000	.0000
BEDFORD	.3132	.3132	.0000
BLAND	.3531	.3380	.0151
BOTETOURT	.4091	.3975	.0116
BRUNSWICK	.4314	.4290	.0024
BUCHANAN	.2850	.2975	(.0125)
BUCKINGHAM	.3273	.3422	(.0149)
CAMPBELL	.2913	.2878	.0035
CAROLINE	.3613	.3553	.0060
CARROLL	.2696	.2749	(.0053)
CHARLES CITY	.5852	.5880	(.0028)
CHARLOTTE	.2551	.2444	.0107

School Division (County)	New 2022-2024 LCI	Previous 2020-2022 LCI	Variance
CHESTERFIELD	.3546	.3584	(.0038)
CLARKE	.5728	.5729	(.0001)
CRAIG	.3362	.3336	.0026
CULPEPER	.3594	.3741	(.0147)
CUMBERLAND	.3060	.2978	.0082
DICKENSON	.2301	.2471	(.0170)
DINWIDDIE	.2912	.2879	.0033
ESSEX	.4675	.4636	.0039
FAIRFAX	.6532	.6541	(.0009)
FAUQUIER	.5824	.5879	(.0055)
FLOYD	.3513	.3418	.0095
FLUVANNA	.4027	.3940	.0087
FRANKLIN	.3982	.3953	.0029
FREDERICK	.4141	.4120	.0021
GILES	.2791	.2695	.0096
GLOUCESTER	.3975	.3885	.0090
GOOCHLAND	.8000	.8000	.0000
GRAYSON	.3526	.3615	(.0089)
GREENE	.3505	.3446	.0059
GREENSVILLE	.4067	.2799	.1268



# 2022-24 Local Composite Index

School Division (County)	New 2022-2024 LCI	Previous 2020-2022 LCI	Variance
HALIFAX	.3038	.3058	(.0020)
HANOVER	.4741	.4626	.0115
HENRICO	.4297	.4279	.0018
HENRY	.2179	.2253	(.0074)
HIGHLAND	.7745	.8000	(.0255)
ISLE OF WIGHT	.3880	.3964	(.0084)
JAMES CITY	.5331	.5553	(.0222)
KING AND QUEEN	.4075	.4139	(.0064)
KING GEORGE	.3805	.3703	.0102
KING WILLIAM	.3063	.3407	(.0344)
LANCASTER	.8000	.7835	.0165
LEE	.1714	.1692	.0022
LOUDOUN	.5450	.5466	(.0016)
LOUISA	.5263	.5406	(.0143)
LUNENBURG	.2604	.2561	.0043
MADISON	.4624	.4738	(.0114)
MATHEWS	.5453	.5162	.0291
MECKLENBURG	.4050	.3996	.0054
MIDDLESEX	.6324	.6008	.0316
MONTGOMERY	.4214	.3979	.0235

School Division (County)	New 2022-2024 LCI	Previous 2020-2022 LCI	Variance
NELSON	.5888	.5604	.0284
NEW KENT	.4244	.4166	.0078
NORTHAMPTON	.4793	.4696	.0097
NORTHUMBRLND	.6971	.7116	(.0145)
NOTTOWAY	.2660	.2597	.0063
ORANGE	.4115	.4105	.0010
PAGE	.3163	.3198	(.0035)
PATRICK	.2511	.2456	.0055
PITTSYLVANIA	.2511	.2446	.0065
POWHATAN	.5146	.4507	.0639
PRINCE EDWARD	.3644	.3554	.0090
PRINCE GEORGE	.2404	.2467	(.0063)
PRINCE WILLIAM	.3739	.3799	(.0060)
PULASKI	.3366	.3235	.0131
RAPPAHANNOCK	.8000	.7990	.0010
RICHMOND	.3050	.3120	(.0070)
ROANOKE	.3643	.3660	(.0017)
ROCKBRIDGE	.4530	.4506	.0024
ROCKINGHAM	.3679	.3799	(.0120)
RUSSELL	.2329	.2373	(.0044)



# 2022-24 Local Composite Index

School Division (County)	New 2022-2024 LCI	Previous 2020-2022 LCI	Variance
SCOTT	.1893	.1899	(.0006)
SHENANDOAH	.3852	.3832	.0020
SMYTH	.2184	.2228	(.0044)
SOUTHAMPTON	.2965	.3015	(.0050)
SPOTSYLVANIA	.3661	.3722	(.0061)
STAFFORD	.3411	.3470	(.0059)
SURRY	.8000	.8000	.0000
SUSSEX	.3476	.3492	(.0016)
TAZEWELL	.2564	.2575	(.0011)
WARREN	.4387	.4432	(.0045)
WASHINGTON	.3402	.3416	(.0014)
WESTMORELAND	.4768	.4618	.0150
WISE	.2347	.2372	(.0025)
WYTHE	.3277	.3204	.0073
YORK	.3699	.3812	(.0113)

School Division (City)	New 2022-2024 LCI	Previous 2020-2022 LCI	Variance
ALEXANDRIA	.8000	.8000	.0000
BRISTOL	.3058	.3051	.0007
BUENA VISTA	.1942	.1893	.0049
CHARLOTTESVILLE	.6952	.6886	.0066
CHESAPEAKE	.3403	.3486	(.0083)
COLONIAL HGTS	.4160	.4156	.0004
DANVILLE	.2524	.2622	(.0098)
EMPORIA	.2388	.2228	.0160
FAIRFAX	.8000	.8000	.0000
FALLS CHURCH	.8000	.8000	.0000
FRANKLIN	.2858	.2929	(.0071)
FREDERICKSBURG	.5808	.5840	(.0032)
GALAX	.2619	.2775	(.0156)
HAMPTON	.2731	.2743	(.0012)
HARRISONBURG	.3459	.3537	(.0078)
HOPEWELL	.2022	.2053	(.0031)
LEXINGTON	.3939	.3920	.0019
LYNCHBURG	.3760	.3668	.0092
MANASSAS	.3562	.3611	(.0049)
MANASSAS PARK	.2733	.2755	(.0022)





# 2022-24 Local Composite Index

School Division (City)	New 2022-2024 LCI	Previous 2020-2022 LCI	Variance
MARTINSVILLE	.2223	.2185	.0038
NEWPORT NEWS	.2808	.2842	(.0034)
NORFOLK	.3064	.3059	.0005
NORTON	.2655	.2710	(.0055)
PETERSBURG	.2410	.2442	(.0032)
POQUOSON	.3641	.3703	(.0062)
PORTSMOUTH	.2413	.2426	(.0013)
RADFORD	.2395	.2452	(.0057)
RICHMOND CITY	.5139	.4688	.0451
ROANOKE CITY	.3387	.3284	.0103
SALEM	.3713	.3641	.0072
STAUNTON	.3967	.3877	.0090
SUFFOLK	.3514	.3487	.0027
VIRGINIA BEACH	.4059	.4082	(.0023)
WAYNESBORO	.3685	.3652	.0033
WILLIAMSBURG	.7217	.7459	(.0242)
WINCHESTER	.4172	.4319	(.0147)

School Division (Town)	New 2022-2024 LCI	Previous 2020-2022 LCI	Variance
COLONIAL BEACH	.3368	.3317	.0051
WEST POINT	.2555	.2614	(.0059)



# Board of Education SOQ Recommendations

Board of Education SOQ Recommendation	2022-24 Impact
Teacher Leader & Mentor Programs	\$229.9
Establish standard for K-5 Reading Specialists	77.9
Principal Mentor Program	2.4
Work Based Learning Coordinators	2.4
Full Time Principal in each school	19.1
Fund Additional Assistant Principals	154.3
Enhanced At-Risk Add-On (Equity Fund)	87.5
Additional Specialized Student Support Positions	102.5
Additional School Counselors	106.7
Additional English Learner Teachers	30.0
<b>Total BOE SOQ Recommendations</b>	<b>\$812.7</b>

The Board also recommended eliminating the 'support cap' methodology for distributing funded support positions; estimated 2022-24 impact: \$777.7 million

