



VIRGINIA HOUSE
APPROPRIATIONS
COMMITTEE

CHAIRMAN BARRY D. KNIGHT

September 6, 2023

OVERVIEW OF HOUSE BILL 6001

Prepared By

House Appropriations Committee Staff



OVERVIEW OF REVENUES AND KEY INVESTMENTS

RESOURCES

- The bill takes a conservative approach to FY 2024 general fund revenues because the annual fall forecasting process is just beginning
- FY 2024 revenue figures include the actual FY 2023 amounts above the forecast (i.e., the “surplus”). Only other substantial adjustments above the Chapter 2 amounts reflect estimates of interest earnings and sports betting
- Although consensus is that we will experience a “soft landing,” no adjustments to the core revenue sources were made
- The Governor will reassess the forecast prior to introducing the Caboose budget on December 20th

	FY 2023	FY 2024	Biennial
BEGINNING BALANCE	1,449,576,090	2,182,564,538	3,632,140,628
ADDITIONS TO BALANCES			
Legislative Carryforward Balances		5,872,307	5,872,307
Auxiliary Grant Balances		3,000,000	3,000,000
Criminal Fund - Various Judicial Agencies - HB 1400		42,869,899	42,869,899
Housing and Community Development - HB 1400		1,064,681	1,064,681
UVA Medical Center - HB 1400		249,997	249,997
Children's Services Act - HB 1400		36,100,000	36,100,000
Department of Labor and Industry - HB 1400		216,875	216,875
Central Appropriations - CESC re-allocation - HB 1400		4,755,547	4,755,547
Central Appropriations - Transition / Primary Funding - HB 1400		1,846,131	1,846,131
State Corporation Commission - HB 1400		372,869	372,869
Virginia Workers' Compensation Commission - HB 1400		650,576	650,576
High Ed Interest Earnings		4,772,723	4,772,723
Adjust for 2023 Session Claims Bills		(1,589,595)	(1,589,595)
WQIF A&B 2023		513,458,556	513,458,556
House and Senate Balance Reversions		1,200,000	1,200,000
	-	-	-
Subtotal Balances	0	614,840,566	614,840,566



ADDITIONAL REVENUES/LEGISLATION	FY 2023	FY 2024	Biennial
FY 2024 Forecast Adjustment		223,500,000	223,500,000
PTET Refund Reserve		(1,000,000,000)	(1,000,000,000)
Increase 163j Interest Deduction 30% to 50%		(10,300,000)	(10,300,000)
Reforecast of 2022 Tax Policy Actions		(44,400,000)	(44,400,000)
Increase Standard Deduction		(48,100,000)	(48,100,000)
Remove Age Req'mt Military Retirement Subtraction		(37,800,000)	(37,800,000)
Subtotal-Revenues	0	(917,100,000)	(917,100,000)
TRANSFERS			
Tax Rebate \$200/\$400		(906,800,000)	(906,800,000)
ABC Profits Forecast		37,600,000	37,600,000
VASAP Balances		250,000	250,000
Virginia Biosciences Health Research Corp		1,000,000	1,000,000
Legislative Commission Balances		18,934	18,934
Hi Ed Non-covered inst. Interest earnings - HB 1400		4,929,426	4,929,426
Subtotal-Transfers	0	(863,001,640)	(863,001,640)
Committee Revenue Changes		(1,165,261,074)	(1,165,261,074)

TAX POLICY CHANGES

- The bill includes a total of \$1.05 billion in tax reductions
 - This is in addition to the \$4.0 billion tax relief adopted by the 2022 General Assembly
 - This balanced package provides much needed relief and is intended to help our low- and middle-income citizens, keep Virginia competitive for business, and retain our retired military personnel
- The budget also reduces the revenue forecast by \$1.0 billion to recognize the anticipated refunds to small businesses and S-corps that are set to receive tax relief from the Pass-Through Entity Tax (PTET) legislation adopted in 2022
- The bill reinstitutes the “sales tax holiday” for school supplies, hurricane preparedness, clothing and footwear and energy efficient durable goods, which had expired
 - This year the sales tax holiday will be held the 3rd weekend in October

TAX POLICY CHANGES

TAX REDUCTION PACKAGE (\$ IN MILLIONS)

	FY 2024
Standard Deduction Increase (\$8,500/\$17,000 TY 2024)	\$48.10
Military Retiree Subtraction (Eliminate age requirement)	37.80
Business interest deduction - increase 30% to 50%	10.30
Taxpayer Relief Checks (\$200 single/\$400 joint)	906.80
Ongoing Costs of 2022 Tax Policy Changes	44.40
TOTAL:	\$1,047.40

FOCUS ON ONE-TIME SPENDING

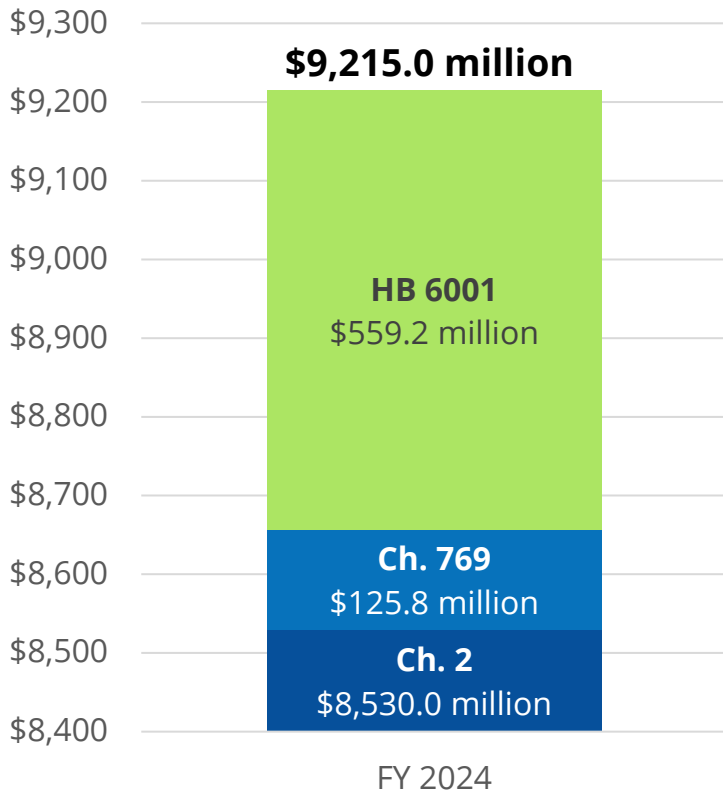
- The Conferees, understanding that revenue growth may be subsiding, focused on funding one-time initiatives instead of building up ongoing programs to the extent possible
 - We estimate that about \$1.1 billion of resources went to ongoing programs
 - \$3.5 billion is directed to non-recurring activities when one includes the one-time rebate checks of \$200/\$400, and the \$1.0 billion reserved to meet the PTET refund timing issue
- Other major one-time funding is dedicated to:
 - Natural Resources – WQIF and related appropriations totaling \$644 million,
 - Commerce and Trade - \$200 million for site acquisition and development,
 - A one-time flexible funding pot of \$420 million for K-12, and;
 - Over \$200 million in capital outlay to address cost overruns and other renovation needs
- The unappropriated balance at the end of the biennium is \$7.3 million



PUBLIC EDUCATION

PUBLIC EDUCATION

K-12 DIRECT AID GF



- HB 6001 increases state support for public education funding by \$645.3 million:
 - \$559.2 million GF
 - \$86.2 million NGF – excess FY 2023 Lottery Proceeds
 - This is in addition to \$130.3 million increase provided in Chapter 769 (“Skinny Bill”) for technical updates
 - Provides an 8.3% increase from Chapter 2 funding level

PUBLIC EDUCATION

Flexible Funding Supplement

- Provides \$418.3 million GF in flexible one-time payments available for use through FY 2026
 - School divisions encouraged to focus use funds for learning loss recovery and preparation for implementing the Va. Literacy Act
 - School divisions required to report on uses of these funds
 - 1/3 distributed based on LCI-weighted ADM
 - 2/3 distributed based on concentration of free lunch-eligible students
 - \$150,000 minimum payment for smallest school divisions

2% Salary Increase, for a total 7% increase in 2024

- Provides \$54.6 million GF for the state share of a 2% increase, effective January 1, 2024
 - To access funds, school divisions must provide at least a 2% increase
 - Flexibility provided to acknowledge divisions that provided increases in excess of 5% in FY 2023 and FY 2024

PUBLIC EDUCATION

Support Positions

- Includes \$152.3 million GF to fund additional support positions
 - Amends ratio from 21 positions per 1,000 ADM to 24 positions per 1,000 ADM
 - Existing law permits support position funding to be used for additional instructional positions

Joint Subcommittee: Elem. & Sec. Education Funding

- Establishes legislative workgroup to review and prioritize JLARC recommendations and develop long-range implementation plan
- Report due November 1, 2024

PUBLIC EDUCATION

School Security Grants

- Provides \$20 million (\$12.0 million GF & \$8.0 million ARPA-SLFRF) for targeted flexible grants to support school security

Virginia Literacy Act

- Provides \$6.7 million NGF (ESSER) to support expansion of the Act to include grades 4-8

Early Childhood

- Language amends teacher licensure requirements for VPI mixed delivery providers meeting quality expectations
- Language authorizes temporary increase in staff to child ratios for child day centers to address workforce challenges



AG & NATURAL RESOURCES

WATER QUALITY

- WQIF deposits total \$644.5 million in FY 2024
 - Represent Part A surpluses and Part B balances of \$131.0 million for FY 2022 and \$513.5 million for FY 2023
- A total of \$338.5 million is deposited for Agricultural Best Management Practices at DCR
 - \$249.4 million deposited in the Natural Resource Commitment Fund
 - \$37.3 million provided for Soil and Water Conservation District technical assistance
 - \$50.8 million allocated toward the WQIF Reserve
- \$151.0 million for the Enhanced Nutrient Removal Certainty Program
- \$100.0 million for the Resilient Virginia Revolving Loan Fund
- \$30.0 million for the Stormwater Local Assistance Fund
- \$25.0 million for repair of publicly-owned dams

OTHER AG & NATURAL RESOURCES ITEMS

- \$17.0 million at DEQ for local stormwater management projects
- \$9.3 million at the Department of Historic Resources to support 14 museum and cultural attractions
- For the Virginia Department of Agriculture and Consumer Services:
 - \$1.1 million for hemp product registration and regulation (SB 903)
 - \$700,000 for the Dairy Producer Margin Coverage Premium Assistance Program
 - \$459,000 for operation of a restricted wholesale beer license (HB 2258)
 - \$250,000 for the Blue Catfish grant program (HB 1664)



HEALTH AND HUMAN RESOURCES

BEHAVIORAL HEALTH FUNDING

- \$155.6 million in new spending for mental health services, including:
 - \$58.0 million to create crisis receiving centers and crisis stabilization units
 - \$34.0 million for permanent supportive housing and housing for individuals with serious mental illness
 - \$18.0 million for a targeted pay raise of an average of 5% for all CSB staff
 - \$11.7 million for school and community-based children's mental health services
 - \$10.0 million for 15 additional mobile crisis teams
 - \$10.0 million to contract for psychiatric emergency programs in hospitals
 - \$4.4 million to increase funding for first three steps of STEP-VA
 - \$4.0 million for the Virginia Mental Health Access Program

HEALTH & HUMAN RESOURCES

- Amendments add a \$42.8 million GF and \$49.4 million NGF for Medicaid and other health care rate increases beginning January 1, 2024
 - \$20.8 million GF and \$23.6 million NGF to increase rates for personal care attendants
 - \$8.7 million GF and \$18.5 million NGF for a 10% increase in rates for community mental health services
 - \$7.3 million GF to increase the Auxiliary Grant rate from \$1,609 to \$2,055 per month for low income aged and disabled individuals residing in assisted living facilities
 - \$5.2 million GF and \$5.9 million NGF to increase supplemental physician payments for the Children's Hospital of the King's Daughters
- Provides 500 additional Medicaid Developmental Disability waiver slots, beginning January 1, 2024 (in addition to the 600 slots that became available July 1, 2023)
- Adds \$9.5 million for health workforce initiatives to help address the critical nursing and behavioral health work shortages
- Reflects \$259.3 million GF of technical savings reflecting the most recent Medicaid expenditure forecast and revenue estimate for the Virginia Health Care Fund, and the final months of the enhanced federal match rate

HHR LANGUAGE AMENDMENTS

- Provides authority for the Dept. of Medical Assistance Services to implement:
 - Supplemental payment program for physician services provided by private acute care hospitals effective July 1, 2024
 - Supplemental payment program for indirect medical education costs at a teaching hospital in Southeast Virginia and at Eastern Virginia Health Sciences Center, effective July 1, 2024
 - Re-procurement of Medicaid managed care contracts
 - Modifications to the emergency room utilization program to comply with federal requirements, effective January 1, 2024
 - Service authorization for weight loss drugs and newer diabetic drugs to ensure appropriate utilization
- Directs the SCC Bureau of Insurance to continue the Commonwealth Health Reinsurance Program for Plan Year 2024, using the current target for premium reduction of 15%
- Eliminates language implementing a statewide rate for special education private day schools funded through the Children's Services Act



PUBLIC SAFETY

- \$15.0 million to increase support for the Operation Ceasefire Grant Program
- \$10.0 million to establish Safer Communities Program
- \$5.1 million to support TDO/ECO transportation activities and local law enforcement agencies
- \$5.0 million in additional funding for Firearm Violence Intervention and Prevention program
- \$1.3 million in additional Crime Victim Witness program funding
- \$1.2 million for the Internet Crimes Against Children Task Force to backfill reduced fine and fee revenue receipts
- \$1.0 million to establish a witness protection pilot program

OTHER PUBLIC SAFETY

State Police

- \$5.0 million for ongoing costs of IT system and infrastructure upgrades
- \$517,000 for Northern Virginia Internet Crimes Against Children Task Force
- \$453,000 for impaired driving enforcement training
- \$203,000 for replacement of two helicopters through MELP

DOC

- \$3.2 million for increased contract costs for operation of Lawrenceville Correctional Center
- \$1.3 million to backfill lost fee revenue supporting probation and parole positions
- \$1.1 million deposit in the Corrections Special Reserve Fund to reflect 15 bills passed by the 2023 Session of the General Assembly affecting criminal sentencing

Other

- \$10.0 million to support victims of mass violence. Language establishes DCJS workgroup to develop detailed plan for management and administration of funds

COMPENSATION

2% SALARY INCREASE DURING MIDDLE OF THE FISCAL YEAR

\$ in millions	FY 2024
State Employees (Including employees of the universities)	\$44.4
Adjunct Faculty and Teaching Assistants	2.2
State Supported Local Employees	14.0
SOQ Funded Positions	54.6
Total	\$115.2

- Brings total to 7% in FY 2024
- Effective December 10 for state employees (January 1, 2024 paycheck)
- Effective December 1 for state supported local positions
- Funding for SOQ positions effective January 1, 2024

TARGETED SALARY INCREASES

\$ in millions	FY 2024
Community Service Boards	\$18.0
Indigent Defense Commission: Public Defenders	3.7
Deputy Sheriffs, Regional Jail Officers	7.6
Commonwealths' Attorneys Staff	4.0
General District Court Clerks	1.0
Circuit Court Clerks	0.6
VDH Chief Medical Examiner's Office	0.7
Crime Commission Staff	0.1
Virginia Sentencing Commission Staff	0.1
Total	\$35.8



TRANSPORTATION

TRANSPORTATION

- Includes \$150 million GF to support the widening of Interstate 64 between Exit 205 and Exit 234, as authorized in Chapter 2, which was contingent on FY 2022 revenues exceeding the official forecast
 - Funding in addition to \$110.0 million GF already provided in Chapter 2
- Language transfers \$75 million from the Virginia Transportation Infrastructure Bank to the Transportation Partnership Opportunity Fund (TPOF)
 - Amendment earmarks \$4.8 million from the TPOF to leverage \$19.3 million in federal grants for a project in Portsmouth



COMMERCE AND LABOR

TOURISM AND ECONOMIC DEVELOPMENT

New Spending (GF \$ in millions)	FY 2024
Virginia Business Ready Sites Program Fund (includes FY 2022 contingent spending)	\$125.0
Virginia Business Ready Sites Acquisition Fund	75.0
Major Headquarters Workforce Grant Fund Deposit (FY 2022 contingent spending)	35.5
Inland Port Development in Southwest Virginia	10.0
York County Cruise Ship Tender Pier and Transportation Facility	8.5
Remediation Incentive for Sale of Central Virginia Training Center	6.0
Virginia Power Innovation Fund (HB 2386)	4.0
Virginia Economic Development Incentive Grant Program Payments	1.7
Carter Family Fold Promotional Campaign	0.5
Evaluation of Incentives for the Relocation of Sports Teams	0.3
Historic Study of the Green Book in Virginia	0.1
Total	\$266.6

COMMUNITY AND WORKFORCE DEVELOPMENT

New Spending (GF & NGF \$ in millions)	FY 2024
Relief for Victims of Whitewood, VA Flood (NGF)	\$18.0
Unemployment Insurance Appeals Backlog and Call Center Support (NGF ARPA)	12.3
Re-Capitalize Community Development Financial Institutions Fund (HB 1411)	1.5
Economic Development Activities in Petersburg, VA (NGF ARPA)	1.0
Support for Director's Office in New Workforce Agency	0.5
New Workforce Development Model in Fairfax County	0.4
Additional Support for Virginia Office of Education Economics	0.2
Statewide Housing Needs Assessment (HB 2046)	0.2
Total	\$34.2



CAPITAL OUTLAY AND
GENERAL
GOVERNMENT

CAPITAL OUTLAY

General Fund	Nongeneral Fund	9(d) debt	Total
\$221.6	\$205.7	\$106.2	\$523.2

- Utilizes one-time cash and does not obligate any new tax-supported debt
- Focuses on current obligations
 - \$100.0 million for supplement pool for cost overruns on previously-authorized projects
 - \$58.1 million for renovation of existing facilities
 - \$36.0 million for furniture and equipment for projects to be completed soon

CAPITAL OUTLAY GENERAL FUND

Additional \$100.0 million
for supplements

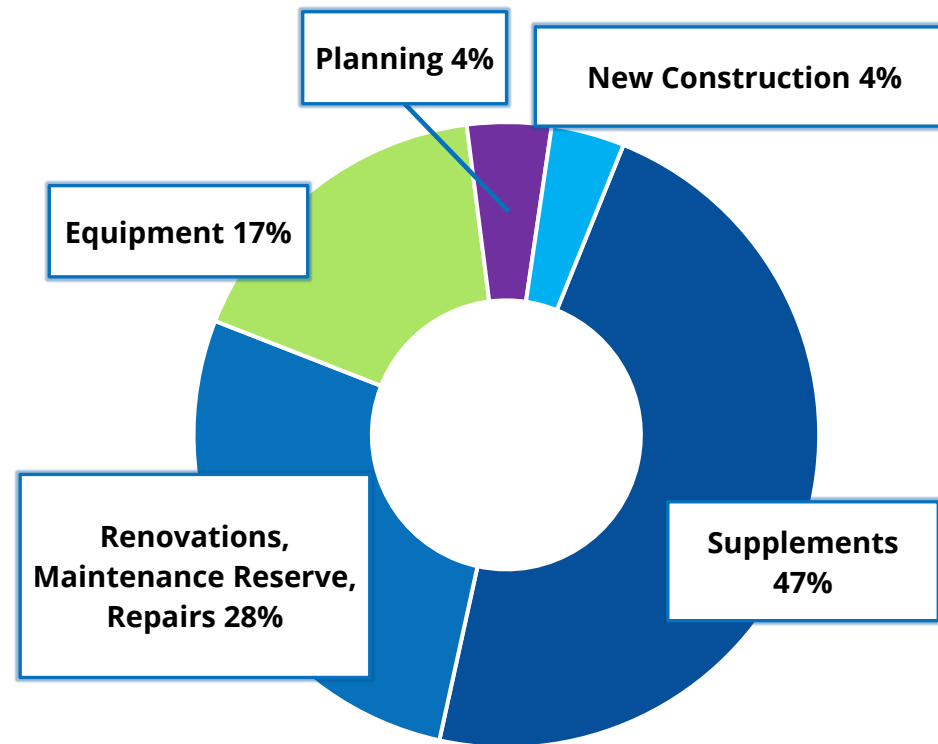
- Increases total supplements available to \$550.0 million

Limited planning to high-priority projects

- Emphasis on renovation and replacement of aging facilities

TOTAL GF CAPITAL OUTLAY IN HB 6001

(\$ in millions)



OTHER CAPITAL OUTLAY

- \$311.9 million in nongeneral fund capital authorization:
 - \$106.2 million in 9(d) debt for auxiliary projects at institutions of higher education
 - \$205.7 million in other nongeneral fund projects, including \$126.8 million to construct an Army Aviation Support Facility in Sandston and \$57.3 million for higher education auxiliary facility upkeep
 - \$9.0 million for detailed planning to expand the Virginia Tech-Carilion School of Medicine and Fralin Biomedical Research facility
- Language amendments include changes to project scopes, reallocation of existing bond allocations, and capital lease authorizations

GENERAL GOVERNMENT

Executive Offices

- \$5.0 million for the Office of Transformation
- \$0.6 million for the Office of the Attorney General including the Organized Crime Task Force
- \$0.3 million to establish a Department of Corrections Ombudsman in the Office of the State Inspector General

Compensation Board

- \$2.9 million to address all unfunded positions for Treasurers and Commissioners of Revenue
- \$1.4 million to increase the per diem to local and regional jails for local responsible inmates to \$5/day
- \$0.9 million to increase staffing for Piedmont Regional Jail

Finance

- \$2.3 million for the Departments of Taxation and Treasury to process one-time tax rebates
- \$0.6 million for Taxation to implement system changes for tax policy legislation passed in the 2023 Session



HIGHER EDUCATION

HIGHER EDUCATION - \$190.3 MILLION

New Spending (GF \$ in millions)	FY 2024
Access and Affordability	\$75.0
Undergraduate Financial Aid	62.5
ODU / EVMS Merger	14.0
SCHEV Programs (Workforce Credential Grant & Pell Grant)	17.5
Expand Research (VCU Cancer, UVA Cancer, VT Brain Disorder)	6.0
VCCS Regional Workforce Support	8.3
Institution Specific Initiatives	7.0
Total	\$190.3

NEW AMENDMENTS

ITEMS NOT INCLUDED IN HOUSE OR SENATE BUDGETS

Item	Amendment Description
45	Fund costs of two court interpreters for the 20 th district (\$104,156)
126	Release funding for Spearhead Trails in one payment
276	Fund administrative costs for tax to process individual income rebate (\$475,000)
277	Fund administrative costs for treasury to process individual income rebate (\$1.8 million)
301	Board of Dentistry Emergency Regulations
304	Modify Emergency Room Utilization Program
304	Medicaid coverage of weight loss and diabetic drugs
458	Examine alternative routes to the Southern Connector
493	Continue Commonwealth Health Reinsurance Program
3-5.22	Adjusts filing date language for 2022 Tax Rebate to March 1, 2023 from Nov. 1, 2022
3-5.28	Provides a 2023 Individual Income Tax Rebate (\$200/\$400)
4-14	Reinstate sales tax holiday
4-14	Agricultural land exemption