



VIRGINIA HOUSE
APPROPRIATIONS
COMMITTEE

CHAIRMAN LUKE E. TORIAN

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2024 SESSION BUDGET OVERVIEW HB 29 & HB 30

Prepared By

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OVERVIEW:
RESOURCES AND
MAJOR SPENDING

HB 29: FY 2024 FORECAST CHANGES

Source (\$ in millions)	CH 1 Forecast	Percent Growth	HB 29 Forecast	Percent Growth	Difference
Withholding	\$15,852.9	-0.7%	\$16,038.5	0.5%	\$185.6
Nonwithholding	4,687.6	-29.3%	5,813.8	-12.3%	1,126.2
Refunds	<u>(2,834.8)</u>	-21.3%	<u>(3,336.2)</u>	-7.4%	<u>(501.4)</u>
Net Individual	17,705.7	-6.7%	18,516.1	-2.5%	810.4
Sales	4,418.2	-6.7%	4,515.8	-4.6%	97.6
Corporate	1,896.1	-6.6%	2,213.5	9.0%	317.4
Recordation	374.9	-12.9%	425.6	-1.2%	50.7
Insurance	429.7	-4.7%	446.3	-1.0%	16.6
All Other Revenue	<u>1,544.7</u>	20.8%	<u>1,615.4</u>	26.3%	<u>70.7</u>
Total Revenue	26,369.3	-5.5%	27,732.7	-0.6%	1,363.4
Total Transfers	(129.8)	-115.9%	(50.4)	-106.2%	79.4
Total General Fund	\$26,239.5	-8.7%	\$27,682.3	-4.7%	\$1,442.8

\$1,442.8

FY 2024 YEAR-TO-DATE REVENUE COLLECTIONS

Percent Growth over Prior Year

<u>Major Source</u>	<u>As a % of Total Revenues</u>	<u>YTD Actual</u>	<u>Annual Estimate</u>	<u>Variance</u>	<u>Jan - Jun Req'd to Meet Est.</u>
Withholding	57.8 %	2.1 %	0.5 %	1.6 %	(1.0) %
Nonwithholding	21.0	6.5	(12.3)	18.8	(19.9)
Refunds	(12.0)	(18.4)	(7.4)	(11.0)	(0.6)
Net Individual	66.8	6.4	(2.5)	8.9	(9.5)
Sales	16.3	(1.3)	(4.6)	3.3	(8.0)
Corporate	8.0	14.9	9.0	5.9	4.7
Wills (Recordation)	1.5	(16.7)	(1.2)	(15.5)	18.0
Insurance	1.6	n/a	(1.0)	n/a	2.5
All Other Revenue	5.8	58.5	26.3	32.2	4.8
Total	100.0 %	7.1 %	(0.6) %	7.7 %	(6.9) %

HB 29 SAVINGS AND SPENDING PROPOSALS

- HB 29, or the “Caboose Bill,” increases General Fund Resources for FY 2024 by \$1,954.0 million, driven by an increase in the revenue forecast of \$1,363.4 million and a \$511.2 million increase in additions to balance from reverted year-end agency balances
- The increases in revenues is driven by an adjustment to the base forecast of \$1.33 billion based on the updated GACRE forecast
- Additionally, HB 29 includes \$79.4 million in additional transfers to the General Fund compared to Chapter 1
- Caboose includes a total of 37 GF operating amendments of which 23 involve technical changes at result in \$478.2 million in appropriation reduces and 14 involve increased spending totaling \$85.7 million for a net GF reduction of \$392.5 million
- Net result of additional resources, spending and savings changes leaves almost \$2.4 billion to flow into the FY 2024-26 biennium

OVERVIEW OF RESOURCES

- The proposed 2024-26 budget includes \$62.9 billion in total general fund resources available for appropriation
 - This amount includes \$57.8 billion from revenue collections during the biennium and \$2.8 billion from transfers into the general fund during the two years, for a total of \$60.6 billion
 - The remaining \$2.3 billion represents the carryforward balances from FY 2024
- The forecast closely mirrors the GACRE forecast presented in November
 - Reflects an assumed mild recession in FY 2025 which results in revenue growth of only 1.4%
 - Assumes a rebound in FY 2026 with growth of 5.4%
 - The one change compared to the GACRE forecast is a \$150 million reduction in FY 2026 reflecting concern expressed by GACRE members that the rebound in growth was a bit too optimistic

FY 2024-2026 FORECAST

(\$ in millions)	Actual	HB 29 & 30 Forecast		
	FY 2023	FY 2024	FY 2025	FY 2026
Growth by Revenue Source				
Net Individual	-7.0%	-2.5%	-2.2%	1.1%
Sales	3.9%	-4.6%	19.6%	23.4%
Corporate	2.6%	9.0%	-6.8%	4.7%
All Other Revenue Sources	8.7%	15.1%	2.8%	-1.4%
Total GF Revenue Growth	-3.5%	-0.6%	1.4%	5.4%
General Fund Revenues	\$27,909.9	\$27,732.7	\$28,121.4	\$29,646.9
Transfers	815.6	(50.4)	1,744.0	1,073.2
Total GF Resources	\$28,725.5	\$27,682.3	\$29,865.4	\$30,720.1
Chapter 1 2024 Revenues & Transfers		\$26,239.5	\$26,239.5	\$26,239.5
GF Resources Above Forecast/24 Base (Chapter 1)		\$1,442.7	\$3,626.0	\$4,480.6

STRUCTURAL BALANCE

- In the last 3 years spending has relied on carryforwards and surplus revenues
- The same is true in the upcoming biennium, with a \$2.4 billion assumed carryforward from FY 2024 propping up spending in the FY 2024-2026 biennium
- Adding to that imbalance is the transfer of \$804 million over the biennium to the general fund from the Revenue Reserve Fund
 - HB 30 eliminates language that had allowed the combined fund balances to exceed the Code cap of 15% of revenues
- Introduced bill contains one-time spending (almost all in the first year) to avoid structural imbalance based on the reliance on one-time resources

SUMMARY OF HB 30 ACTIONS

- HB 30 includes net general fund spending increases of \$3.1 billion in FY 2025 and \$2.5 billion in FY 2026 compared to DPB's Chapter 2 (2022 Session) base budget which was created prior to the passage of Chapter 1
 - Of this total, \$1.8 billion in FY 2025 and \$1.3 billion in FY 2026 is actual new spending
 - The remainder - \$1.3 billion in FY 2025 and \$1.2 billion in FY 2026 - represents the annualization and continuation of actions adopted by the General Assembly in September 2023 (Chapter 1)
- The actual gross expenditure increase is comprised of spending increases of \$2.5 billion the first year and \$2.1 billion the second year, offset by savings of \$787 million in FY 2025 and \$833 million FY 2026.
- In addition to the spending increases, HB 30 assumes tax policy adjustments which reduce revenues by \$1.0 billion over the biennium
- Also included is capital project funding totaling \$917 million in GF cash
- The unexpended balance at the close of the biennium is \$8.7 million

PROPOSED TAX POLICY INITIATIVES

(\$ in millions)	FY 2025	FY 2026
Individual Rate Reduction (12% decrease - TY 2025)	(\$1,118.9)	(\$2,339.8)
Increase Sales & Use Tax (90 Basis Points - TY 2025)	520.1	1,299.3
Expand Sales & Use Tax to New Economy (TY 2025)	203.4	510.7
Increase Nonrefundable Earned Income Tax Credit (From 20% to 25% of federal credit - TY 2025)	0.0	(29.0)
Increase Annual Cap on Education Improvement Scholarships Tax Credits Program (FY 2025)	(5.0)	(5.0)
Double the Dealer Discount Reimbursement for Sales Tax Collection (January 2025)	<u>(10.1)</u>	<u>(25.2)</u>
TOTAL	(\$410.5)	(\$589.0)

MAJOR SPENDING IN HB 30

	Funding Program	Biennial \$ in Millions
DMAS	Fund Medicaid utilization & inflation and backfill Healthcare Fund shortage	\$1,222.9
K-12	Rebenchmark the cost of Direct Aid to Public Education	969.0
DOE	Support Childcare Subsidy Program direct services	411.1
Capital	Maintenance Reserve	404.0
K-12	Teacher Retirement Plan One-Time Deposit	350.0
Capital	Supplement Pool Deposit	250.0
DMAS	Add developmental disability waiver slots	150.3
Central Accounts	State agency information technology infrastructure	150.0
DCR	Water Qualify Improvement Fund (WQIF)	138.1
K-12	2% compensation for instructional and support positions in FY 2026	122.8
Central Accounts	Provide bonus payments to state employees and state-supported local employees (1% each year)	109.0
Central Accounts	Adjust funding for agency health insurance premium costs	106.3

MAJOR SPENDING IN HB 30

	Funding Program	Biennial \$ in Millions
DCR	Increase funding for Virginia Community Flood Preparedness Fund	\$100.0
CSA	Fund Children's Services Act forecast	97.1
EDIP	Virginia Business Ready Sites Program	91.0
K-12	Update sales tax revenues for base expansion	85.7
Treasury	Adjust funding for debt service	83.7
Capital	Equipment Pool	81.3
DCR	Assist the Norfolk Coastal Storm Risk Management Project	73.9
VDOT	Accelerate Interstate 81 corridor project	70.0
VIPA	VA Biotech., Life Sciences, and Pharmaceutical Manufacturing Network	64.0
K-12	Support expanded reading specialist staffing standard	61.2
K-12	New funding for College Partnership Laboratory Schools	60.0
Central Accounts	1% salary increase for state and state-supported local employees	59.6
K-12	1% bonus for instructional and support positions in FY 2025	53.0
SCC	Provide additional appropriation for the Reinsurance Program	52.0
DEQ	Richmond Combined Sewer Overflow project	50.0



HEALTH AND HUMAN RESOURCES

HB 29: HEALTH & HUMAN RESOURCES

- HB 29 contains a net spending reduction in HHR of \$82.5 million GF
- Major reductions are technical in nature and include:
 - \$125.9 million in reduced Medicaid expenditures based on the revised forecast
 - Primarily due to reduced utilization of services and lower managed care rates
 - \$10.8 million in reduced expenditures for the Medicaid children's health insurance program (M-CHIP) based on the revised forecast
 - \$10.0 million in reduced funding for permanent supportive housing included in Chapter 1, 2023 Special Session I
- Major expenditures include:
 - \$36.4 million to fund estimated caseload and cost increases in the Children's Services Act (CSA) program
 - \$28.5 million GF to reflect the revenue estimate for the Virginia Health Care Fund Fund (offsets state funding for Medicaid), comprised of
 - \$19.4 million in lower tobacco tax revenues
 - \$9.0 million in lower pharmacy rebates

HB 30: MAJOR FUNDING INITIATIVES

- HB 30 includes a net increase of \$1.7 billion GF over the biennium
- 80% of new funding driven by mandated programs
 - Medicaid expenditure forecast and backfilling the loss of Virginia Health Care Fund revenue in the Medicaid program
 - FAMIS (state children's health insurance program) expenditure forecast
 - CSA caseload and cost increases
 - Foster care and adoption subsidies
- Other programs with significant general fund spending include:
 - Additional Medicaid developmental disability waiver slots
 - Behavioral health and substance use disorder services
 - Compensation of clinical and support staff in state psychiatric facilities
 - Health workforce programs

HB29/30 DMAS FORECASTS

DMAS Forecasts (GF \$ in millions)	FY 2024	FY 2025	FY 2026
Official forecast of utilization & inflation	(\$125.9)	\$175.1	\$538.9
Adjust for Virginia Health Care Fund revenue	28.5	255.5	253.4
Adjusted Medicaid Forecast (subtotal)	(\$97.4)	\$430.6	\$792.3
FAMIS children's health insurance forecast	1.1	19.6	27.3
M-CHIP children's health insurance forecast	(10.8)	(11.1)	(4.6)
Involuntary Mental Commitment Fund	(3.6)	(2.4)	(0.8)
Total DMAS Health Care Forecasts	(\$110.7)	\$436.7	\$814.2

MEDICAID POLICY & ADMINISTRATIVE CHANGES

Medicaid Spending (GF \$ in millions)

Policy Changes	FY 2025	FY 2026
Add 3,440 Developmental Disability waiver slots	\$50.0	\$100.2
Fund managed care contract reprocurement	0.5	1.3
Continue redesign of behavioral health services	0.5	Lang.
Restrict coverage of weight loss drugs	(4.1)	(4.8)
Administrative Changes		
Replace claims processing system	1.0	2.2
Total	\$47.9	\$98.9

VIRGINIA DEPT. OF HEALTH SPENDING

Spending Items (GF \$ in millions)	FY 2025	FY 2026
Health Workforce Items		
Expand Behavioral Health Loan Repayment Program	\$5.0	\$5.0
Continue Nursing Education Acceleration "Earn to Learn"	4.0	4.0
Expand Nursing Scholarships and Loan Repayment Programs	0.9	0.9
Convert 2 contract positions to full-time staff for workforce programs	0.2	0.2
Drinking Water and Environmental Health Items		
Drinking Water State Revolving Fund state match increase	3.1	3.1
Other		
Hampton Roads Proton Beam Therapy Institute	2.5	0
Improve agency financial oversight & grants administration	2.3	2.3
Supplant TANF with GF for contraceptives and home visiting programs	10.2	10.2
Total	\$28.2	\$25.7

DBHDS SPENDING INITIATIVES

- The proposed increase in spending for DBHDS totals over \$157.0 million GF over the biennium, with \$101.5 million dedicated to services

Major Categories of Spending (GF \$ in millions)

Services	FY 2025	FY 2026
Crisis Services	\$61.3	\$11.5
State Facilities	23.0	20.6
Mental Health and Substance Use Disorder Treatment	14.6	14.0
Workforce and Training	4.9	3.8
Central Office	1.7	1.7
Total	\$105.5	\$51.6

CRISIS SERVICES

- \$33.0 million in FY 2025 and \$2.6 million in FY 2026 to create additional Crisis Receiving Centers and Crisis Stabilization Units
 - Chapter 1, 2023 Special Session 1 appropriated \$58.0 million for this purpose
- \$10.0 million GF the first year for mobile crisis teams
 - Chapter 1, 2023 Special Session I appropriated \$10.0 million
 - VA currently has 98 teams, exceeding *Crisis Now* national standard of 70 teams
- \$10.0 million the first year to develop hospital-based psychiatric emergency alternatives
 - Chapter 1, 2023 Special Session I appropriated \$10.0 million for this initiative
- \$4.7 million each year to expand alternative transportation and custody program to individuals under involuntary commitment orders
- \$3.6 million in FY 2025 and \$4.2 million in FY 2026 to support 7 crisis co-responder programs

MENTAL HEALTH & SUBSTANCE USE DISORDER SERVICES

- \$3.4 million the first year and \$3.3 million the second year for Peer Wellness Stay programs
- \$2.6 million each year to increase funding for Part C Early Intervention
- \$1.1 million the first year and \$610,000 the second year to establish and support two Intermediate Care Facilities
- \$7.5 million each year to continue expansion of the school-based mental health pilot programs
 - Chapter 1, 2023 Special Session I appropriated \$7.5 million in FY 2024. This increase would bring the pilot program to \$15.0 million per fiscal year
 - Separate program funded at \$14.4 million over the biennium in DOE for school mental health

DEPARTMENT OF SOCIAL SERVICES

Welfare Programs and Services

- \$8.1 million in FY 2025 and \$7.8 million in FY 2026 and 1.0 FTE to sustain the relative maintenance payment program and support kinship and alternate living arrangements
 - Companion amendments in VSP and Office of Children's Services
- \$3.5 million GF each year and \$3.1 million NGF each year to increase the Foster Care and Adoption COLA by 7%
- \$2.9 million GF and \$2.9 million NGF in FY 2025 and \$2.5 million GF and \$2.5 million NGF in FY 2026 to fund administration for the summer Electronic Benefits Transfer program for children
- \$1.5 million GF in FY 2025 and \$2.5 million GF in FY 2026 to fund a public media campaign promoting responsible and involved fatherhood
- \$1.5 million GF in FY 2025 and \$1.7 million GF and to fund the child welfare forecast for foster care and adoption subsidy payments
 - Includes savings of \$6.4 million NGF the first year and \$6.6 million NGF the second year

DEPARTMENT OF SOCIAL SERVICES

SNAP

- \$1.4 million GF in FY 2025 and \$1.3 million GF in FY 2026 to meet the terms of a settlement agreement with the federal government for benefits overissuance from 2021
- \$590,889 GF and \$590,889 NGF in FY 2025 and \$832,889 GF and \$832,889 NGF in FY 2026 to fund increasing costs of the SNAP Electronic Benefits Transfer contract
- \$113,224 GF and \$113,224 NGF each year to convert 5 part-time SNAP reviewers to full-time

Local DSS Operations

- \$6.0 million GF and \$6.0 million NGF each year for the increased costs of renewing the income verification for public benefits contract

Temporary Assistance to Needy Families (TANF) Block Grant

- \$600,000 in FY 2025 and \$9.6 million in FY 2026 to supplant federal TANF funds with general fund dollars to address the anticipated shortfall
 - \$10.2 million increase for early impact home visiting support services and Community Employment and Training Programs in cities
 - Reduction of \$1.9 million NGF in federal TANF funds for 3 programs that have not responded to requests to enter into contracts to provide services: Family Restoration Services in Hampton, Portsmouth Volunteers for the Homeless, Menchville House
- \$10.8 million to supplant federal TANF funds for 3 programs funded through the Health Department
 - Long-acting reversible and other contraceptives, Families Forward home visiting program, Resource Mothers home visiting program

OPIOID ABATEMENT AUTHORITY

- \$66.1 million NGF the first year and \$76.1 million NGF the second year for the base appropriation to provide grants, loans, and awards, including administrative costs
- Financial assistance to address the epidemic comes from settlement funds paid to VA by prescription opioid manufacturers
- 55% of settlement awards funneled through the OAA
 - OAA provides discretionary grants that state agencies can apply for
 - Settlement awards also used for localities and projects involving multiple cities/counties



AG & NATURAL RESOURCES

WATER QUALITY

- Deposits a total of \$201.1 million in FY 2025 in the Water Quality Improvement Fund (WQIF)
 - Comprised of \$138.1 million GF supplemental deposit, as FY 2023 surplus & balances deposit made in Chapter 1 (2023 Spec. Sess. 1)
 - \$63.0 million NGF from Monsanto settlement agreement
- \$182.9 million is deposited for Ag BMP matching grants
 - \$116.2 million inside the Bay
 - \$49.8 million outside the Bay
 - \$15.8 million for Soil and Water Conservation District technical assistance
- \$19.2 million directed to support other specific initiatives
- Changes existing policy in Appropriation Act which directs that 15% of required WQIF deposits be placed in the WQIF Reserve
 - Proposal would remove requirement for reserve deposit if balance of the reserve is greater than \$100.0 million (which it currently is)

DCR – MAJOR ITEMS

- \$100.0 million in FY 2025 for deposit in the Community Flood Preparedness Fund
- \$73.9 million in FY 2025 to the City of Norfolk to support the Norfolk Coastal Risk Storm Management Project
 - Language authorizes the Secretary of Finance to provide an additional \$21.0 million to the project using a treasury loan, on the condition that the City apply revenues generated by casino operations toward the project
- \$25.0 million in FY 2025 for deposit in the Resilient Virginia Revolving Loan Fund
- \$5.0 million in FY 2025 for deposit in the Dam Safety, Flood Prevention and Protection Assistance Fund

DCR – OTHER ITEMS

Spending Proposal (\$ in millions)	FY 2025	FY 2026
Six dam safety positions	\$1.2	\$1.2
Culpeper Battlefields State Park	1.3	1.0
Hayfields State Park	1.1	0.8
Clinch River State Park	0.3	0.3
Breaks Interstate Park	0.3	0.3
4 new law enforcement positions	0.8	0.7

DEPARTMENT OF ENVIRONMENTAL QUALITY

- \$50.0 million in FY 2025 to the City of Richmond to support its combined sewer overflow project
- \$35.0 million in FY 2025 to the City of Bristol to support its landfill remediation project
 - Funding conditional upon execution of memorandum of understanding between the City and DEQ
- \$8.5 million over the biennium for monitoring and evaluation of dissolved oxygen levels in the Chesapeake Bay
- \$1.1 million each year to support Department's groundwater and air permitting processes

DEPARTMENT OF HISTORIC RESOURCES

- \$35.0 million in FY 2025 to establish a competitive grant program supporting capital improvements to significant historic sites
 - Sites expected to see increased visitation related to the country's semiquincentennial anniversary celebrations
 - One-to-one match requirement
 - DHR to establish grant guidelines criteria
- \$5.0 million in FY 2025 for a one-time increase in the deposit to the Virginia Battlefield Preservation Fund
- \$1.0 million in FY 2025 for deposit in the Black, Indigenous, and People of Color Preservation (BIPOC) Fund
 - Language change aligns eligibility requirements listed in Bill with the relevant sections of the *Code of Virginia*

OTHER NATURAL RESOURCES AGENCIES

Dept. of Wildlife Resources

- \$2.0 million NGF in FY 2025 to support improvements to mussel restoration infrastructure
- \$685,000 NGF each year to address salary compression among law enforcement personnel

Marine Resources Commission

- \$3.0 million NGF in FY 2025 to support expansion of the Virginia Oyster Replenishment Program
- \$710,000 each year to address salary compression among law enforcement personnel
- Proposes a \$500,000 reduction each year to the annual appropriation supporting oyster restoration activities

VDACS

- \$2.0 million in FY 2025 in additional support for the Agriculture and Forestry Industries Development Fund (AFID)
- \$2.0 million in FY 2025 to establish a competitive grant program to support agricultural technology research
- Proposes \$2.5 million in transfers of special fund balances to the general fund
- \$1.2 million each year deposited in the Virginia Spirits Promotion Fund
- Proposes reduction of Dairy Margin Coverage deposits to \$500,000 in FY 2025 and \$250,000 in FY 2026
 - Chapter 1 (2023 Spec. Sess. 1) provided \$700,000 GF in FY 2024
- Proposes eliminating \$250,000 each year provided for development of VDACS' international trade plan



COMMERCE AND TRADE

INCENTIVES AND BUSINESS RECRUITMENT

(\$ in millions)	FY 2024	FY 2025	FY 2026
Amazon HQ2 (advance)	\$78.0	\$42.5	\$42.5
Amazon Web Services	-	-	4.0
CMA CGM	1.2	1.0	1.0
Huntington Ingalls	8.0	8.0	-
Merck & Co, Inc.	2.5	0.3	-
Microsoft	5.6	5.6	-
Wells Fargo	-	1.6	1.4
Morgan Olson	1.3	1.3	1.3
Blue Star	-0.7	-0.7	-0.7
VEDIG Grants	2.2	2.2	2.5
VIP Grants	2.3	3.1	3.6
Total	\$100.4	\$64.9	\$55.6

INCENTIVES AND BUSINESS RECRUITMENT CONTINUED

- Removes \$3.0 million over the biennium from the Enterprise Zone program, leaving \$29.6 million for the program
- Adds \$4.3 million over the biennium to support internal operations at VEDP due to a recent internal reorganization, called the “Innovative Framework”
 - New structure prioritizes business recruitment and expansion efforts and develops deep subject matter expertise in three industry areas: knowledge work, manufacturing, and logistics

INFRASTRUCTURE

Business Ready Sites (EDIP | VEDP)

- Invests \$200.0 million over the biennium in the Virginia's Business Ready Sites Program. \$234.0 million has been previously appropriated for this program
- Adds \$25.0 million in FY 2025 for the Virginia Business Ready Sites Acquisition Fund, bringing total Fund resources to \$100.0 million
- Provides an additional \$750,000 in each year for VEDP to administer the state's economic development site programs
- Language in HB 29 authorizes the purchase of land on the Eastern Shore using money in the Sites Acquisition Fund

VATI Reduction (DHCD)

- Removes \$80.0 million over the biennium for the Virginia Telecommunications Initiative, leaving \$20 million in FY 2025 for flexible broadband deployment activities

INFRASTRUCTURE

Early Childhood Grant (DHCD)

- Adds \$25.0 million in FY 2025 for a new grant program to retrofit unused space at Virginia's higher education institutions for new early childhood education centers

Inland Port Development (EDIP)

- Adds \$10.0 million in FY 2025 for the continued development of an inland port in Southwest Virginia
- Chapter 1, 2023 Special Session I provided \$10.0 million for this purpose in FY 2024

Industrial Revitalization Fund (DHCD)

- Adds \$4.0 million in FY 2025 for the Industrial Revitalization Fund, bringing total general fund resources for this program to \$10.0 over the biennium

RESEARCH

Life Science

- Invests \$100.0 million in FY 2025 in biotechnology, life science, and pharmaceutical manufacturing research at UVA, VT, and VCU
- Budget language directs \$55.0 million to the Manning Institute at UVA, \$30.0 million to the Patient Research Center at VT, and \$15.0 million to the Medicines for All Institute at VCU
- Requires the review of an Advisory Board and execution of an MOU with Virginia Innovation Partnership Authority prior to the release of funds

Energy

- Invests an additional \$6.0 million into the Virginia Power Innovation Fund for research and commercialization projects related to nuclear energy, hydrogen, carbon capture and utilization, and energy storage
- Chapter 1, 2023 Special Session I capitalized this program with \$4.0 million in FY 2024

WORKFORCE AND TOURISM

Workforce

- Provides \$15.0 million in FY 2025 for VEDP to launch a workforce recruitment and retention marketing campaign
- Increases operational support for the Virginia Office of Education Economics at VEDP by \$1.3 million in FY 2025 and \$1.5 million in FY 2026

Tourism

- Adds \$2.5 million in FY 2024 for Fort Monroe to complete the construction of a permanent monument commemorating the first landing of Africans in Virginia
- Adds \$800,000 in FY 2025 for the Spearhead Trails Initiative, bringing total first year support to \$1.9 million
- Provides \$772,617 over the biennium in additional operating support for the Fort Monroe Authority for tree removal and to offset water and wastewater maintenance costs

VIRGINIA SPORTS AND ENTERTAINMENT AUTHORITY (HB 29)

- Empowers the Authority to issue debt to develop an arena, concert venue, parking facility, and headquarters at Potomac Yards in Alexandria, Virginia to relocate the Capitals and Wizards to the state
- Proposes allowing the Authority access to state sales, personal income, and business taxes attributable to the site to pay off issued debt and operating costs
- Requires the team to enter into a long-term lease agreement for the property at least equal to the bond term
- Allows the state to receive excess revenues from the project at the discretion of the Authority
- Provides \$500,000 in FY 2025 for the Secretary of Finance to explore and structure incentives to recruit new sports franchises and their facilities to the state
 - Chapter 1, 2023 Special Session I provided \$250,000 in FY 2024 for this same purpose



LABOR

NEW WORKFORCE AGENCY

ANNUAL FUNDS TRANSFERRED TO NEW AGENCY (\$ IN MILLIONS)

Agency	Amount Transferred
Virginia Employment Commission	\$74.5 NGF
Virginia Community College System	53.9 NGF
Virginia Community College System	2.0 GF
Department of Labor and Industry	2.0 GF
Total	\$132.4

- Transfers funding to the new Department of Workforce Development and Advancement as authorized by House Bill 2195 and Senate Bill 1470, 2023 Session
- Provides \$3.2 million in FY 2025 to cover start-up costs for the new agency
 - Chapter 1, 2023 Special Session I provided \$500,000 in FY 2024 for this same purpose



PUBLIC EDUCATION

HB 29 SUMMARY

Captures savings of \$282.6 million from technical updates

- Saves \$121.7 million from lower enrollment and participation updates
- Lottery forecast increases \$89.5 million, resulting in GF savings
- Decrease of \$71.4 million due to net impact of \$161.5 million lower sales tax forecast and basic aid offset

Proposed Public Education Actions (GF \$ in millions)	FY 2024
Students & Characteristics	
Enrollment: <i>ADM projection adjusted down 9,571 students, from 1,224,046 to 1,214,475</i>	(59.5)
VPI Participation	(29.3)
Non-SOQ Programs	(26.1)
English Learner Enrollment	(4.0)
Remedial Summer School	(2.7)
Students & Characteristics Subtotal:	(\$121.7)
Lottery Proceeds Projection	(\$89.5)
Sales Tax Projection	(\$71.4)
Total	(\$282.6)

HB 30 SUMMARY

Total \$378.7 million in additional GF spending for policy proposals:

- \$1.3 billion in new spending, including: Early childhood slots, addressing unfunded VRS liabilities, 1% bonus in FY 2025 & 2% salary increase in FY 2026
- \$967.0 million in GF savings including: supplanting Literary Fund balances to teacher retirement costs, ending the Grocery Sales Tax Hold Harmless

PROPOSED SPENDING (GF \$ in millions)	Increase	Decrease	Net
Technical	\$1,872.2	(\$893.8)	\$978.4
Policy			
Early Childhood	504.6	(199.3)	305.3
K-12 Education	780.8	(764.0)	16.9
Dept. of Education	55.6	(3.8)	51.7
Va. School for Deaf & Blind	4.7	0.0	4.7
Total Policy	\$1,345.7	(\$967.0)	\$378.7
Total Proposed Changes	\$3,217.9	(\$1,860.8)	\$1,357.1

REBENCHMARKING: PREVAILING COSTS

\$1,514.5 million in additional costs

- Extraordinary cost increases due to inflation, salary increases, and additional costs incurred to address COVID-19 learning loss

\$518.6 million in savings

- \$388.0 million due to capture of FY 2022 ESSER expenditures in base year data
- \$119.6 million from lower VRS rates

**2024-26 Impact:
\$995.9 million**

Prevailing Cost Data Updates (GF \$ in millions)	2024-26 Impact
Non-Personnel Support Costs 62.7% per pupil cost increase	\$807.6
Salaries	446.1
Transportation	131.2
Va. Preschool Initiative Costs 19.2% per pupil cost increase	56.0
Textbooks 21.0% per pupil cost increase	40.0
Health Care Premiums	33.6
Inflation Cap on Non-Personnel Support	(11.0)
VRS Rates	(119.6)
Federal Revenue Deduction ESSER Spending beginning to appear in base data	(388.0)
TOTAL 2024-26 IMPACT	\$995.9

2024-2026

REBENCHMARKING SUMMARY

SUMMARY

2024-26 Impact
\$969.0 million

\$1,862.8 million in additional costs

- Driven by inflation, salary increases, and additional costs incurred to address pandemic

\$893.8 million in savings

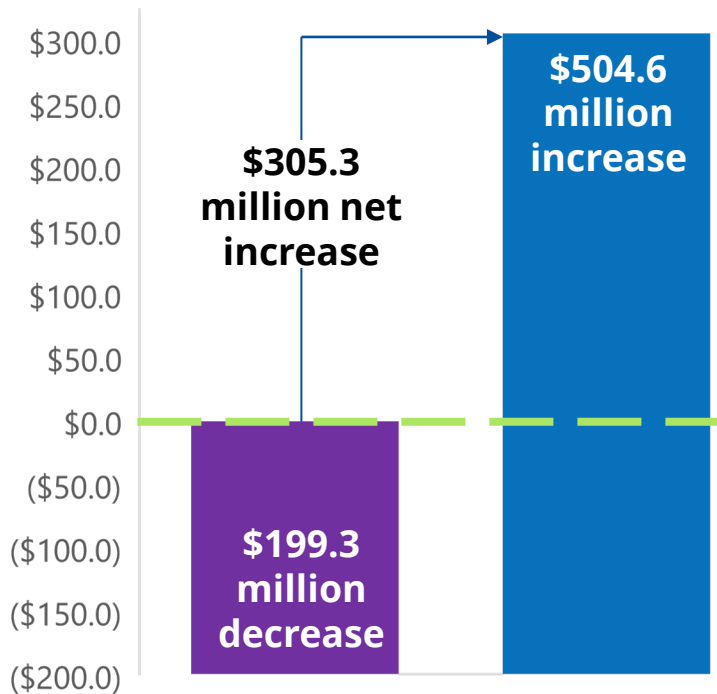
- \$388.0 million due to removal of FY 2022 ESSER expenditures in base year data
- \$250.8 million from lower enrollment
- \$119.6 million due to lower VRS rates

K-12 Direct Aid Cost Updates for 2024-26 (GF \$ in millions)	2024-26 Impact
Prevailing Cost Data from prior slide	\$995.9
Student Enrollment & Characteristics ADM adjusted down from FY 24 Ch. 1 projection: FY 25: 1,212,152 (11,894 less) FY 26: 1,209,773 (14,273 less)	92.2
Update Lottery Proceeds Forecast offsets GF	4.5
Update sales tax distribution school age population	0.7
Update Local Composite Index	(61.3)
Update sales tax forecast	(63.1)
TOTAL PRELIMINARY K-12 COST UPDATE	\$969.0

EARLY CHILDHOOD PROPOSALS

Proposes \$305.3 million in new funding for early childhood policy proposals

\$199.2 million in reductions are offset by \$504.6 million in increases



(GF \$ in millions)	
Decreases	
VPI Nonparticipation	(\$137.0)
Remove VPI LCI Cap	(23.3)
Backfill with remaining ARPA	(39.0)
TOTAL	(\$199.3)
Increases	
Maintain Child Care Subsidy Slots	450.1
Maintain Mixed Delivery Slots	53.5
Digital Wallets	1.0
TOTAL	\$504.6

POLICY PROPOSAL: EARLY CHILDHOOD CARE & EDUCATION

Child Care Subsidy Program (CCSP)

- Proposes \$450.1 million total (\$411.1 million GF & \$39.0 million ARPA-SLRF) to maintain a portion of additional slots established with federal relief
- Maximizes remaining ARPA-SLRF balances –redirecting to CCDF prior to obligation deadline

Mixed Delivery (VECF)

- Proposes \$53.5 million to maintain a portion of additional slots established with federal relief
- Implements family co-pay and parental work requirement
- Requires DOE to review program efficacy and develop plan to conclude program

Virginia Preschool Initiative (VPI)

- Saves \$137.0 million by estimating VPI funding needs based on prior utilization
- Saves \$23.3 million by eliminating the .5000 LCI cap applied to VPI funding

Across all programs:

- Proposes tracking local demand for services, implementation of waitlists, attendance expectations
- Permits unused funds to be transferred among early childhood programs

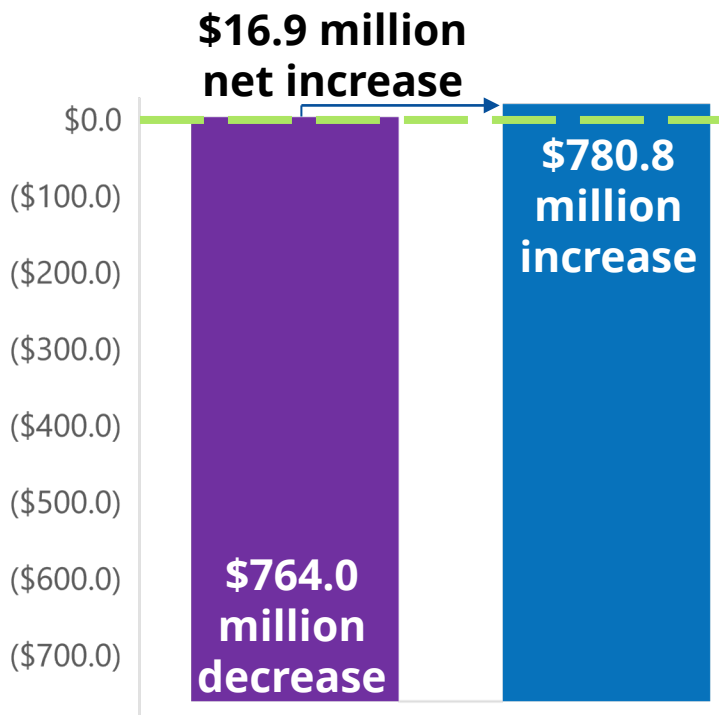
Digital Wallets:

- Proposes \$1.0 million the first year to establish and administer a digital wallet platform for early childhood education accounts for families with children ages 0-5

K-12 PROPOSALS

Proposes \$16.9 million in new funding for policy proposals

\$764.0 million in reductions are offset by \$780.8 million in increases



(GF \$ in millions) Decreases	
Literary Fund for Retirement Costs	(\$535.0)
Elim. Grocery Tax Hold Harmless	(229.0)
TOTAL	(\$764.0)
Increases	
One-Time VRS Payment	\$350.0
Bonus & Salary Increase	175.8
Sales Tax Base Expansion	85.7
Grade 4-8 Reading Specialists	61.2
Lab Schools	60.0
Diploma Plus	40.0
Other Initiatives	8.2
TOTAL	\$780.8

POLICY PROPOSALS: COMPENSATION

1.0% Bonus in FY 2025

- Proposes \$53.0 million for a 1.0% bonus in the first year
- Participating school divisions must provide an average 1.0% bonus or equivalent pay action

2.0% Bonus in FY 2026

- Proposes \$122.8 million in FY 2026 for a 2.0% salary increase
- Participating school divisions must provide an average 2.0% salary increase, or a minimum average 1.0% increase to access a prorated portion of funds

Teacher Compensation Workgroup

- Establishes a teacher compensation workgroup, building on recommendations from a 2023 workgroup, to address:
 - Pay variation by region, degree opportunities, roles and responsibilities
 - Impact of teacher pay on student achievement
 - Student outcome-driven teacher compensation

POLICY PROPOSALS: SALES TAX & GROCERY TAX HOLD HARMLESS

Two actions related to the 1 1/8% dedicated K-12 sales tax decrease funding by \$143.2 million

Grocery Sales Tax Hold Harmless

- Saves \$229.0 million over the biennium by removing payments provided to address the elimination of the grocery sales tax as of January 1, 2023
 - Eliminates \$514.4 million in payments provided in lieu of the grocery sales tax that school divisions would have received
 - Removing these payments increase the state and local share of SOQ Basic Aid – increasing state share by \$285.4 million over the biennium

“New Economy” Sales Tax Base Expansion

- Proposes a net increase of \$85.8 million over the biennium by including “New Economy” services (i.e. digital downloads, streaming services) in the sales tax base
 - Projects a \$192.5 million increase to school division distributions from additional 1 1/8% K-12 dedicated sales tax revenues
 - These additional payments decrease the state and local share of SOQ Basic Aid –decreasing state share by \$106.7 million over the biennium

POLICY PROPOSALS: TEACHER RETIREMENT & LITERARY FUND

Approx. \$535.0 million in excess Literary Fund balances available for the biennium

- Proposes directing LF balances to one-time and recurring teacher retirement costs
- Does not set aside LF balances for school construction loans in the new biennium

Proposed Actions (GF \$ in millions)	General Fund	Literary Fund
One-Time Payment to Address Unfunded Liabilities of Teacher Retirement Plan \$350.0 million in FY 25	\$115.0	\$235.0
Direct Excess Literary Fund Balances to Offset GF needed for Teacher Retirement Contributions \$150.0 million each year	(300.0)	300.0
TOTAL PROPOSED CHANGES	(\$185.0)	\$535.0

OTHER INITIATIVES

College Partnership Lab Schools

- Proposes \$30.0 million transfer each year to Lab School Fund
- Eliminates language limiting eligible applicant institutions to only public four-year institutions

Diploma Plus

- Proposes \$20.0 million each year to provide \$2,000 grants to cover costs associated with high school students' earning high-demand industry credentials
- Recipients must be eligible to enroll in a Va. public school

Reading Specialists

- Provides \$30.5 million in FY 2025 and \$30.7 million in FY 2026 to fulfill staffing ratio established in 2023 legislation: 1:550 students in grades 4-5 and 1:1,100 in grades 6-8
- Retains language providing flexibility for divisions without sufficient number of reading specialists employed

State Assessment System

- Proposes \$25.0 million in FY 2025 and \$15.0 million in FY 2026 to contract for a new statewide assessment system including constructed response test items
- Withholds allotment of funds until the cost of transition and contract finalized

Mental Health

- Recommends \$7.2 million each year for a contract with a telehealth provider to provide mental health services to students in grades 6-12 in participating divisions
- Parents required to opt-in prior to children receiving services
- Includes \$200,000 annually to create a Chief School Mental Health Officer position

Teacher Licensure System

- Includes \$389,000 each year for ongoing operations of new automated system

Office of School Quality Savings

- Decreases support by \$1.9 million each year



PUBLIC SAFETY AND VETERANS

DEPARTMENT OF CORRECTIONS

- Recognizes savings of \$118.6 million over the biennium from the closure or planned closure of four DOC facilities
- Savings offset by \$42.9 million over the biennium for DOC to assume state management of Lawrenceville Correctional Center, for a net savings of \$75.7 million over the biennium

Facility Closure (GF \$ in millions)	FY 2025	FY 2026	Total
Sussex II State Prison	(\$24.4)	(\$27.8)	(\$52.2)
Augusta Correctional Center	(24.7)	(31.1)	(55.9)
Haynesville Field Unit	(2.7)	(2.7)	(5.3)
Stafford CCAP	(1.8)	(3.4)	(5.2)
Total Savings	(\$53.6)	(\$65.0)	(\$118.6)

OTHER PROPOSED DOC ACTIONS

Proposed Item	FY 2025	FY 2026
Career progression for correctional officers	\$9.5	\$9.5
Address various operational funding needs	4.0	4.0
Salary increases for vacant correctional officer positions	2.9	2.9
New and upgraded full-body scanners	3.5	0.6
Medical transport services (Sussex County)	0.5	0.5
Savings from DMV connect program	(0.2)	(0.2)
Unspecified Administrative Efficiencies	(1.0)	(1.0)

VIRGINIA STATE POLICE

- \$3.0 million each year for the costs of VSP's pay plan for sworn law enforcement personnel
 - 1.4% annual increase
- \$1.6 million each year to purchase three replacement airplanes through the Master Equipment Lease Program (MELP)
 - Total purchase price \$12.9 million, with \$16.2 million in payments over ten years through MELP
- \$771,000 in FY 2026 for the cost of employing in-flight nurses for the med-flight program
 - VCU eliminated funding that supported the in-flight nurses working for the program, which is operated in cooperation with Chesterfield County
- \$1.4 million over the biennium for 7 additional positions in the State Police Fusion Center
 - Six new analysts, and one campus safety coordinator

DEPARTMENT OF CRIMINAL JUSTICE SERVICES

- \$18.0 million in FY 2025 to establish a grant program to support law enforcement recruitment and officer wellness
 - Recruitment of law enforcement officers employed by the federal government or outside of the Commonwealth
 - Eligible uses include sign-on bonuses of up to \$10,000 and relocation expenses of up to \$1,000
 - No less than \$3.0 million to be used for officer wellness initiatives
- \$2.4 million in FY 2025 and \$8.3 million in FY 2026 to backfill declines in federal grants and special fund revenues used to support Victim-Witness and Sexual Assault & Domestic Violence Victim programs
- \$2.0 million in FY 2025 in additional support for competitive grants to institutions and nonprofit organizations targeted for or at risk of being targeted for hate crimes

DEPARTMENT OF VETERANS SERVICES

- Includes \$30.5 million in FY 2025 for the operational costs related to the opening of 2 new veterans care centers
 - Jones & Cabacoy VCC in Virginia Beach and Puller VCC in Fauquier County
 - Expectation that nongeneral fund revenues generated by operations will support the VCCs in out-years
- \$2.2 million over the biennium for various IT improvements
- \$500,000 in FY 2025 to support construction of Military Women's Memorial and Education Center in Arlington County
- \$804,000 over the biennium for lease payments related to the Virginia Community Resource Center, in support of the Partnership for Petersburg Initiative



TRANSPORTATION

VDOT GF FUNDING AMENDMENTS

Transportation Partnership Opportunity Fund (TPOF)

- Provides \$20.0 million in FY 2025 to be deposited into the Transportation Partnership Opportunity Fund (TPOF)
- Language amendment instructs the Commonwealth Transportation Board to deposit \$200.0 million into the TPOF from transportation funds over the next 6 years

I-81 Corridor Improvement Fund

- Provides \$70.0 million in FY 2025 to expedite the widening of I-81 in the Salem area
 - Northbound lanes between mile markers 116 and 128

EARMARK TRANSPORTATION PORTION OF NEW SALES TAX REVENUE

- Language related to expanding sales tax to include “new economy” products earmarks the portion of the additional sales tax that would be deposited into the Commonwealth Transportation Fund (CTF) for specific purposes:
 - Directs 50% of the new revenue be deposited into the TPOF
 - Directs 50% of the new revenue be deposited into the I-81 Corridor Improvement Fund (until the cumulative deposits equal \$400.0 million)
 - The new transportation revenues related to the proposal in the introduced budget are estimated at \$46.7 million in FY 2025, \$117.4 million in FY 2026, and increasing to \$140.0 million per year by FY 2030

AUTHORIZE ADDITIONAL SUPPORT FOR WMATA

- Language amendment allows the total Virginia operating assistance provided to the Washington Metropolitan Area Transit Authority (WMATA) to exceed the cap set in the Code
 - § 33.2-1526.1 of the Code limits the annual increase in Virginia's total assistance for WMATA's operating budget to no more than 3%
 - The budget language allows the Director of DRPT, with the approval of the Secretary of Transportation, to exceed the cap for fiscal year 2025
 - As a condition of approval, WMATA shall be required to provide, no later than November 30, 2024, a corrective action plan which includes;
 - i. Measures to reduce total and overhead costs so that they are comparable to the median of other large metropolitan public transit systems
 - ii. Ensure staffing levels are comparable to the median of the other systems
 - iii. Include timeline for the automation of the Metrorail system

SIGNIFICANT NGF ADJUSTMENTS

(NGF \$ in millions)	FY 2025	FY 2026
DRPT – Anticipated Revenues	\$97.7	\$109.9
Virginia Passenger Rail Authority – Anticipated Revenues	\$44.2	\$94.7
VDOT – Revenue Projections	(\$135.1)	(\$235.1)
VDOT – Reflect June 2023 6 Year Plan	(\$134.6)	(\$482.1)
VDOT Transfer Payments - Revenue Projections	(\$107.4)	(\$54.6)
VDOT Transfer Payments – Reflect June 2023 6 Year Plan	\$87.7	\$116.3



COMPENSATION AND RETIREMENT

ACROSS-THE-BOARD COMPENSATION ACTIONS

Employee Bonuses

- Includes \$54.2 million in FY 2025 and \$54.7 million in FY 2026 for a 1% bonus for full time state employees and state supported local employees on December 1st of each year
 - Also includes \$53.0 million in FY 2025, within Direct Aid to Education, for the state share of 1% bonus for SOQ-funded positions

Employee Salary Adjustments

- Proposes \$59.6 million in FY 2026 to fund a 1% salary increase for state employees, adjunct faculty, graduate teaching assistants
 - Also includes \$122.0 million in FY 2026, within Direct Aid to Education, to provide a full-year 2% increase for SOQ-funded positions

TARGETED SALARY INCREASES

(\$ in millions)	FY 2025	FY 2026
DBHDS – Clinical Roles at State Facilities	\$11.4	\$11.4
DBHDS - Food and Environmental Services Employees at State Facilities	8.5	8.5
DOC - Career progression plan	9.5	9.5
DOC - Raises for vacant CO positions	2.9	2.9
State Police - Pay Plan Step Increase	3.0	3.0
MRC - Law enforcement compression	0.7	0.7
DWR - Law enforcement compression (NGF)	0.7	0.7
Virginia School for the Deaf & Blind	0.9	0.9
Total	\$37.6	\$37.6

VIRGINIA RETIREMENT SYSTEM

VRS Retirement Plans

- Captures savings of \$8.3 million the first year and \$6.9 million the second year to reflect the reduction in the new VRS Board Certified Rates for the 4 state employee retirement systems
- Captures savings of \$59.8 million each year, under Direct Aid for Education, to reflect the updated retirement rate for the teachers' system
- Provides \$115.0 million GF and \$235 million from the Literary Fund in FY 2025 for a lump sum payment to address unfunded liabilities of the Virginia Retirement System public school teacher plan which is estimated to improve the funded status by approximately 0.6%

Other Post Employment Benefit Plans

- Captures savings of \$2.7 million in FY 2025 and \$2.8 million in FY 2026 to reflect the reduction in the new VRS Board Certified Rates for the OPEB rates for state employees

MODIFICATIONS TO RATE PROCESS CALCULATION

- Since the implementation of the hybrid plan, the calculation of the employer contribution rates have been calculated with a blended rate
 - “Normal cost” is the estimated cost of the DB benefit being earned that year
 - Cost related to payment for amortized charge for unfunded liability
 - Estimated weighted average cost of DC component for hybrid
- HB 473 of the 2022 General Assembly separates the DC rate from the actuarial rate development process
 - For state agencies, funding for the DC component will be made based on the estimated cost of the agency's DC charges, which is dependent on the current number of Hybrid employees and those employees' current DC elections
 - DOE has included a 1.02% add-on to SOQ calculation for DC component

VRS RETIREMENT RATES

	FY 2024	Biennium 2024 – 26	Funded Status
VRS (State Employees)	14.46%	12.52%	79%
State Police Officers Retirement System (SPORS)	29.98%	31.32%	70%
VA Law Officers Retirement System (VALORS)	24.60%	24.60%	71%
Judicial Retirement System (JRS)	30.67%	30.67%	84%
VRS (Teachers)	16.62%	14.21%	80%

- For plans which have members covered with a hybrid benefit (state employees, JRS and teachers) the calculated rate for the 2024-26 biennium is based solely on the cost of the defined benefit portion of the plan. Prior rates were a blended rate which also included the estimated cost of the defined contribution component
- The rates for the VaLORS and JRS plans were kept at the FY 2024 levels even though the certified rates were slightly lower (VaLORS – 22.81% and JRS – 30.66%)

OTHER EMPLOYEE BENEFIT FUNDING ACTIONS

(GF \$ in millions)	FY 2025	FY 2026
State Employee Health Insurance	\$39.6	\$66.7
Line of Duty Act Premiums	\$1.7	\$1.7
Workers Compensation Premiums	(\$1.5)	(\$1.7)

- Funding for state employee health insurance premiums assumes a 6.3% increase in FY 2025 and a 4.0% increase in FY 2026 for the self funded plan
 - Actuarial analysis assumes 9.3% increase in FY 2025 but current cash balances in the fund can absorb a portion of the increase

CAPITAL OUTLAY

HB 30: CAPITAL OUTLAY

Capital Outlay Funding in HB 30 (\$ in millions)

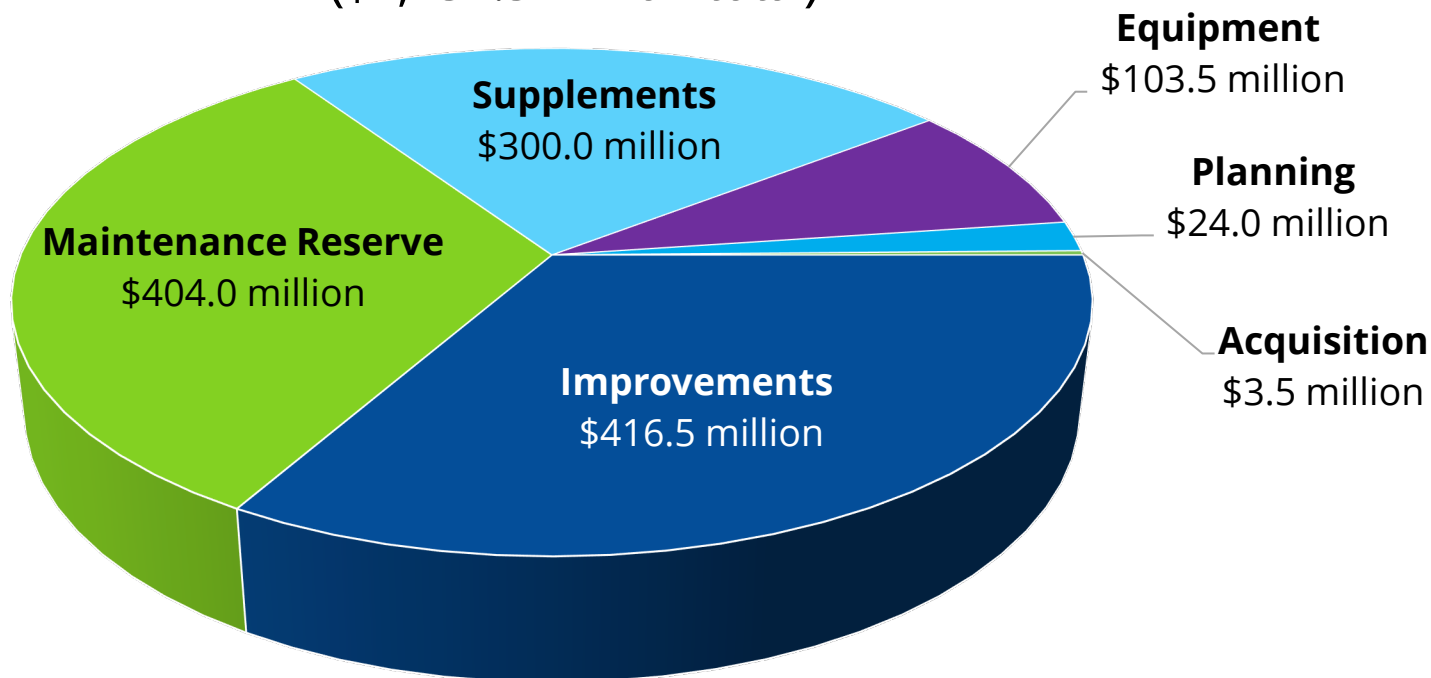
General Fund Cash	\$916.6
General Fund Bonds	334.9
9(c) Nongeneral Fund Revenue Bonds	124.3
9(d) Nongeneral Fund Revenue Bonds	9.3
Nongeneral Fund Cash	749.9
Total	\$2,135.0

- \$1.3 billion is general fund-supported (cash or GF tax-supported debt)
 - \$334.9 million in general fund tax-supported debt to be issued by the Virginia College Building Authority (VCBA) and Virginia Public Building Authority (VPBA)

PROPOSED GENERAL FUND CAPITAL SPENDING

General Fund Capital Spending Categories

(\$1,251.5 million total)



No general fund proposed for new construction projects

MAINTENANCE RESERVE & SUPPLEMENTS (GF)

- **Maintenance Reserve:** \$404.0 million cash in FY 2025
 - Deviates from standard practice of allocating maintenance reserve to both years of the biennium
 - Proposes an earmark of \$4.0 million to build-out retail space in the new parking deck adjacent to the GAB
- **Supplements:** \$300.0 million (cash and debt)
 - \$250.0 million cash deposit to the supplement pool
 - Increases pool total to \$800.0 million; monies allocated by the Six-Year Capital Outlay Plan Advisory Committee for pandemic-induced cost increases to previously-authorized projects
 - \$50.0 million in debt to supplement the 2022 State Agency Construction Pool for a previously-authorized project to build a training academy for Virginia State Police

CAPITAL OUTLAY FUNDING BY CATEGORY

CAPITAL OUTLAY FUNDING CATEGORIES

(\$ IN MILLIONS)

Major Category	GF Cash	GF Debt	NGF Cash	NGF Debt	Total
Improvements/ Deferred Maintenance	\$135.1	\$281.4	\$647.1	\$38.2	\$1,101.8
Maintenance Reserve	404.0				404.0
Supplements	250.0	50.0			300.0
New Construction			30.0	95.4	125.5
Equipment	103.5				103.5
Planning	24.0		57.2		81.2
Acquisition		3.5	15.7		19.2
Total	\$916.6	\$334.9	\$749.9	\$133.6	\$2,135.0

PROPOSED CAPITAL FUNDING MANDATES

- Language in Part IV of the budget establishes new capital outlay funding mandates:
 1. Annual cap on GF capital outlay spend (cash + GF debt)
 - Not to exceed 1% of the total of: annual GF revenue + annual debt capacity + any non-reappropriated prior-year unexpended GF balances
 2. Minimum of 1% of GF revenues must be targeted to address deferred maintenance at existing state facilities
 3. Requirement for Tier III institutions of higher education to contribute 25% of the cost of Education and General (E&G) projects
 - Would not apply to projects that address maintenance, life safety, security, or infrastructure, or are for VIMS, UVA-Wise, or VA Co-op Ext.
 - E&G projects are typically GF-funded, with exceptions for a 50/50 split for research space, 100% NGF for auxiliary-use portions or for design components outside of state-approved scope, and other NGF support as determined a project-specific basis

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GENERAL
GOVERNMENT

GENERAL FUND HIGHLIGHTS

- \$150.0 million for state technology upgrades
 - For use to upgrade/replace critical IT systems, cybersecurity, and fill gaps in education data tracking, workforce, and administration
- Savings of \$88.0 million in Compensation Board
 - \$45.0 million due to fewer state-responsible inmates in local and regional jails (includes \$15.0 million in savings in FY 2024)
 - \$33.6 million from the closure of Bristol and Hampton Roads Regional Jails (FY 2024: \$2.2 million, FY 2025-2026; \$31.4 million)
 - \$9.4 million reduction in FY 2026 for vacancies in local offices

OTHER GENERAL GOVERNMENT PROPOSALS

Biennial \$ in millions

	GF	NGF
JUDICIAL BRANCH		
Supreme Court: Implement new enterprise resource system (\$3.5M), increase funding for specialty dockets (\$2.3M)	\$5.8	\$ -
Court of Appeals: Staffing to address workload quantity and complexity from recent changes to appeal laws	2.8	-
EXECUTIVE BRANCH		
Governor's Office: Develop a statewide permitting platform (\$4.6M), pilot five AI programs (\$0.6M), add 3 staff to support the Children's Ombudsman, and notary and restoration of rights (\$0.3M)	5.8	-
Office of the Attorney General: Add 13 staff for IT and consumer & ratepayer protection (\$3.2M), increase agency retainage of GF cash transfers by \$500,000, and transfer \$11.0M from state opioid and JUUL settlements to DBHDS for youth addiction prevention efforts	3.2	11.0

OTHER GENERAL GOVERNMENT PROPOSALS

Biennial \$ in millions

	GF	NGF
ADMINISTRATION SECRETARIAT		
Dept of General Services: Implement agency reductions (-\$2.0M GF, -\$3.1M NGF), adjust rent plan for Monroe Bldg (-\$8.4M NGF), plan upgrade to state capital systems (\$0.5M GF)	(\$1.5)	(\$11.5)
FINANCE		
Depts of Accounts & Planning and Budget: Reduce funding for CPA and analyst position vacancies	(2.0)	-
Treasury: Implement new fees (-\$0.2M GF), fund increased cost of state property and general liability insurance (\$31.0M NGF)	(0.2)	31.0
CENTRAL APPROPRIATIONS		
GF Share of Central Service Charges: Adjustments for use of statewide systems (Cardinal Financials, Cardinal HCM, and Perf. Budgeting), VITA costs, savings from DGS rate changes (rent, real estate, and fleet management), and risk mgmt. premiums	(3.1)	(2.9)



HIGHER EDUCATION

HB 30: HIGHER EDUCATION INSTITUTIONS

- About 96% of increased funding for higher education institutions is the result of technical adjustments - primarily salary annualization and central account distributions
- In terms of new funding, the introduced budget proposes about \$26.4 million in new general fund support for colleges & universities over the biennium, as follows:
 - \$16.5 million in one-time funding for campus safety initiatives
 - \$7.8 million for the VCCS to establish nine regional career placement centers
 - \$2.0 million for JMU to expand BS Nursing degrees

HB 30: HIGHER EDUCATION INSTITUTIONS

- The introduced budget also eliminates the \$75 million in affordable access funding provided in Chapter 1 which is equivalent to about a 3.5% average reduction for each institution
 - The budget then proposes \$75 million in funding distributed according to a to-be-determined set of performance measures in FY 2025
 - In FY 2026, institutions are guaranteed 50% of their 2025 share, with the remainder distributed according to a methodology established solely by the Secretary of Education
 - Also, includes language capping tuition increases at 2.5% in FY 2026

HB 30: SCHEV

- The introduced budget proposes a \$19.7 million net reduction in general fund support for SCHEV
- \$39.9 million in funding reductions include:
 - \$37.5 million to reduce funding for the one-time pilot for the Pell grant initiative
 - \$1.6 million to reduce the transfer grant program
- \$20.2 million in funding increases at SCHEV include:
 - \$9.2 million for the workforce credential grant program
 - \$6.0 million to support mental health services at colleges and universities
 - \$4.0 million for the military survivors program (VMSDEP) stipends due to program growth
 - \$1.0 million for the virtual library

HB 30: OTHER MAJOR HIGHER EDUCATION ACTIONS

- \$37.0 million is proposed for the merger of Eastern Virginia Medical School and Old Dominion University
- \$3.6 million for VSU Cooperative Extension to increase state match and maximize federal funds received as an institution under the 1890 Land Grant Institutions Act
- \$150,000 in FY 2025 one-time funding for VIMS to conduct a facilities review
- Proposes to increase VTAG awards for online programs to 75% of the undergraduate residential award using VTAG balances

HB 30: OTHER HIGHER EDUCATION CUTS

- Eliminates funding for New College Institute in FY 2026, saves \$3.1 million
 - Requires New College to develop a business plan and customer recruitment and expansion strategy by October 2024
- Eliminates the Online Virginia Network Authority saving \$4.0 million each year
- Eliminates the \$7.5 million in HEETF allocation for the UVA Institute for Biotechnology
 - Chapter 1 provided \$36.0 million GF and \$15.0 million HEETF as part of a six-year investment for the Institute of Biotechnology
 - HB 30 replaces this funding with a one-time deposit of \$55 million as part of the proposed Virginia research triangle