

High Level Summary of Major Items in Conference Report

- The extraordinary revenue situation has enabled us to protect for the future by using one-time revenues to address long-lingering one-time investment needs, prepay upcoming commitments, fund debt with cash instead of bonds, and remove accounting gimmicks used to balance the budget during the Great Recession
- Utilizes revenue to provide substantial tax relief to Virginia's families and business
- Maintains structural integrity for the next biennium
- Also enables us to bolster spending for core government services in the areas of education, health and human resources and natural resources
- Uses remaining federal funds to address ongoing pandemic recovery

Resources

- 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
- The unappropriated balance at the close of the biennium is \$18.7 million

Tax Policy Changes

- **In combination, these actions provide almost \$4.0 billion of tax relief for Virginia's families, doubling the amount proposed in the introduced budget**
- **Will reduce the average family's tax burden by more than \$1,000**
- Budget increases the standard income tax deduction from \$4,500 for individuals and \$9,000 for joint filers to \$8,000 and \$16,000, effective Tax Year 2022
- Fully eliminates the state sales tax on food and personal hygiene products effective January 1, 2023
- Provides \$250 single/\$500 family tax relief checks for all citizens this Summer/Fall
- Provides a 4-year phased-in \$40,000 income subtraction for all veterans beginning at age 55
- Reflects the increase in the interest deduction allowable for business interest deduction from 20% to 30%
- Includes a refundable earned income tax credit at 15% of the federal level
- Provides \$202.8 million to eliminate the use of "accelerated sales tax" which had required Virginia businesses to pre-pay their sales tax in June of each year

Preparing for the Future

- Spending focuses on significant one-time expenditures to ensure structural balance is maintained and short-term revenue spikes are not used to fund ongoing services
- Includes a one-time appropriation in FY 2022 of \$750 million to VRS to improve the funded status of the state and teacher's retirement funds. Also includes language authorizing an additional \$250 million deposit in FY 2023 contingent on the revenue forecast
- Sets aside \$498.7 million to the Rainy Day Fund to pre-pay the deposit required in FY 2024 based on the current forecast for FY 2022 revenue growth and includes language authorizing the combined Reserve Funds to reach 20% of general fund revenues
 - A separate amendment deposits \$1.1 billion to the Rainy Day Fund based on last year's year-end surplus
 - When added to prior deposits to the two reserve funds, Virginia's reserves will reach a record level of \$3.8+ billion
- Provides funding in FY 2023 and FY 2024 to increase the funded status of the Retiree Health Care Credits to 25% and 30% funded rate, respectively, at an investment cost of \$80.4 million over the biennium thereby reducing out-year liabilities
- Fully pre-funds the Amazon incentive payments through FY 2027 at a cost of \$120.5 million
- Over the three years, invests \$2.5 billion of GF cash in previously authorized and planned projects, infrastructure improvements and the deferred maintenance backlog that otherwise would have been funded with debt
- Provides a total of \$320 million GF for improvements to I-64 between Richmond and Williamsburg to help jump-start that project which represents the last unwidened segment between Hampton Roads and Richmond, thereby freeing up transportation funding for other projects across the state. Contingent spending authorizes an additional \$150 million to complete the funding needed if revenues continue to grow in FY 2023 (Total of \$470)
- \$266.0 million GF and \$166.0 million NGF the first year is included to modernize and enhance capacity to the Norfolk International Terminal-North and address supply-chain issues

Commerce and Trade

- Invests \$159.0 million GF over the biennium for the Virginia Business Ready Sites program, with \$50.0 million of that total in FY 2023 contingent on general fund revenue growth. Funding is intended to support grants to develop project-ready sites to make the Commonwealth more competitive in attracting economic development projects
- Includes \$150.0 million GF for the Virginia Housing Trust Fund to support the creation or preservation of affordable housing
- Authorizes \$60.0 million in Virginia Housing Opportunity Tax Credits per year to be claimed over 10 years, providing a total of \$255 million over the life of the program
- Includes \$120.5 million GF in deposits to the Major Headquarters Workforce Grant Fund to fund anticipated future incentive grant payments associated with the Amazon HQ2 project. \$35.5 million of this funding in FY 2023 is contingent on general fund revenue growth
- Provides \$66.7 million GF for statewide investments in Virginia's emerging biotechnology, life sciences, and pharmaceutical manufacturing cluster

- Includes \$29.6 million in ARPA for the City of Petersburg to upgrade its water and wastewater infrastructure at Poor Creek Pump Station, which will help support a growing pharmaceutical manufacturing cluster in the region
- Invests \$27.6 million in ARPA in the Industrial Revitalization program, which supports the redevelopment of blighted communities across the Commonwealth
- Provides an additional \$7.0 million GF to support implementation of the Virginia International Trade Plan, including programs to increase international trade, supply chain optimization and market research
- Includes \$3.0 million GF in FY 2023 for the City of Norfolk to support initiatives related to the OpSail 250 international sailing event
- Provides \$2.5 million GF in FY 2024 for a new grant program to help business transition to the Offshore Wind Industry

Labor

- Includes language that continues to hold employer Unemployment Insurance tax rates harmless from pandemic-related claims beyond calendar year 2022 and eliminates the fund builder tax for next year
- Includes a series of JLARC-recommended amendments to address performance and technology issues at the Virginia Employment Commission

Public Education

- Overall, provides an additional \$347.1 million the first year and \$158.7 million the second year over the introduced budget. This increases Direct Aid funding by \$2.9 billion GF over the biennium compared to FY 2022, \$1.7 billion GF the first year and \$1.2 billion GF the second year an increase of 20% and results in the highest K-12 budget ever, even after adjusting for inflation
- Includes \$40.5 million GF over the biennium for rebenchmarking and technical updates, and an additional \$177.1 million GF the first year and \$177.4 million GF the second year to hold divisions harmless for rebenchmarking data affected by COVID-19, including special education child counts, pupil transportation and non-personnel support costs

Compensation, Recruitment, and Retention

- Includes \$224.1 million GF the first year and \$505.5 million GF the second year to support the state's share of a 5.0% salary increase each year for teachers and support positions. Divisions must provide a local match
- Provides \$124.7 million NGF ARPA funds for a one-time pandemic bonus for school division employees December 1, 2022. Funds are distributed to divisions based on \$1,000 per SOQ-funded instructional and support position and require no local match
- Includes \$10.0 million NGF ARPA funds to provide recruitment incentives for individuals filling vacant positions in fall 2023. This provides incentive bonuses of \$2,500, or \$5,000 if the individual fills a position in a hard-to-staff position or hard-to-staff schools

School Construction and Modernization

- Includes \$400.0 million GF the first year for school construction and modernization payments. Divisions are allowed to carry forward unspent funds. Each division receives a base allocation of \$1.0 million with the remaining funds allocated based on average daily membership weighted by the local composite index

- Provides \$400.0 million GF and \$50.0 million NGF from the Literary Fund for targeted school construction assistance based on the House plan. Qualifying projects would be eligible for grants/loan buydowns of up to 30% of reasonable school construction and modernization costs
- Authorizes up to \$200.0 million each year from the Literary Fund to be used for school construction loans, and implements several enhancements to the loan program, including lower interest rates and increased maximum loan amounts
- In total, the school construction package will support \$3.15 billion in local projects

Standards of Quality

- Provides \$109.4 million GF the first year and \$162.3 million the second year to increase the number of funded support positions. This increases the funded ratio of support positions to instructional positions from 17.75 support positions per 1,000 students to 20 support positions per 1,000 students the first year and 21 support positions per 1,000 students the second year
- Includes \$30.9 million GF the first year and \$31.7 million GF the second year to provide one reading specialist for every 550 students in kindergarten through third grade
- Provides \$10.0 million GF the first year and \$10.3 million GF the second year to provide a full-time principal in every elementary school

Other K-12 Initiatives

- Provides \$104.1 million GF the first year and \$257.2 million GF the second year for a GF payment to cover the elimination of the state sales tax on food for human consumption and essential personal hygiene products of which 1.0% is dedicated to public education. These payments are distributed based on the estimated school age population consistent with sales tax
- Includes \$100.0 million for planning and startup grants and ongoing operational aid for College Partnership Laboratory Schools
- Includes \$71.1 million GF the first year and \$74.2 million GF the second year to increase the maximum At-Risk Add On percentage from 26.0% to 36.0%
- Includes \$26.7 million GF the first year and \$40.2 million GF the second year to implement several early childhood initiatives, including biennial rebenchmarking for Virginia Preschool Initiative (VPI) slots, expanded services for three-year olds, expanded mixed delivery and early childhood workforce recruitment and retention grants

Health and Human Resources

- Provides an additional \$1.4 billion GF for Health and Human Resources over the biennium, \$447.0 million GF the first year and \$963.6 million GF the second year

Medicaid

- Fully funds \$910.9 million GF over the biennium for the Medicaid and children's health insurance forecasts
- Reflects \$349.4 million GF in federal match rate (FMAP) changes over the biennium resulting from the extension of the Public Health Emergency into the first quarter of FY 2023
- Reflects \$274.2 million GF in savings from a projected increase in revenue in the Virginia Health Care Fund (VHCF) from managed care payments due to exceeding the profit cap and lower than required medical loss ratios

- Provides \$377.0 million GF to increase Medicaid developmental disability waiver rates over the biennium
- Adds \$85.9 million GF over the biennium to increase personal care rates 7.5% for consumer-directed and agency-directed attendants
- Includes \$77.5 million GF to provide a 30% rate increase in Medicaid dental rates over the biennium
- Provides \$38.1 in ARPA funds and \$43.5 million GF to continue the 12.5% temporary increase for a variety of home and community-based services
- Adds \$37.5 million GF over the biennium to support the value-based purchasing (VBP) program for nursing homes, which incentivizes higher staffing levels
- Includes \$20.0 million GF over the biennium to increase rates for primary care to 80% of Medicare rates
- Provides \$13.0 million GF to fund 600 additional developmental disability waiver slots in FY 2024
- Includes \$6.5 million GF over the biennium 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%

Behavioral Health

- Provides \$55.0 million GF for the costs in the second year of direct care staff in state facilities to increase their compensation to 50% of the benchmark for such positions, resulting in salary increases averaging around 37%. In the first year, the costs of these compensation actions are covered through federal ARPA funding
- 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 over the biennium for Permanent Supportive Housing to support individuals with serious mental illness with stable housing
- Includes \$37.5 million GF over the biennium to continue to support crisis system transformation, primarily mobile crisis teams and receiving centers, and \$6.0 million GF over the biennium to support Marcus Alert implementation in five additional localities
- Maintains \$10.1 million GF over the biennium 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 over the biennium for discharge planning services
- Includes \$5.0 million GF the second year to continue funding for substance use disorder treatment that is funded with federal American Rescue Plan Act funds in the first year
- Recommends \$2.9 million GF over the biennium to expand the Virginia Mental Health Access program to emergency rooms and urgent care

Other Health and Human Resources

- Provides \$36.0 million GF over the biennium to fund the forecast of foster care and adoption subsidy payments
- Adds \$34.0 million in ARPA funds to assist hospitals in offsetting costs from COVID-19
- Provides \$8.5 million GF 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
- Includes \$2.5 million GF in FY 2023 to continue an existing contract for an integrated e-referral system for community public health and social services as it transitions to user fees to support its operations in FY 2024

State Corporation Commission

- Includes \$20.0 million GF in FY 2024 to fund the state share of a reinsurance program for the individual insurance market. The federal government will provide over \$200 million to the program that will reduce premiums in the individual health insurance market by up to 20%

Natural Resources, Agriculture, and Forestry

- Includes a \$313.0 million GF deposit in FY 2023 to the Water Quality Improvement Fund. Included within this amount is \$256.6 million GF in supplemental funding to support matching grants for the implementation of Agricultural Best Management Practices
 - Allocates a total of \$3.5 million for remediation of harmful algal blooms in the Shenandoah River and Lake Anna
- Provides \$16.0 million GF each year for the Virginia Land Conservation Fund
- Includes a total of \$65.5 million (GF and ARPA) in dam safety improvements in the first year. Of these amounts, \$45.5 million is for the rehabilitation of state Soil and Water Conservation District dams and \$20.0 million is proposed for non-state owned impounding structures
- Includes the appropriation of \$371.2 million NGF in proceeds from the Regional Greenhouse Gas Initiative (RGGI). Of these amounts, \$170.0 million is for the Community Flood Preparedness Fund administered by the Department of Conservation and Recreation and \$11.2 million is for administration and planning activities undertaken by the Department of Environmental Quality
 - An additional \$190.0 million NGF in RGGI proceeds are appropriated to the Department of Housing and Community Development for the Housing Innovations in Energy Efficiency program
- Increases operational support for Virginia State Parks by \$16.3 million GF over the biennium
- Includes \$17.6 million GF over the biennium to meet anticipated federal matching requirements for increased Clean Water Revolving Loan Funds authorized in the federal Infrastructure Investment and Jobs Act
- Authorizes \$21.1 million GF the first year for various historical interpretation and commemoration projects across the Commonwealth

Public Safety

- Provides an additional \$19.1 million GF the first year and \$27.9 million GF the second year to increase the Commonwealth's Aid to Localities with Police Departments or "HB 599" Program
- Adds \$45.0 million GF for the School Resource Officer Incentive Grants Fund, which offers funding to localities for new School Resource Officers or School Security Officers
- Provides \$13.0 million GF to the Department of Criminal Justice Services (DCJS) for violence prevention grants, including \$4.0 million GF each year for Violence Intervention and Prevention Grants and \$2.5 million GF each year for the Operation Ceasefire Grant Fund

- Authorizes \$8.2 million GF and 37 positions the first year and \$8.2 million GF and 49 positions the second year for the Virginia Cannabis Control Authority to further establish its operations, as well as \$3.0 million GF the second year for loans for new cannabis businesses
- Maintains \$11.0 million GF the first year and \$9.5 million GF the second year for increased inmate-related medical expenditures in state correctional facilities
 - Maintains \$6.8 million GF in fiscal year 2022 and directs the Secretary of Public Safety and Homeland Security to submit a report on its planned operational and capital expenditures for adult inmate healthcare services
- Maintains \$8.3 million GF the first year and \$6.3 million GF the second year to update the Virginia State Police case management, records, and dispatch systems

Office of Veterans and Defense Affairs

- Includes \$5.0 million GF in the first year to establish the Virginia Military Community Infrastructure Program, to provide localities matching funds for federal grants related to strengthening military installation communities
- Adopts \$5.0 million GF each year to establish a veterans suicide and opioid use prevention program
- Provides \$5.4 million GF in FY 2023 and \$5.8 million in FY 2024 to enhance and expand services at the Department of Veterans Services

Employee Compensation

- Provides \$232.0 million GF the first year and \$543.6 million GF the second year for a 5.0% salary increase in each year of the biennium for state employees, including adjunct faculty and graduate teaching assistants at higher education institutions, and for state-supported local employees, excluding certain employee groups receiving a separate targeted salary adjustment equal to or greater than 7.5% in the first year
 - Provides a 2.5% salary increase in the first year and a 5.0% salary increase in the second year for employee groups receiving a separate, targeted salary adjustment equal to or greater than 7.5% in FY 2023
 - The raise is effective July 10, 2022 for state employees (for the August 1, 2022 payday) and August 1, 2022 for state-supported local employees
- Includes \$66.5 million GF in FY 2023 for an additional \$1,000 bonus for state employees, to be paid on December 1, 2022
- Provides \$90.0 million GF the first year and \$105.7 million GF the second year for targeted compensation initiatives for sworn officers of the Department of State Police, correctional officers of the Department of Corrections, and Deputy Sheriffs and Regional Jail Officers
 - Includes \$21.7 million GF the first year and \$24.8 million GF the second year to increase starting salaries and address pay compression at the Department of State Police
 - Includes \$29.4 million GF the first year and \$34.2 million GF the second year to increase starting salaries and address pay compression at the Department of Corrections
 - Includes \$38.9 million GF the first year and \$46.7 million GF the second year to increase the starting salaries and address pay compression for deputy sheriffs and regional jail officers

- Provides \$1.0 million GF each year for a compensation plan for the Division of Capitol Police addressing recruitment, retention, and compression issues
- Includes \$11.2 million GF over the biennium to increase the salaries of the clerks and deputy clerks of the General District and Circuit Courts

Compensation Board

- Provides \$7.3 million GF the first year and \$9.8 million GF the second year to phase in staffing to address behavioral healthcare needs in local and regional jails
- Adds \$4.6 million GF the first year and \$7.0 million GF the second year to increase the per diem for state-responsible inmates from \$12 to \$15/day
- Provides \$500,000 GF each year for a federal cost recovery expansion for the Western Tidewater Regional Jail
- Includes \$1.3 million GF the first year and \$1.5 million GF the second year to provide a \$1,250 pay increase to circuit court clerk staff

Judicial

- Maintains \$7.8 million GF and 120 positions each year for district court clerks' offices based on workload staffing measures, and provides \$4.0 million GF the first year and \$4.4 million GF the second year for a \$2,000 pay increase for all district court clerks
- Includes \$3.9 million GF the first year and \$4.1 million GF the second year to increase the salaries of magistrates to \$54,000 and to address salary compression

Technology/Cybersecurity

- Provides \$10.0 million GF the first year and \$5.0 million GF the second year in additional, centralized funding for cybersecurity initiatives
- Includes \$4.9 million GF in FY 2023 for state matching funds for anticipated federal cybersecurity grant awards under the State and Local Cybersecurity Improvement Act
- Adds \$2.3 million GF the first year and \$500,700 GF the second year and 2.0 FTE positions to enhance legislative branch system security

Executive Offices

- Provides \$2.0 million GF each year and 10.0 FTE positions in the Office of the Governor, to include \$750,000 GF each year and 4.0 FTE positions for a new Transformation Office
- Includes \$1.7 million GF and 13.0 FTE positions the first year and \$2.6 million and 26.0 FTE positions the second year for the Office of the Attorney General to assist with workload increases resulting from the recent appellate court expansion
- Adds \$10.0 million GF the first year to administer statewide efficiencies through the Transformation Office

Capital Outlay

- Provides \$3.3 billion from all funds for capital projects, including \$2.2 billion GF and \$1.1 billion NGF, including:
 - \$870.0 million GF and \$29.3 million NGF for a construction funding pool to support eight higher education projects that are planned and ready to proceed to construction
 - \$161.7 million GF in a construction funding pool for eleven state agency projects, to include a new State Police Training Academy
 - \$355.2 million GF for statewide maintenance reserve and another \$45.0 million GF for deferred maintenance projects at state parks
- Does not obligate any new tax-supported debt

Higher Education

- Provides \$104.0 million GF of increased funding over the biennium for College Affordability and Access for in-state undergraduate students and an additional \$150 million GF in undergraduate financial aid
 - Includes \$12.0 million for James Madison University operating support to address funding inequities
 - Norfolk State University and Virginia State University each receive about \$20.0 million over the biennium
 - In addition, maintains \$114.0 million of access funding. The combined actions nearly triple current spending levels
- Maintains \$10.0 million GF over the biennium to expand eligibility for the Virginia College Affordability Network (VCAN) at Norfolk State University and Virginia State University
- Financial Aid and Student Retention
 - Maintains \$150.0 million GF over the biennium to increase the availability of need-based financial aid for in-state undergraduate students
 - Maintains \$10.4 million GF over the biennium to make need-based financial aid more available to in-state graduate students
 - Includes \$10.0 million GF over the biennium to provide need-based financial aid to students who are ineligible to receive federal grants
- Provides \$250,000 GF the first year and \$25.0 million the second year to develop and implement long-term plans to address below-average enrollment of Pell-eligible students at certain institutions
- Includes \$18.4 million over the biennium to meet demand for and increase the size of individual awards under the Tuition Assistance Grant (TAG) program
 - Includes \$8.5 million GF over the biennium to offer supplemental annual awards of \$5,000 to TAG-eligible students attending Historically Black Colleges and Universities (HBCUs)
- Includes \$33.0 million GF over the biennium in new workforce development programming statewide, including funding of \$13.0 million GF for the Virginia Talent + Opportunity Partnership
- Adds an additional \$5.0 million to Massey Cancer Center for cancer research in FY 2023, bringing total funding to \$10 million