



# Summary of Conference Report on House Bills 29 and 30

June 1, 2022

Prepared by Staff of the House Appropriations Committee

# KEY THEMES OF BUDGET

---



# Benefiting Virginia Families

1

## Leverages Virginia's Extraordinary Revenue Situation

Buys down future budgetary commitments with one-time revenues to address long-standing one-time investments and prepays upcoming financial obligations

2

## Invests in Core Programs

Addresses outstanding funding shortfalls in core programs serving Virginians, like Health and Human Resources and Public Education

3

## Maintains Structural Budget Integrity

Positions Virginia for the next biennium by ensuring Virginia can meet its ongoing financial commitments

4

## Provides Tax Relief for All Virginians

Accommodates a series of tax policies to help Virginia families like raising the standard deduction and providing taxpayer relief checks

5

## Continues Pandemic Recovery

Invests remaining federal American Rescue Plan Act funds in programs to aid in Virginia's recovery from the COVID-19 pandemic



# RESOURCES

---



# Available GF Resources for FY 2020-22 Biennium (Caboose Bill)

---

- General Fund (GF) resources total \$29.2 billion for FY 2022
  - Includes \$1.25 billion in GF revenues from the mid-session revenue update
- GF revenues are adjusted downward by \$165.6 million to reflect conformity with the tax provisions of the American Rescue Plan Act (ARPA)
  - Assumes full conformity to the federal allowance of deductions for business expenses funded with forgiven PPP loans and other similar tax-exempt funds effective for tax year 2021
- A reduction of \$202.8 million GF to fully eliminate the Accelerated Sales Tax requirement



# Available GF Resources for the FY 2022-2024 Biennium

---

- General Fund (GF) resources total \$31.7 billion in FY 2023 and \$28.0 billion in FY 2024
  - The higher figure in the first year reflects the carryforward of unspent FY 2022 revenues
- Net GF revenue adjustments associated with proposed tax policy actions total \$4.0 billion over the three-year period and are detailed on the following slide
- The unappropriated balance at the close of the biennium is \$18.7 million
- The budget contains no tax or fee increases



# Resource and Spending Adjustments

Resource and Revenue Changes	FY 2022	FY 2023	FY 2024	Biennial
<b>BALANCES/REVENUES/TRANSFERS</b>				
<b>Additions to Balances</b>				
Free Up GF Pending ARPA Final Rule	221,604,375	0	0	0
Various Legislative Carryforward Balances	5,459,063	0	0	0
Auxiliary Grant Balances	2,000,000	0	0	0
Elect Postage Stamp Balances	1,100,000	0	0	0
Criminal Fund	500,000			
<b>Subtotal-Balances</b>	<b>230,663,438</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Changes to Transfers</b>				
ABC Profits Forecast Correction	(14,700,000)			
K-12 Sales Tax Transfer from MidSession Reforecast	23,400,000	(387,000)	(476,000)	(863,000)
GO Virginia Balances	27,515,896			
Watercraft Sales and Use Tax	3,900,000			
Waterway Maintenance Fund		(2,500,000)	(2,500,000)	(5,000,000)
ABC Adjustments	15,200,000	(8,817,187)	(7,839,571)	(16,656,758)
<b>Subtotal-Transfers</b>	<b>55,315,896</b>	<b>(11,704,187)</b>	<b>(10,815,571)</b>	<b>(22,519,758)</b>



# Resource and Spending Adjustments

Resource and Revenue Changes	FY 2022	FY 2023	FY 2024	Biennial
<b>Changes to Revenues</b>				
Move AST Elimination to FY 2022	(202,800,000)	202,800,000		202,800,000
Technical Adjustment for Food/Hygiene Tax Elimination		(228,000)	(1,928,000)	(2,156,000)
Increase Standard Deduction to \$8k/\$16k		(970,200,000)	(665,100,000)	(1,635,300,000)
Reflect New Military Retirement Subtraction		(145,000,000)	(156,000,000)	(301,000,000)
Eliminate Worker Misclassification Revenues		(200,000)	(500,000)	(700,000)
Conformity for FY Tax Filers for TY 2020	(7,000,000)			
Eliminate Tax on Prescription Meds for Pets		(3,813,000)	(4,124,000)	(7,937,000)
Mid-Session Revenue Reforecast	1,226,600,000			
Tax Deduction for Teaching Expenses		(1,312,500)	(1,312,500)	(2,625,000)
163j Deduction Increase from 20% to 30%		(15,300,000)	(10,900,000)	(26,200,000)
Sports Betting Revenue Forecast Adjustment	13,300,000	16,000,000	20,000,000	36,000,000
Expansion of NAP Credit		(2,000,000)	(2,000,000)	(4,000,000)
Horse Race Wagering (SB 366)		(245,000)	(245,400)	(490,400)
Hardwood Management Practices (HB 1319)		(300,000)	(300,000)	(600,000)
Housing Tax Credit	15,000,000		9,000,000	9,000,000
<b>Subtotal-Revenues</b>	<b>1,045,100,000</b>	<b>(918,798,500)</b>	<b>(813,409,900)</b>	<b>(1,733,208,400)</b>
<b>Committee Resource Adjustments</b>	<b>1,330,079,334</b>	<b>(931,502,687)</b>	<b>(824,225,471)</b>	<b>(1,755,728,158)</b>





# TAX POLICY CHANGES

---



# \$4.0 b. in Tax Relief for Virginia Families

The conference report provides almost \$4.0 billion in tax relief for Virginia families, doubling the amount of proposed tax relief including in the introduced budget

Reflects revenue reduction of \$1.6 billion to increase the standard income tax deduction to \$8,000 for individual filers and \$16,000 for joint filers beginning in Tax Yr 2022

Eliminates the state sales tax on food and personal hygiene products effective January 1, 2023 at a cost of \$372.3 million

Provides \$1.0 billion to support \$250 single/\$500 family tax relief checks for all citizens early this fall

Allows for a 4-year phased-in \$40,000 income subtraction for all veterans beginning at age 55 at a cost of \$301 million

Reflects the increase in the deduction allowable for business interest from 20% to 30%, reducing revenues by \$26.2 million

Provides \$315 million for a refundable earned income tax credit at 15% of the federal level

Provides \$202.8 million in FY 2022 to expedite elimination of the “accelerated sales tax” which had required Virginia businesses to pre-pay their sales tax in June



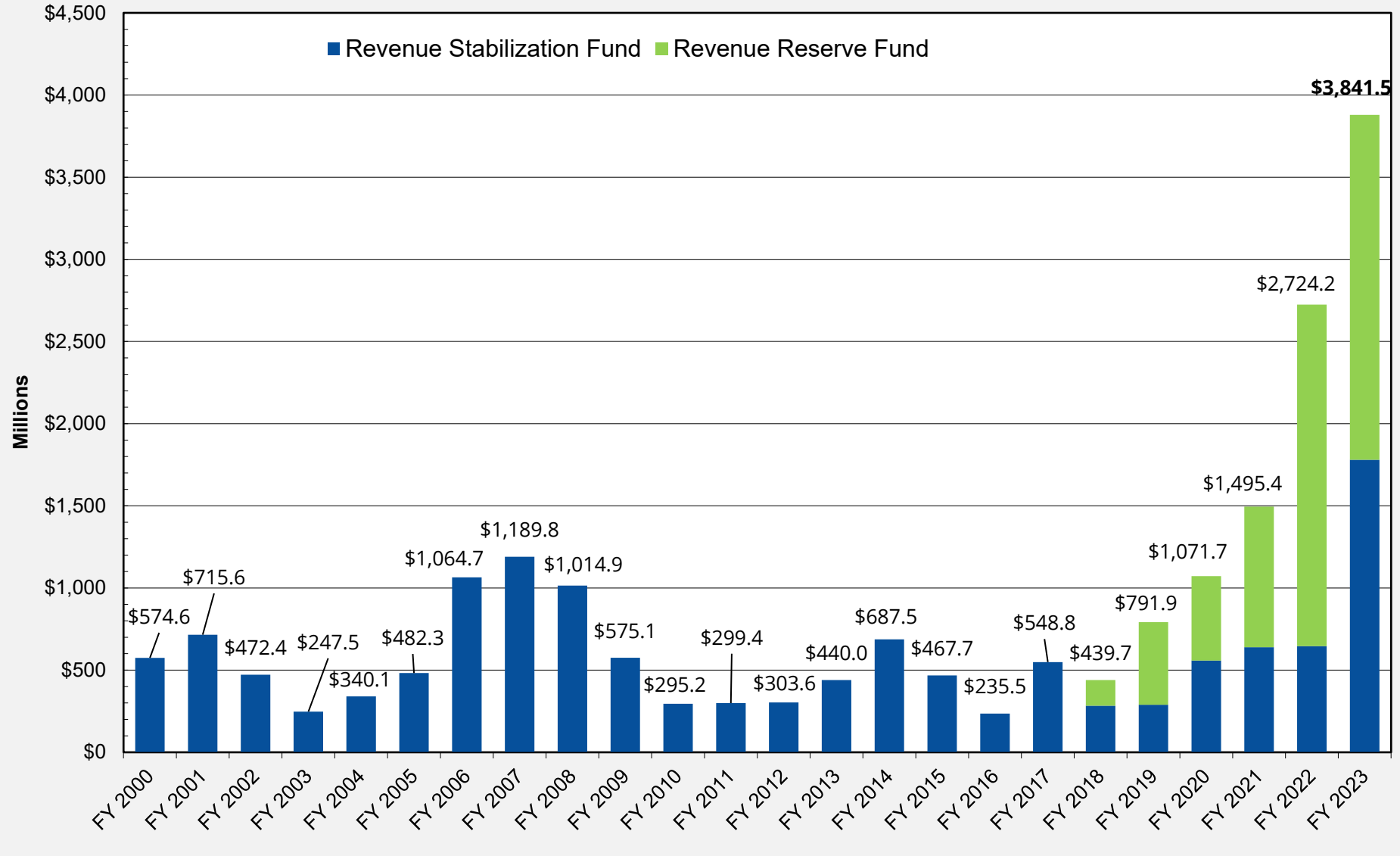
# Further Shoring Up Our Reserves

---

- Includes \$1.1 billion the first year to reflect the mandatory deposit to the Revenue Stabilization Fund in FY 2023
  - A separate amendment to HB 29 appropriates \$498.7 million as an advance reserve for an anticipated mandatory deposit to the Rainy Day Fund in FY 2024 based on the current FY 2022 revenue forecast
- After accounting for these planned deposits, the combined balances in the Rainy Day and Revenue Reserve Funds will total a record \$3.8 billion by FY 2023
- Also contains language increasing the combined balance total from 15% to 20%
  - Language further directs the Secretary of Finance to make recommendations regarding the cap and the funds by September 1, 2022



# Total of All Reserves



# PUBLIC EDUCATION

---



# Public Education

---

## **Largest Ever K-12 Budget**

- Provides \$19.2 billion over the 2022-24 biennium
  - \$3.2 billion above the 2020-22 biennium, a 20% increase
- Exceeds pre-recession, inflation-adjusted funding levels
- Exceeds FY 2022 & FY 2023 ARPA Maintenance of Effort requirements

## **Fully Funds Rebenchmarking**

- Provides \$40.5 million for rebenchmarking; atypically low-cost due to pandemic-impacted data
- Includes \$354.5 million to hold school divisions harmless from pandemic-impacted rebenchmarking data



# K-12 Compensation

---

## **5 Percent Salary Increases in both FY 2023 and FY 2024**

- Provides \$729.6 million GF for the state's share of pay increases for SOQ-recognized instructional & support staff
  - Increases effective August 1, 2022, and July 1, 2023
  - Divisions must provide at least 2.5% salary increases to access prorated portion of funds

## **Bonus Payments**

- Includes \$124.7 million ARPA in FY 2023 for a \$1,000 bonus for funded SOQ positions, effective December 1, 2022; no local match required

## **Teacher Recruitment Incentives**

- \$10 million ARPA in FY 2023 for teacher recruitment incentives of \$2,500/position
  - Incentive of \$5,000/position for hard-to-fill positions



# \$1.25 billion to Support \$3.15 billion in School Construction Projects

---

## **Targeted School Construction Assistance Grants**

- Provides \$450.0 million to establish new competitive construction assistance program (\$400.0 million GF/\$50.0 million Literary Fund)
  - Grants equivalent to 10% to 30% of project cost, based on LCI and fiscal stress
  - Projects selected based on demonstrated need, financial commitment and school building conditions

## **Formula-based School Construction & Modernization Grants**

- Includes \$400.0 million GF in FY 2023; divisions permitted to carry over funds
  - Each school division receives a base payment of \$1.0 million, remaining funds to be distributed based on ADM and LCI

## **Literary Fund Loans for School Construction**

- Authorizes \$200.0 million in loans each year and implements several loan program enhancements including:
  - Lower interest rates: Ensures maximum 2% rate for low-LCI divisions
  - Higher maximum loan amount: Increased from \$7.5 million to \$25.0 million
  - Incentives for projects resulting in school consolidation





# Standards of Quality Staffing Standards

---

## **Support Positions**

- Includes \$271.6 million GF to increase support position funding
  - Funds 20 positions per 1,000 ADM in FY 2023; increasing to 21 per 1,000 ADM in FY 2024

## **Reading Specialists**

- Provides \$62.5 million GF to establish a staffing ratio for reading specialists, as provided in HB 319/SB 616
  - 1 reading specialist per 550 students in K-3
  - Provides local flexibility during two-year phase-in

## **Full-Time Elementary School Principals**

- Includes \$20.3 million GF to fund a full-time principal in all schools
  - Provides state support for about 84 currently locally-funded positions
  - Currently, SOQ funds a half-time principal for elementary schools with fewer than 300 students



# Public Education

---

## **Retirement Costs**

- Includes \$166.0 million GF to fund teacher retirement costs with general funds, freeing-up Literary Funds to support school construction
- Includes \$145.7 million GF to maintain 2020-22 VRS rates in lieu of lower VRS Board-approved rates
  - Improves funded status at no higher cost to localities

## **Sales Tax on Groceries & Personal Hygiene Products**

- Provides \$158.0 million GF over biennium to hold school divisions harmless from elimination of state sales tax

## **At-Risk Add-On Funds**

- Includes \$145.3 million GF to increase the maximum add-on from 26% to 36% beginning in FY 2023



# Public Education

---

## **College Partnership Laboratory Schools**

- Provides \$100.0 million GF for Lab School fund to assist establishing lab school partnerships with public colleges
  - Authorizes \$5.0 million for planning grants
  - Authorizes \$20.0 million for startup grants
  - Remaining funds to support per-pupil operating costs

## **Early Childhood Education**

- Provides increase of \$66.9 million GF to expand several initiatives
  - Initiates biennial VPI-cost rebenchmarking
  - Expands mixed-delivery and three-year old slots
  - Provides early childhood workforce recruitment incentives



# COMPENSATION

---



# Across-the-Board Pay Raises

- Compensation recommendations provide 5% raises each year for state employees, state supported local employees and SOQ funded positions
  - Language reduces, to 2.5%, the first year pay raise for employees receiving a targeted salary increase in excess of 7.5% in FY 2023
  - Pay raises effective August 1, 2022 paycheck and July 1, 2023

GF \$ in Millions	FY 2023	FY 2024
State Employees/including University Faculty	\$169.6	\$390.1
Adjunct Faculty/Grad Teaching Assistants	8.9	20.0
State-Supported Local Employees	44.6	113.4
SOQ Funded Positions	<u>224.1</u>	<u>505.5</u>
<b>Total</b>	<b>\$447.2</b>	<b>\$1,029.0</b>



# Public Safety Targeted Actions

\$ in Millions	FY 2023	FY 2024
State Police Pay Plan	\$21.7	\$24.8
DOC Correctional Officers - Starting Pay \$42K	26.1	30.5
Deputy Sheriffs & Regional Jail Officers - Starting Pay \$42K	38.9	46.7
Probation and Parole Officers - \$3,000 Increase	<u>3.3</u>	<u>3.6</u>
<b>Total</b>	<b>\$90.0</b>	<b>\$105.6</b>

- Conference report increases starting pay for sworn officers of the State Police up to \$51,500
  - Also implements a new pay band program which sets salary based on rank and years of service thereby addressing compression
- Increase the starting pay for DOC correctional officers, deputy sheriffs and regional jail officers up to \$42,000, an increase of around 20%
  - Provides \$100 per year of service in addition to the base pay increase and also provides a career track within corrections



# Other Targeted Salary Actions

\$ in Millions	FY 2023	FY 2024
DBHDS Direct Care Staff to 50 <sup>th</sup> Percentile*	\$57.8	\$54.6
General District Court Clerks	4.0	4.4
Circuit Court Clerk Staff	1.3	1.5
Department of Veteran Services Staff	0.6	0.7
Veterinary Staff at VDACS	0.3	0.3
DGS Division of Consolidated Laboratory Services Staff	1.8	1.9
DGS State Mail Services Staff	0.1	0.1
Magistrates	<u>3.9</u>	<u>4.1</u>
<b>Total</b>	<b>\$69.8</b>	<b>\$67.6</b>

\* Salary increase for DBHDS staff are supported with ARPA funds in FY 2023 in lieu of state GF (\$57.8 million). FY 2024 funding is GF



# Employee Bonuses and Health Insurance

---

- **Employee Bonuses in FY 2023** – Conference report provides a \$1,000 bonus to state employees and SOQ instructional and support positions, December 2022
  - Includes \$66.5 million GF for the state employee bonus
  - Includes \$124.7 million in federal ARPA funds to support the full cost of the bonus for SOQ funded positions
- **State Employee Health Insurance** - Conference report eliminates proposed increase in premiums for the state employee health insurance program in FY 2023
  - Elimination saves the state \$12.8 million GF and reduces the cost of premiums charged to the employees and retirees not yet in Medicare
  - Budget retains \$28.0 million GF in funding in FY 2024 in case a premium increase is needed in the second year





# Lump Sum VRS Payments

---

- **VRS Lump Sum Payments** – Conference report for HB 29 provides \$750.0 million in lump sum payments to address unfunded liabilities across the plans in the current fiscal year
  - Language amendment in HB 30 provides up to \$250.0 million in additional funding to address unfunded liabilities contingent on FY 2022 year-end surplus
- **Retiree Health Credit Lump Sum Payment** – Report includes \$80.4 million GF over the biennium to VRS to increase the funded status for the retiree health credit plans for state employees, employees of the constitutional offices, and local social service departments
  - Funding intended to increase funded status to 30% by end of FY 2024



# HEALTH AND HUMAN RESOURCES

---



# HB 29/30 DMAS Forecasts

<b>DMAS Forecasts (GF \$ in millions)</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Official Forecast Medicaid Utilization & Inflation	(\$653.7)	\$291.3	\$529.9
Adjust for Virginia Health Care Fund revenue (tobacco MSA and taxes, Medicaid recoveries)	(132.8)	(2.2)	(7.4)
Adjust for Medicare premium payments	11.8	22.9	23.9
FAMIS children's health insurance forecast	(7.7)	12.7	17.3
Medicaid children's health insurance program forecast	(3.6)	8.7	13.8
<b>HB 29/30 Medicaid &amp; CHIP Forecasts</b>	<b>(\$786.0)</b>	<b>\$333.4</b>	<b>\$577.5</b>
<b>Offsets to Forecasts</b>			
Federal PHE extension of 6.2% FMAP into FY 2023 & per capita income changes in FY 2023 & FY 2024	(\$104.0)	(\$242.5)	(\$146.9)
Managed Care excess profits & medical loss ratio	-	(\$127.3)	(149.6)
<b>Total DMAS Health Care Forecasts</b>	<b>(\$890.0)</b>	<b>(\$36.4)</b>	<b>\$281.0</b>



# Medicaid Provider Rates

- \$377.0 million GF to increase Medicaid developmental disability waiver rates over the biennium
- \$85.9 million GF to increase personal care rates by 7.5% over FY 2022 rates for consumer-directed and agency-directed attendants
- \$77.5 million GF to provide a 30% rate increase in Medicaid dental rates, the first increase since 2005
- \$38.1 million in ARPA funds in FY 2023 and \$43.5 million GF in FY 2024 to continue the 12.5% temporary increase for a variety of home and community-based services
- \$37.5 million GF to support the value-based purchasing (VBP) program for nursing homes, an important step towards incentivizing higher staffing levels
- \$20.0 million GF to increase primary care rates to 80% of Medicare
- \$8.0 million GF to increase rates to reflect inflation for Psychiatric Residential Treatment Facilities
- \$6.5 million GF to increase Medicaid rates for obstetrical and gynecological services by 15% and \$6.2 million GF over the biennium to increase Medicaid vision services rates for children by 30%
- \$8.1 million GF to increase Medicaid support of Children's Hospital of the King's Daughters and \$7.3 million GF over the biennium to support the Virginia Home



# Medicaid Services

---

- Provides \$13.0 million GF to fund 600 developmental disability waiver slots in FY 2024
- Provides \$3.5 million GF over the biennium for brain injury case management services and adds language to develop a plan for a traumatic brain injury waiver program
  - Also includes \$1.1 million GF for non-Medicaid eligible brain injury case management services
- Provides \$2.0 million GF over the biennium to expand remote patient monitoring
- Adds \$510,587 GF over the biennium to cover anesthesia for children's dental procedures
- Adds language requiring managed care organizations to cover mobile vision services



# Behavioral Health Services

---

- Provides \$55.0 million GF for the costs in FY 2024 of direct care staff in state facilities to increase their compensation to 50% of the benchmark for such positions
- Includes \$22.2 million in ARPA funds in FY 2023 and \$28.3 million GF in FY 2024 to fully implement and fund STEP-VA in the Community Services Boards
- Includes \$33.8 million GF for Permanent Supportive Housing to support individuals with serious mental illness with stable housing
- Includes \$37.5 million GF to continue to support crisis system transformation, primarily mobile crisis teams and crisis receiving centers and Marcus Alert implementation in five additional localities
- Maintains \$10.1 million GF for a pilot program at Central State Hospital and Southern Virginia Mental Health Institute to provide discharge planning and therapeutic intervention treatment services seven days a week
- Provides \$6.9 million GF for discharge planning services



# Other Health & Human Resources

---

- Provides \$36.0 million GF over the biennium to fund the forecast of foster care and adoption subsidy payments
- Maintains \$10.6 million GF over the biennium to replace the child welfare information system at the Department of Social Services
- Provides \$8.5 million GF over the biennium to complete the three-year phase-in for local match changes for local health departments
- Maintains \$5.3 million GF over the biennium to add 300 public guardianships
- Adds \$5.0 million in FY 2023 for a CASA Welcome Center in Fairfax County
- Provides \$5.0 million GF over the biennium for the federally mandated reinvestment of child welfare savings



# HIGHER EDUCATION

---





# Higher Education Institutions

---

- General fund support for public colleges and universities will increase \$253.5 million in FY 2023 and \$360.8 million in FY 2024 over the 2022 base budget
  - Funding to support affordability and access will increase by \$158.9 million in FY 2023 and \$160.5 million in FY 2024
    - Includes \$40.0 million each year as a technical continuation of prior year access funding
    - Allows institutions to limit tuition and fee increases to no more than 3%
  - Financial aid, primarily for undergraduate students, will increase by \$29.2 million in FY 2023 and \$141.2 million in FY 2024
  - Institution-specific initiatives including increases for research totaling \$65.4 million in FY 2023 and \$59.1 million in FY 2024
    - \$36.7 million for cancer research at VCU and UVA
    - \$11.5 million for rural economic development at UVA-Wise
    - \$15.6 million at VSU and \$9.7 million at NSU to support student access and success



# SCHEV

---

- SCHEV general fund will increase by \$22.4 million in FY 2023 and \$56.9 million in FY 2024 to include:
  - \$4.5 million GF in FY 2023 and \$14.0 million in FY 2024 which will allow TAG awards for both undergraduate and graduate students to increase to \$4,500 in FY 2023 and \$5,000 in FY 2024
    - Increases award for online students to 50% of residential award
  - \$4.3 million GF each year will provide a \$5,000 supplemental TAG award to eligible students at Hampton University and Virginia Union University
  - \$5.4 million GF each year supports increases in the Military Survivors program (VMSDEP)
  - \$5.0 million GF each year provides for financial aid to newly eligible students under § 23.1-505.1, Code of Virginia
  - \$25.0 million GF in FY 2024 for potential grants to recruit and retain Pell-eligible students



# CAPITAL OUTLAY AND GENERAL GOVERNMENT

---



# Capital Outlay

---

- HB 29: Total increase of \$381.4 million GF & \$6.1 million NGF
  - \$350.0 million for a new project supplement pool to address inflation and supply chain issues
- HB 30: \$2.1 billion GF & \$1.1 billion NGF
  - Prioritizes projects that were previously authorized and planned, of an emergency nature, or improvements to existing space
  - \$1.0 billion GF for higher education & state agency capital pools
    - Major projects include Randolph Hall at Tech, Mary Washington Fine Arts Center, State Police Training Academy
  - \$362.0 million GF for 43 stand-alone projects
  - \$355.2 million GF for maintenance reserve and \$45.0 million for state parks deferred maintenance (record highs)
- **All cash; no new general fund-supported debt**



# General Government

## **Compensation Board**

- \$17.1 million GF to address behavioral healthcare needs in local and regional jails
- \$11.6 million GF to increase the state-responsible inmate per diem from \$12 to \$15
- \$1.8 million GF for positions in local offices of Treasurers and Commissioners of Revenue

## **Executive Offices**

- \$10.0 million GF in the first year for Transformation Office initiatives
- \$4.3 million GF to phase-in 26.0 positions at the Office of the Attorney General for workload increases resulting from the recent appellate court expansion
- \$2.0 million GF each year to support 10 positions in the Governor's Office

## **Elections**

- \$2.2 million GF in the first year for a statewide mailer to all registered voters on the recent changes made to legislative districts, and \$1.3 million GF each year for a voter education and awareness initiative focused on voting laws and regulations

## **Cybersecurity**

- \$15.0 million GF in centralized funding for cybersecurity initiatives; total of almost \$150 million for specific cybersecurity projects throughout the budget



# COMMERCE AND TRADE

---



# Commerce and Trade

---

- Contains a significant investment of \$159.0 million to improve Virginia's portfolio of business ready sites with \$54.5 million GF each year
  - An additional \$50.0 million GF is contingent on general fund revenue growth
- Includes \$150.0 million GF over the biennium for the Virginia Housing Trust Fund to invest in affordable housing projects and homelessness reduction programs
- Makes substantial improvements to the Virginia Housing Opportunity Tax Credit to increase the state's supply of affordable housing by authorizing \$60.0 million in credits per year to be claimed over 10 years
  - Contains language that allows the Governor to take net revenue losses (annual claims exceed forecast) as a result of this program from the Virginia Housing Trust Fund
- Sets aside funding to cover commitments for the Amazon HQ2 project through FY 2027
  - Deposits up to \$120.5 million GF to the Major Headquarters Workforce Grant Fund, \$35.5 million of which is contingent on general fund revenue growth



# Commerce and Trade

---

- Provides \$66.7 million GF over the biennium to support projects designed to strengthen Virginia's Biotechnology, Life Sciences, and Pharmaceutical Manufacturing Cluster
  - \$15.0 million to the Virginia Biotechnology Research Partnership Authority for a life science building lab and a key starting materials pilot project
  - \$36.0 million over 2 years to the University of Virginia's Institute for Biotechnology to recruit research scientists
  - \$15.7 million to the City of Roanoke to develop a business incubator and lab accelerator space
- Includes \$37.5 million GF in new spending over FY 2022, FY 2023, and FY 2024 for economic development projects approved by the MEI Commission that will create over 5,000 jobs (Rocket Labs, CoStar, Blue Star Manufacturing, CMA CGM)
- Includes an amendment package to support the Commonwealth Center for Advanced Manufacturing, including pay-off of outstanding debt





# Commerce and Trade NGF

---

- Includes \$130.0 million in federal ARPA funds to support all remaining Rebuild Virginia applications, and closes out this COVID-19 business assistance program
- Provides \$29.6 million in federal ARPA funds to upgrade infrastructure at Poor Creek Pump Station in Peterburg, VA
  - Upgrades are necessary for public safety and to support the expansion of pharmaceutical manufacturing businesses in the region
- Directs \$11.4 million NGF in Regional Greenhouse Gas Initiative proceeds to provide flood relief to the residents of Hurley



# AG, FORESTRY, AND NATURAL RESOURCES

---



# Ag, Forestry & Natural Resources

---

- Deposits \$313.0 million in the Water Quality Improvement Fund in FY 2023
  - Makes record-setting cash investment totaling \$256.6 million in the Natural Resources Commitment Fund, fully funding Ag BMP needs assessment for the biennium
  - \$15.9 million deposited in the WQIF Reserve, increasing the reserve fund balance by approximately 50%
- \$165.0 million ARPA funds for grants to Alexandria, Lynchburg, and Richmond for their combined sewer overflow projects
- \$87.9 million ARPA funds for water, wastewater, and sewer projects in 12 localities
- \$25.0 million GF deposit to the Stormwater Local Assistance Fund (SLAF) in capital outlay



# Ag, Forestry & Natural Resources

---

- \$21.1 million at the Department of Historic Resources to support 19 historic and cultural attractions
- \$10.7 million for State Parks over the biennium
  - \$7.7 million for State Park operations across the Commonwealth
  - \$3.0 million in funding for Sweet Run, Powhatan, First Landing, Mendota Trail, and Big Cedar Creek
- \$10.0 million GF and \$10.0 million ARPA for repair and rehabilitation of privately-owned high-hazard dams
- Increases appropriation for the Virginia Land Conservation Fund from \$10.0 million to \$16.0 million per year



# PUBLIC SAFETY AND VETERANS

---



# Public Safety & Veterans

---

- \$45.0 million over the biennium in additional funding for the School Resource Officer Incentive Grant Program
  - No local match required in the first year
- \$47.0 million over the biennium for additional aid to localities with police departments (“HB 599” funding)
- \$13.0 million over the biennium for community violence-focused grants programs at DCJS
  - \$5.0 million for the Operation Ceasefire Grant Fund
  - \$8.0 million for the Firearm Violence Intervention and Prevention Program



# Public Safety & Veterans

---

- \$75.0 million in ARPA funds for one-time grants to local law enforcement agencies to support equipment purchases and training
- \$20.3 million GF over the biennium at the Department of Veterans Services for additional support for Veterans programs, including the establishment of a new suicide and opiate misuse prevention initiative
- \$5.0 million GF in FY 2023 for infrastructure investments in military communities
- \$19.4 million over the biennium to fund operations of the Cannabis Control Authority to meet Code requirements



# TRANSPORTATION

---





# Transportation GF Allocations

Project (\$ in millions)	HB 29	HB 30
Improve I-64 between Exits 205 & 234	\$210.0	\$110.0
Support for Multi-Use Trails	37.5	41.5
Mid-Atlantic Regional Spaceport	30.0	0.0
Nimmo Parkway Project	10.0	0.0
Planning Cost for Norris Bridge	0.0	5.0
Transit Ridership Incentive Fund	<u>0.0</u>	<u>5.0</u>
<b>Total</b>	<b>\$287.5</b>	<b>\$161.5</b>

- **I-64 Project** - In addition to the \$320.0 million in direct GF support, language earmarks up to \$150.0 million in additional funding contingent on FY 2022 year-end surplus providing enough support to complete this key interstate supply chain connection and frees up VDOT funds for projects across the Commonwealth
- **Multi Use Trails** – Includes an additional \$79.0 million across the 3 fiscal years to coordinate and support the development of multi-use trails throughout the Commonwealth



# Port Investments

---

- Conference report includes about \$1.0 billion in capital outlay investments for the Port of Virginia, including \$266.0 million GF and \$618.0 million NGF
  - \$266.0 million GF and \$166.0 million NGF to modernize and enhance capacity to the Norfolk International Terminal - North
  - \$192.0 million NGF to support infrastructure improvements at the Portsmouth Marine Terminal
  - \$120.0 million NGF the first year to procure container handling equipment



# Other Transportation Amendments

---

- Conference report includes \$10.0 million additional funding for shallow water dredging projects
  - \$2.5 million each year for the Waterway Maintenance Fund within the Port of Virginia
  - \$5.0 million in one-time funding under capital outlay
- Conference Report transfers \$15.0 NGF million each year within VDOT to increase support for locally maintained roads
  - Transfer is consistent with the findings of recent JLARC study that locally maintained roads “need further improvement”



# ARPA SPENDING

---



# ARPA Spending

---

- Virginia received \$4.3 billion in State and Local Recovery Funds (SLRF) from the American Rescue Plan Act (ARPA) to aid in COVID-19 response and recovery activities
- Actions taken during Special Session I of the 2021 General Assembly invested \$3.2 billion of these funds in several initiatives including UI Trust Fund solvency, small business assistance, and broadband infrastructure
- \$1.1 billion remained in SLRF for investment by the 2022 General Assembly
  - The conference report appropriates these remaining funds, leaving \$20.9 million available for future appropriation



# ARPA Spending

Initiative Type (\$ in millions)	All Years
<b>Water and Sewer:</b> Infrastructure projects including Petersburg, Dumfries, Occoquan, Colonial Beach, Falls Church, Prince William, Department of Health drinking water and septic initiatives, and structural improvements to dams	\$184.3
<b>Combined Sewer Overflow:</b> Alexandria, Richmond, Lynchburg	165.0
<b>Public Health:</b> Hospital costs related to COVID-19, EVMS COVID-19 costs, nursing home relief, systems automation, Electronic Health Records, lead remediation in homes with children, PPE, Medicaid re-evaluations	158.9
<b>Rebuild Virginia Program:</b> Funds all remaining applications for business assistance	130.0
<b>Teacher Bonus:</b> Provides a one-time bonus of \$1,000 for all SOQ funded positions	124.7
<b>Mental Health:</b> STEP VA, community-based crisis services, mental health and intellectual disabilities training and treatment centers, crisis intervention training	105.1
<b>Public Safety:</b> Training and equipment for Virginia State Police and Local Law Enforcement	75.0
<b>Commerce and Ag. Initiatives:</b> VEC customer service, Broadband, 4H Centers, Industrial Revitalization Fund, Virginia Main Street Program	61.7
<b>Increase for Home and Community Based Providers:</b> Retains 12.5% in Medicaid reimbursement rates	38.1



# ARPA Spending

Initiative Type (\$ in millions)	All Years
<b>Other K-12 Education:</b> United Way of Southwest Virginia Child Care, teacher recruitment incentives, learning management systems, growth assessments, community learning centers	31.1
<b>Other Public Safety:</b> Virginia Emergency Support Team recovery activities, equipment, PPE, and HVAC purchases for state agencies and correctional centers	15.8
<b>Food Access:</b> Virginia Agriculture Food Assistance Program and VA Federation of Food Banks	14.5
<b>Substance Use Disorder:</b> Community-based treatment programs, statewide efforts to prevent suicide and substance use disorder, Opioid and Naloxone distribution program	10.3
<b>Addressing Community Violence:</b> Victims Services Grant program, firearms evidence evaluation and ballistic evidence	9.3
<b>ARPA Reporting:</b> Department of Accounts and oversight initiatives	2.1
<b>TOTAL ARPA SPENDING</b>	<b>\$1,124.9</b>



# CONTINGENT APPROPRIATIONS

---





# Contingent Obligations

From any 2022 revenue surplus, after the Revenue Stabilization Fund set-aside, the next \$585.0 million shall be reserved for the following deposits:

<b>Investment (GF \$ in millions)</b>	<b>FY 2023</b>
Lump-sum payment to VRS for unfunded liability of statewide plans	\$250.0
Transportation Fund to Improve I-64 between Exits 205 and 234	150.0
Virginia Business Ready Sites Program Fund	50.0
2022 Capital Supplement Pool	100.0
Major Headquarters Workforce Grant Fund	35.5
<b>Contingent Spending Total</b>	<b>\$585.5</b>



# ITEMS THAT HAD NOT BEEN IN EITHER BUDGET

---



# Items Not Included in Either Budget

- **Item 26:** Provides \$50,000 in FY 2023 to support Virginia Israel Advisory Board
- **Item 72:** Adds language to clarify responsibilities related to the provision of courtroom security
- **Item 77:** Provides a \$1,250 pay increase to the base wage and salaries of all circuit court employees, effective July 1, 2022
- **Items 81 & 83:** Updates rates for DGS architectural and engineering and lease administrative services to accommodate increased personnel costs
- **Item 93:** Updates VITA administrative charges to recover expenses to support VITA IT security positions included in HB 30
- **Item 108:** Directs the Department of Forestry to prepare an assessment of the environmental benefits of Virginia's forests and its forest economy
- **Item 123:** Adds language to allow DSBSD to use money provided for the Small Business Investment Grant Fund by extending the qualifying investment period by a year
- **Item 135:** Provides \$130,000/year and 1.0 FTE to administer school construction grants
- **Item 137:** Amends reporting date for SOQ preliminary cost forecast
- **Item 440:** Waives the requirement for certain entities to be licensed or certified by DMV to provide Entry-level Driver Training to commercial drivers
- **Item 485:** Provides \$250,000/year to cover personnel costs incurred by DGS for lease administration
- **Item 494:** Language amendment related to the provision of additional casino licenses
- **Item 494:** Language amendment to prohibit sports betting operators from excluding bonuses or promotions from their adjusted gross revenue 12 months after they begin sports betting activity in Virginia
- **Item C-15.50:** Includes \$4.5 million NGF for ODU to renovate an existing facility to accommodate its public safety operations
- **Item 3-5.24:** Extends sunset dates for various sales tax exemptions, sales tax holidays, and tax credits that inadvertently were not addressed this Session
- **Item 4-0:** Language clarifying the definition of "skilled games"
- **Item 4-14:** Language establishing a regulatory process for protecting public health related to hemp extracts for human consumption and establishing misdemeanor offenses for possession of large quantities of cannabis

