



2023 Session Budget Overview Amendments to the FY2022-24 Budget

January 12, 2023

Prepared by the House Appropriations Committee Staff

RESOURCES AND OVERVIEW



Crafting the House Budget

- Chairman has identified 5 key priorities for this year's amendments to the budget
 - Focus funding on one-time expenditures to maintain structural balance in uncertain economic times
 - Help citizens address cost increases that have occurred based on recent high inflation
 - Address our mental health and opioid crises
 - Maintain historic increases adopted last year in K-12, higher education, and health and human resources
 - Accelerate economic and workforce development investments to ensure a strong tomorrow



Disposition of FY 2022 Surplus

Distribution Requirements	Amount (\$ in millions)
Balance of Mandatory Rainy Day Fund (RDF) Deposit (This is in addition to Ch. 2 prepayment of \$498.7 million)	\$406.0
Water Quality Improvement Fund (Part A – based on revs.)	\$87.1
WQIF (Part B – based on agency balances)	\$43.9
Contingent Spending Included in Chapter 2 (\$250 m. to VRS, \$150 m. to I-64, \$50 m. to business ready sites, \$100 m. to capital supplements, \$35.5 m. to Amazon fund)	\$585.5
Other Technical Adjustments	\$24.7
Set aside for potential RDF Super Deposit– Previously Assumed	\$452.3
Voluntary deposit to Taxpayer Relief Fund– Previously Assumed	\$396.9
Available for Flexible Use in HB 1400	\$849.2
Total Revenue Surplus	\$1,947.0



Fiscal Year 2023 Year-to-Date Revenue Collections

Revenue	HB 1400 Estimate	Req by Est	Year-To-Date			
			FY 2022	FY 2023	Change	% Change
Withholding	\$16,078.3	4.8%	\$5,906.3	\$6,446.1	\$539.8	9.1%
Nonwithholding	5,088.6	-25.3%	1,159.8	1,313.8	154.0	13.3%
Refunds	(3,535.2)	103.1%	(303.8)	(1,313.6)	(1,009.8)	332.4%
Sales and Use Tax	4,926.3	8.1%	1,726.6	1,987.2	260.6	15.1%
Corporate Income Tax	1,809.1	-8.6%	\$602.3	512.2	(90.0)	-14.9%
All Other Sources	2,020.6	6.1%	\$598.5	623.5	25.0	4.2%
Total GF Revenues	\$26,387.8	-8.8%	\$9,689.6	\$9,569.2	(\$120.4)	-1.2%
Adjusted Sales			\$1,930.0	\$2,060.4	\$130.4	6.8%
Adjusted Withholding			\$5,906.3	\$6,442.7	\$536.4	9.1%
Adjusted Refunds			(\$303.8)	(\$318.2)	(\$14.4)	4.7%
All Other Revenues			\$2,360.5	\$2,449.5	\$89.0	3.8%
Total GF Revenues, Adjusted for AST, Withholding and Refunds			\$9,893.0	\$10,634.5	\$741.5	7.5%



Economic Revisions Project Stronger FY 2023, Weaker FY 2024

Economic Assumptions:

- The consensus view of GACRE members was that a recession will not occur until the last quarters of FY 2023
- As a result, revenue forecast was increased for FY 2023 and lowered in FY 2024
- Assumes economy will recover by FY 2025
- Recent growth in capital gains and non-wage income is unsustainable implying steep declines in nonwithholding collections
- Interest rate hikes continue to hamper housing market
- Corporate profits declining as well

Other Words of Caution:

- Revenues grew 18% in the last 6 months of FY 2022 – it will be difficult to achieve year-over-year growth against that base in the coming months



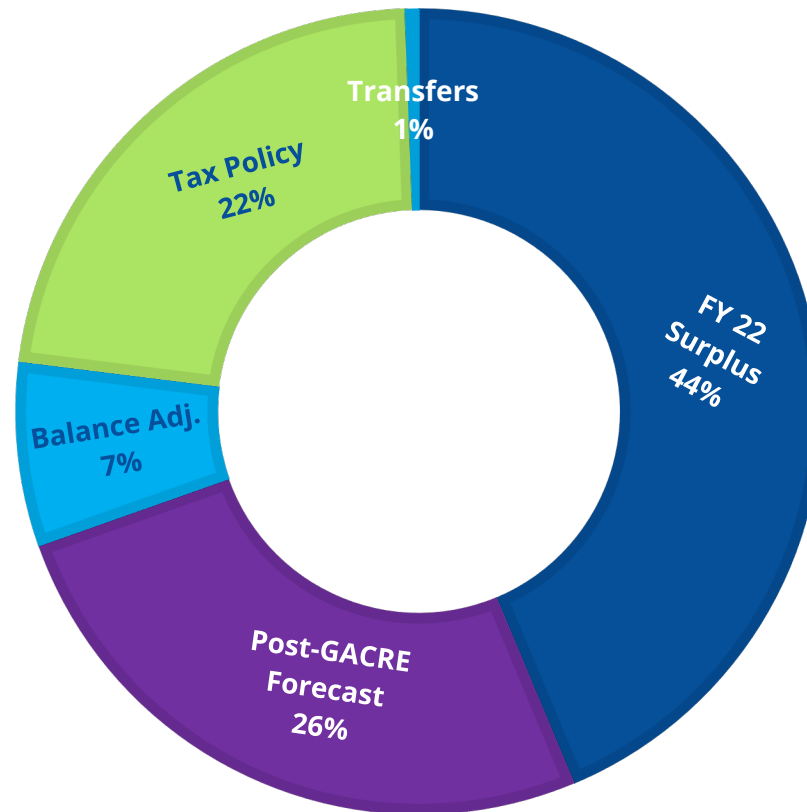
Revised Forecast Provides \$1.2 billion of New Revenues After Proposed Tax Policy Changes

Growth By Source (\$ in millions)	FY 2022		FY 2023		FY 2024	
	Forecast	Actual	Ch 2	HB 1400	Ch 2	HB 1400
Net Individual	7.5%	18.0%	(10.0%)	(13.6%)	13.9%	6.2%
Sales	6.5%	9.4%	1.4%	8.1%	(0.6%)	(1.0%)
Corporate	32.6%	30.5%	(13.6%)	(8.6%)	2.8%	(19.2%)
Recordation	(4.3%)	(3.8%)	(8.8%)	(21.4%)	(0.6%)	(1.0%)
Insurance	15.5%	17.6%	(3.1%)	(0.4%)	4.7%	(5.0%)
All Other Sources	4.5%	5.0%	1.8%	19.2%	2.6%	(7.9%)
Total GF Revenue Growth	8.5%	16.3%	(7.9%)	(8.8%)	9.6%	1.9%
General Fund Revenues	\$26,998.3	\$28,934.9	\$24,871.3	\$26,387.8	\$27,263.0	\$26,901.2
Transfers	803.9	814.3	714.7	679.4	733.2	793.2
Total GF	\$27,802.2	\$29,749.2	\$25,586.0	\$27,067.1	\$27,996.2	\$27,694.5
GF Resources Above Forecast				\$1,481.1		(\$301.8)



Resources Available Total \$4.5 billion

TOTAL GENERAL FUND RESOURCES IN HB 1400



Summary of HB 1400 Actions

- Net new GF operating spending in HB 1400 totals \$2.9 billion
 - This includes \$3.1 billion of increases offset by \$280 million in savings
 - All savings items contained in HB 1400 are technical in nature relating to NGF forecast adjustments (i.e., Health Care Fund, federal enhanced Medicaid match) or debt service adjustments
- In addition to the spending increases, HB 1400 assumes tax policy adjustments which reduce revenues by \$1.0 billion over the biennium
- Also included are capital project funding totaling \$605 million in GF cash
- The unexpended balance at the close of the biennium is \$15.4 million
 - In addition, \$128 million is appropriated to the Taxpayer Relief Fund – not used in budget, but available for uses in next biennium



Tax Policy Initiatives

(\$ in millions)	FY 2023	FY 2024	
Tax Conformity	\$0.2	\$0.3	No controversial items – clean bill
Individual Rate Reduction (5.5% top rate in TY 2024)	0.0	333.3	Increases to \$716.2 million in FY 2025
Increase Standard Deduction (\$9/\$18k TY 2024)	0.0	94.9	Increases to \$200.3 million in FY 2025
Remove Age Limitation on Military Retirement Subtraction (TY 2024)	0.0	37.8	Assumes 4-year phase in, includes surviving spouses
Decrease Corporate Income Tax Rate to 5% (TY 2023)	71.9	290.2	
Qualified Business Income Deduction at 10% (TY 2023)	0.0	162.1	
Increase 163J Interest Expense Deduction from 30% to 50% (TY 2023)	0.0	10.3	Increases to \$22.6 million in FY 2025
TOTAL	\$72.1	\$928.9	



Top 15 Items Make Up 80% of New Operating Expenditures

Item	FY 2023	FY 2024	Biennial
Site Development	\$200.0	\$250.0	\$450.0
Resilient VA Revolving Loan Fund	100.0	100.0	200.0
Sales Tax Update for K-12	90.5	77.5	168.0
Enhanced Nutrient Removal Certainty Prog.	0.0	107.1	107.1
Richmond CSO	100.0	0.0	100.0
Deposit to UI Trust Fund	100.0	0.0	100.0
State Employee Bonus – Merit	0.0	100.0	100.0
State Employee Bonus - \$1,500 each	0.0	99.8	99.8
K-12: Update ADM	28.4	42.8	71.2
Comprehensive Crisis Services System	0.0	58.3	58.3
K-12: Bonus for Top Performing Teachers	0.0	50.0	50.0
K-12: Retention Bonus	0.0	45.2	45.2
K-12: Laboratory Partnership Schools	50.0	0.0	50.0
Ag BMP Supplement	0.0	50.0	50.0
DMAS: Increase Rates Personal Care, Respite	\$0.0	\$41.6	\$41.6



ARPA-Related Actions

- Virginia received \$4.3 billion from the State and Local Fiscal Recovery Fund (SLRF) under ARPA
- Chapters 1 and 2 allocated all but \$15.4 million of these amounts
- Agencies have identified \$114.1 million of prior allocations that can be reprogrammed because the projects are complete, or funds could not be used as intended
- HB 1400 allocates the full \$129.5 million
 - Enhanced Nutrient Removal Certainty: \$86.1 million
 - Medicaid Eligibility Redetermination: \$30.0 million
 - VEC Appeals and Staffing: \$12.4 million
- Next year will provide one more opportunity to re-program any ARPA funds that are not being utilized expeditiously



Structural Balance Entering Next Biennium

- For the past two years you have benefited from billions of federal stimulus dollars, massive surpluses, and atypically high revenue growth, all of which has allowed for new initiatives, no cuts, and large capital improvement programs
- Administration projects that on-going revenues will be sufficient to support on-going spending needs in each year of the next biennium even after assuming package of tax reductions included in HB 1400
 - Their six-year plan takes into account Medicaid growth, annual employee compensation increases, K-12 rebenchmarking etc.
 - The economic projections assume a mild recession – if conditions worsen structural balance issues could arise



Protection Against Recession

HB 1400 includes about \$1.1 billion of contingent appropriations and tax policy changes

Language specifies that if the FY 2023 forecast is not met, the actions outlined in the table to the right will not occur

Item to be Unalloted	FY 2024 (\$ in millions)
Reduction in Individual Tax Rate from 5.75% to 5.5%	\$333.3
Additional funding for Site Development	250.0
Additional Funding for Resilient Virginia Revolving Loan Fund	100.0
State Employee Bonus	100.0
Capital Outlay Cost Overrun Supp.	300.0
TOTAL	\$1,083.3



Other Safeguards in the Budget

- Spending in HB 1400 contains over 70% one-time spending. Only 28% is reported as ongoing
- In addition to the contingent spending and focus on one-time expenditures, HB 1400 transfers \$128 million from the General Fund to the Taxpayer Relief Fund to support continuity of proposed tax policy changes
- As a reminder, balances in the two Reserve Funds will total \$4.2 billion at the close of the biennium



HEALTH & HUMAN RESOURCES



Major HHR Initiatives

- Includes a net decrease of \$113.5 million GF over the biennium, reflecting a decrease of \$507.7 million GF in FY 2023 and an increase of \$394.2 million in FY 2024
- Decreases in FY 2023 include savings from:
 - Revised Medicaid, FAMIS and MCHIP state children's health insurance expenditure forecasts
 - Anticipated extension of the federal Public Health Emergency in the 4th quarter of FY 2023 and continued receipt of enhanced federal Medicaid matching funds (eFMAP)
 - Revised revenue estimate from the Virginia Health Care Fund
- Significant new general fund spending in FY 2024 includes:
 - Revised Medicaid, FAMIS and MCHIP state children's health insurance expenditure forecasts
 - Medicaid rate increases and added DD waiver slots
 - Creation of new and expanded health workforce programs
 - Expanded behavioral health and substance use disorder services



HB 1400 DMAS Forecasts

DMAS Forecasts (GF \$ in millions)	FY 2023	FY 2024
Official Forecast Medicaid Utilization & Inflation	(\$279.3)	\$12.3
Adjust for Virginia Health Care Fund revenue (tobacco MSA and taxes, Medicaid recoveries)	(50.4)	67.7
Adjusted Medicaid Forecast	(\$329.7)	\$80.0
FAMIS children's health insurance forecast <ul style="list-style-type: none"> • Additional eFMAP in FY 23 • Enrollment growth: 7% in FY 23 & 1.3% in FY 24 • Managed care rate increases 	(13.1)	(0.3)
Medicaid children's health insurance program (MCHIP) forecast <ul style="list-style-type: none"> • Additional eFMAP in FY 23 • Enrollment growth: 3.8% in FY 23 & 1.8% in FY 24 • Managed care rate increases 	(5.9)	(2.8)
Total DMAS Health Care Forecasts	(\$348.7)	\$76.9



Federal Medicaid Match Rate Changes

- HB 1400 reduces Medicaid spending by \$157.8 million GF in FY 2023 and adds \$53.4 million GF in FY 2024 due to the anticipated extension of the federal public health emergency (PHE) through April 11, 2023
 - Assumed the federal requirement for continuous enrollment of current Medicaid recipients would expire on April 30, 2023, while requiring however eligibility redeterminations to be phased in over a 12-month period
 - Savings in FY 2023 reflected one additional quarter of the temporary 6.2% enhanced federal matching rate (eFMAP) through June 30, 2023
 - Proposal also reflected additional savings from moving up one monthly managed care payment from FY 2024 to FY 2023
 - Added \$158.9 million NGF in FY 2023 and \$1.1 billion NGF in FY 2024 to reflect the higher federal match rate and the additional costs of continuous enrollment during the PHE and into FY 2024 due to the federal requirements on eligibility redeterminations
- Subsequently, the Federal Consolidated Appropriations Act of 2023 was passed on December 23, 2022, which decouples the Medicaid continuous coverage requirement from the PHE
 - Phases in reductions to the eFMAP rate from the current 6.2% to 5% in Q3 of FY 2023, 2.5% in Q1 of FY 2024 and 1.5% in Q2 of FY 2024
 - Will result in additional spending of \$29.9 million GF in FY 2023 and additional savings of \$127.3 million in FY 2024
 - Ends requirements for continuous Medicaid eligibility on March 31, 2023 and requires states to initiate eligibility redeterminations within 12 months and complete all renewals within 14 months



DMAS/Medicaid Spending

DMAS/Medicaid Spending (GF \$ in millions)	
Rates and Services	FY 2024
5% increase in personal rates	\$41.5
500 developmental disability waiver slots	15.2
12.5% increase in early intervention services rate	1.1
20 psychiatric residency slots	1.1
DMAS/Administrative Spending	
Contract cost escalation (claims processing, service authorizations, third party auditors, etc.)	2.4
Cover Virginia Call Center vendor settlement	2.3
Reprocure Medicaid Managed Care Program	1.7
Total	\$65.3



Department of Social Services (DSS)

Child Welfare Services

- Savings of \$14.3 million GF in FY 2023 and \$5.6 million GF in FY 2024 based on the revised forecast of foster care and adoption subsidy payments
 - Reflects anticipated receipt of the eFMAP rate through the 4th quarter of FY 2023 for Title IV-E foster care and adoptions
- \$8.3 million GF and 18 positions in FY 2024 to implement recommendations of the State Inspector General to improve child protective services
 - Will address high caseloads and local agency staffing, staffing for state hotline, and increase state supervision and support of local agencies
- \$2.3 million GF and \$2.0 million NGF in FY 2024 to adjust foster family home rates and adoption assistance maintenance payments by 5%
 - Required by Appropriation Act in the year following a state employee salary increase
- \$935,196 GF in FY 2024 to expand the Kinship Navigator Program from 6-12 programs and backfill federal grant funding that is due to expire
 - Language requires DSS to continue applying for federal grants, demonstrate federal funds are not available prior to releasing state general fund dollars, and report on effectiveness by Sept. 1 annually



Department of Social Services (DSS)

TANF & SNAP

- \$10.5 million GF and \$9.8 million NGF in FY 2023 and \$5.2 million GF and \$4.2 million NGF in FY 2024 to meet the forecast for Temporary Assistance to Needy Families (TANF) forecast for income benefits, childcare subsidies and employment services
 - TANF cases have increased by 15% over the past fiscal year
 - TANF-UP caseload of unemployed two-parent families has nearly doubled this past year. These cases are funded entirely by the general fund
 - Return to mandatory participation in the Virginia Initiative for Employment and Work (VIEW) program is expected to increase utilization of childcare subsidies and employment services
- \$6.1 million GF in FY 2023 to repay the federal government for the overpayment of Supplemental Nutrition Assistance Program (SNAP) benefits in the fall of 2021

Information Technology

- \$3.8 million GF and \$3.8 million NGF to provide 40 local DSS agencies new shared site technology for their computers that contain local software on the same device used for state systems



Virginia Dept. of Health Spending

Spending Items (GF \$ in millions)	FY 2023	FY 2024
Health Workforce Items		
Create nursing education acceleration program “Earn to Learn”	-	\$30.0
Expand Nurse Preceptor Incentive Program	-	10.0
Expand nursing scholarships and loan repayment programs	-	1.0
Create psychiatric nursing graduate education loan repayment program	-	5.0
Expand Behavioral Health Loan Repayment Program	-	1.0
Local Health Department Items		
Reflect rent increases at Local Health Dept. facilities	-	0.9
Drinking Water and Environmental Health Items		
Fund state match for federal drinking water grants	-	3.4
Backfill federal reversion of funding for Office of Drinking Water	\$1.1	-
Office of the Chief Medical Examiner (CME)		
Fund salary adjustments for CME, assistant CMEs, and nonphysician staff	-	1.5
Total	\$1.1	\$52.8



DBHDS Funding Initiatives

- The proposed increase in spending for DBHDS totals almost \$133 GF million in FY 2024

Major Categories of Spending (GF \$ in millions)	
Services	FY 2024
Crisis Services	\$99.3
Mental Health and Substance Use Disorder Treatment Services	23.0
State Facilities (increase salaries for food and housekeeping staff)	9.5
Intellectual and Developmental Disability Services	0.5
Central Office Behavioral Health Initiatives	0.4
Total	\$132.7



DBHDS Spending

Crisis Services

- \$58.3 million GF to increase funding for the comprehensive crisis services systems
 - Includes building and upgrading Crisis Receiving Centers and Crisis Stabilization Units
- \$20.0 million GF to fund mobile crisis units across the state
- \$20.0 million GF to develop hospital-based psychiatric emergency alternatives
- \$1.0 million GF to support the Off-Duty Officer Program
 - Additional \$4.0 million GF within the Comp. Board to assist sheriffs' offices and jails with alternative custody and alternative transportation

Mental Health and Substance Use Disorder Treatment Services

- \$15.0 million GF to expand school-based mental health programs
- \$8.0 million GF to expand housing opportunities for individuals with a serious mental illness



DBHDS Spending

State Facilities

- \$9.0 million GF to fund salary alignments for critical positions
- \$485,091 GF to fund three additional forensic evaluators

Intellectual and Developmental Disability Services

- \$350,000 GF to sustain Waiver Management System interoperability and software upgrades
- \$162,878 GF and \$23,268 NGF to support additional waiver slots with two additional positions

Central Office Spending

- \$261,164 GF to fund two cybersecurity positions
- \$97,795 GF to provide funds for forensic data tracking and analysis



Opioid Abatement Authority

- Financial assistance to abate and remediate the opioid epidemic comes from settlement funds paid to Virginia by prescription opioid manufacturers
- \$3.5 million NGF as an initial appropriation for newly created OAA
 - Includes funding for five additional positions
- 55% of settlement awards is funneled through the OAA
 - OAA provides discretionary grants that state agencies can apply for to fund abatement activities
 - Settlement awards also used for localities and projects involving multiple cities/counties
- Other Opioid Funding
 - \$7.0 million NGF in VDH for fentanyl response efforts
 - \$5.0 million NGF in the Secretary's Office to start a public awareness initiative to reduce fentanyl poisoning from overdose and counterfeit pills among youth by creating TV and radio ads
 - \$1.4 million NGF each year in DBHDS to purchase REVIVE! kits and doses of naloxone to treat emergency cases of opioid overdose



COMMERCE & LABOR

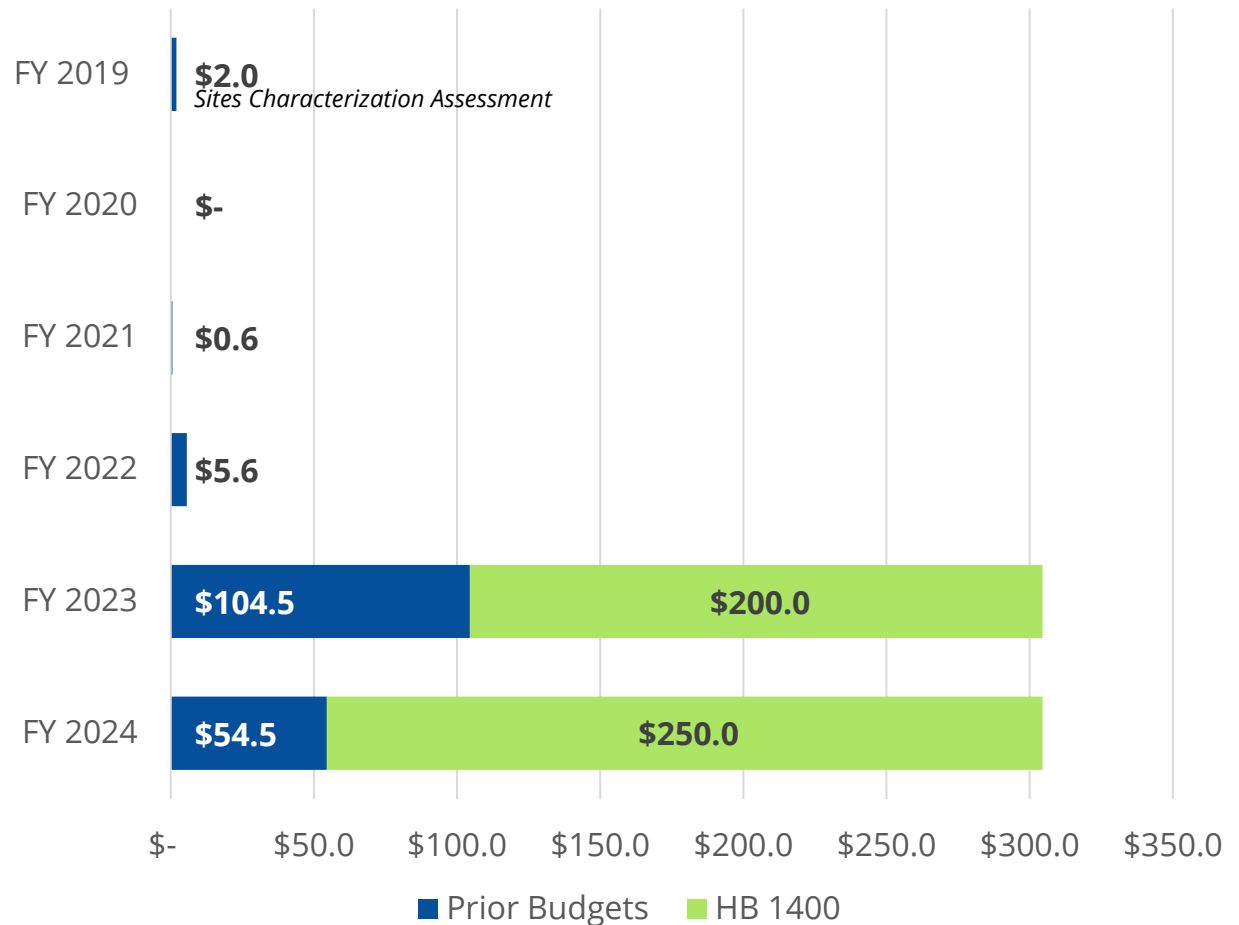


Economic Development Sites

HB 1400 proposes significant investments for site development on top of historic funding levels provided by the General Assembly last year for the Virginia Business Ready Sites Program (VBRSP). Proposed actions include:

- Appropriating \$50.0 million GF in FY 2023 for the VBRSP provided contingently last year
- Providing \$200.0 million GF in FY 2023 for VBRSP or a new Site Acquisition Pilot program
- Authorizing \$250.0 million GF in FY 2024 for either program based on meeting or exceeding FY 2023 revenue estimates

BUSINESS READY SITES INVESTMENTS (GF \$ in millions)



New Site Acquisition Program

- Includes language authorizing the Governor, Secretary of Finance, Secretary of Commerce and Trade, and the CEO of Virginia Economic Development Partnership Authority (VEDP) to allocate \$450.0 million in sites money between the current Virginia Business Ready Sites Program and a New Site Acquisition Pilot Program
- Creates a new Sites Acquisition Pilot Program for the state to acquire publicly or privately held land for economic development purposes
 - Allows the state to buy 3 tracks of land from a short-list of 5 options generated by VEDP through a site identification assessment
 - Specifies that the Department of General Services (DGS) will acquire, hold, and develop the land acquired under this program
 - Directs DGS to transfer the land to VEDP when they have identified a company to locate on the property
 - Authorizes VEDP to sell or lease the land to a private sector company



Targeted Industry Efforts

Energy

\$10.6 million

\$10.0 million GF to capitalize the **Virginia Power Innovation Fund** at the Department of Energy (Virginia Energy)

- Directs \$5.0 million to establish the Virginia Nuclear Innovation Hub to fund research on Small Modular Reactors, site selection, and workforce
- Specifies remaining funds for energy research and innovation projects

\$649,650 GF in FY 2024 at Virginia Energy to expand staffing to support the implementation of the **Virginia Energy Plan**

Agriculture Tech.

\$1.5 million

\$1.3 million GF to GO Virginia to invest in **regional workforce efforts** for the ag. tech industry

\$200,000 GF to support **marketing and event related activities** for this industry at VEDP

Additional investments for this industry are included in the Department of Agriculture and Consumer Services' budget proposals

Airline Capacity

\$1.2 million

\$1.2 million GF for VEDP to develop recommendations on how the state can **expand airline capacity**

- Directs \$200,000 to address airline service at Roanoke Regional Airport



Workforce, Employment, and Talent

- Provides \$24.5 million GF in FY 2024 to launch a new GO Virginia talent pathways program to address workforce issues for specific industries through public private partnerships
 - Directs \$4.5 million to GO Virginia regional councils for program administration
 - Stipulates \$20.0 million for the GO Virginia Board to invest in the development of up to 3 industry specific talent pathways per GO Virginia region
 - Last year, the General Assembly provided \$2.5 million for GO Virginia to provide talent pathways planning grants to regional councils
- Requires the GO Virginia Board to allocate \$10.0 million GF in FY 2024 to 4 education and workforce development projects

Project (\$ in millions)	Region	GF
Nursing and CDL programs	Southwest	\$2.5
GO TEC for technology and engineering	Southern / IALR	\$2.5
Ship repair, Offshore wind, and road construction	Hampton Roads	\$2.5
Middle College / Dual Enrollment	Central / Richard Bland	\$2.5



Workforce, Employment, and Talent

- Provides \$100.0 million GF for deposit to the Unemployment Insurance Trust Fund in FY 2023 to help offset any future claims made during an economic downturn
 - UI Trust Fund has surpassed pre-pandemic solvency level with about \$1.4 billion in resources
 - Budget language continues to exclude pandemic related claim activity from calculating employer tax rates and directs VEC to remove the fund builder tax for employers starting this year
- Authorizes the Virginia Employment Commission (VEC) to access a line of credit of up to \$30.0 million during times of significant unemployment to meet customer demand for benefits (i.e., ramping up call center staffing)
- Proposes \$399,950 GF in FY 2024 and 2 additional positions for the Secretary of Labor's Office to help implement the creation of a new workforce agency that the General Assembly will consider this year through legislation



Community Development

- Directs the Department of Housing and Community Development (DHCD) to use \$11.4 million in unobligated proceeds from the Regional Greenhouse Gas Initiative to aid the residents of Buchanan and Tazewell Counties that lost or sustained damage to their properties during recent July flooding
 - Program is identical to the one authorized by the General Assembly last year for the victims of flooding in Hurley, Virginia
- Provides \$10.0 million GF in FY 2024 for DHCD to launch a pilot program to help localities expedite local building permitting through direct assistance
- Adds \$2.0 million GF in FY 2024 for the Virginia Main Street program at DHCD, and directs \$1.5 million of these resources to support activities to develop Petersburg's main street district



AG, FORESTRY, & NATURAL RESOURCES



Water Quality

- A total of \$137.1 million GF is included in DCR for deposit in Water Quality Improvement Fund (WQIF)
 - Includes a \$87.1 million GF mandatory deposit based upon FY 2022 revenue surpluses and agency balances, and a \$50.0 million supplemental deposit
 - \$13.3 million of this amount is deposited in WQIF reserve
 - \$123.8 million in Natural Resource Commitment Fund
 - \$65.3 million directed toward agricultural best management practices
 - \$8.5 million is provided to Soil and Water Conservation Districts
 - \$50.0 million is provided for uses to be determined by the Secretary of Natural and Historic Resources in a plan to be submitted no later than September 1, 2023



Water Quality

- Proposes \$237.0 million in FY 2024 in additional support for the state's share of costs for wastewater treatment improvements identified in the Enhanced Nutrient Removal Certainty Program
 - Deposit reflects \$43.9 million GF from mandatory WQIF deposit, a \$107.1 million GF supplemental deposit, and \$86.1 million NGF from remaining ARPA resources
 - \$100.0 million NGF from ARPA funds (Chapter 1, 2021 Spec Sess II)
 - \$50.0 million GF and \$50.0 million in bonds (Chapter 552, 2021 Spec Sess I)
- Includes \$100.0 million GF in FY 2023 for the ongoing costs of Richmond's Combined Sewer Overflow Project
 - \$50.0 million NGF from ARPA funds (Chapter 1, 2021 Spec Sess II)
 - \$100.0 million NGF from ARPA Funds (Chapter 2, 2022 Spec Sess I)



Department of Conservation and Recreation

- Includes \$100.0 million GF each year to be deposited in the Resilient Virginia Revolving Loan Fund
 - Fund used to provide loans and grants for local resilience projects
 - Fund was established by the 2022 General Assembly, and received an initial capitalization of \$25.0 million NGF from unobligated RGGI auction proceeds
- Other proposed DCR items:

Initiative	FY 2023 Amount
Hayfields State Park – Operating support and two positions	\$692,436
Dam Safety – Three regional engineer positions	490,650
Backfill funding for Soil and Water Conservation District positions previously supported by federal grants	400,823
Address compression among law enforcement personnel	358,675
Provide free admission to Virginia State Parks for members of the Virginia National Guard	20,000



Department of Environmental Quality

- Proposes \$3.5 million GF in FY 2023 to implement the Permit Evaluation and Enhancement Program (PEEP)
 - Would establish public-facing online portal allowing tracking of DEQ permitting processes for state and local agencies
- Includes \$2.0 million GF in FY 2024 for improvements to the Department's human resources systems to address potential security vulnerabilities
- Provides an additional \$5.5 million GF for wastewater infrastructure improvements at Poor Creek
 - Chapter 2 provided \$29.8 million NGF in federal ARPA funds for water and wastewater improvements at Poor Creek to serve the surrounding Pharmaceutical Park



Other Natural Resources Agencies

Department of Wildlife Resources

- Proposes \$1.2 million NGF in FY 2024 to address salary compression among the Department's law enforcement personnel
 - Companion amendment to Part 3 reduces the transfer to the general fund of sales tax collections on hunting and fishing equipment by \$1.2 million

Department of Historic Resources

- Proposes doubling from \$5.0 million GF to \$10.0 million GF the amount provided in FY 2023 for the Black, Indigenous, and People of Color (BIPOC) Preservation Fund

Marine Resources Commission

- Includes \$1.8 million GF in FY 2024 to address salary compression among the Commission's law enforcement personnel



VDACS

- Includes \$2.2 million GF in FY 2024 and 15 positions to expand registration and inspection of facilities selling certain hemp products
- Proposes an increase of \$1.25 million GF each year for the Agriculture and Forestry Industries Development (AFID) Fund
 - Amounts directed to be used to provide grants or loans to support development of agricultural technologies
- Includes \$1.0 million GF in FY 2024 to establish a competitive grant program in support of agricultural research projects



PUBLIC SAFETY & VETERANS



Department of Criminal Justice Services

- Proposes \$30.0 million GF in FY 2024 to establish the Bold Blue Line Initiative
 - Used to provide grants to state and local law enforcement agencies to support recruitment of qualified law enforcement officers from other states, and develop in-state qualified law enforcement personnel
 - Activities identified in the language include recruitment and retention bonuses, reimbursement for relocation expenses, fast-tracked lateral training academies, and a statewide recruitment initiative
 - Language authorizes the Director to develop a plan to administer the program in consultation with the Governor and Secretary of Public Safety and Homeland Security
 - Language requires progress report on implementation on September 1, 2023, and a subsequent report on program activities on September 1, 2024



Department of Criminal Justice Services

- Proposes to increase from \$2.5 million GF to \$22.5 million GF in FY 2024 the appropriation for Operation Ceasefire Grant Fund
 - Fund established by 2022 General Assembly to support crime reduction strategies, provide training and equipment to law enforcement officers and personnel, and to support local organizations engaged in group violence intervention efforts
- Includes \$10.0 million GF in FY 2024 to establish the Virginia Mass Violence Care Fund
 - Language authorizes Fund to be used to aid victims of mass violence in Virginia, to include but not be limited to their out-of-pocket expenses not covered by insurance, beginning three years after the mass violence event and continuing in perpetuity
- Language amendment removes requirement that localities provide a 50% match to receive a Body Worn Camera (BWC) Grant award



Department of Corrections

- Includes \$8.6 million GF in FY 2024 to provide a \$3,000 salary increase for 811 vacant correctional officer positions and 57 vacant probation and parole officer positions
 - Amounts reflect half of 2018 vacancy rate, and targeted salary increases included for filled correctional officer positions included in Chapter 2
- Provides \$5.3 million GF in FY 2024 to reflect contractually allowed cost increases for private operation of Lawrenceville Correctional Center
- Includes \$3.8 million GF in FY 2024 to hire 37 additional nurses at secure correctional centers
 - Additional positions will allow the Department to provide 24/7 nursing coverage at all secure facilities
- Proposes \$1.3 million GF in FY 2024 to backfill declining revenues in the Drug Offender Assessment and Treatment Fund
- Includes \$550,000 GF in FY 2024 for the Corrections Special Reserve Fund to reflect “Woodrum” impact of 11 proposed bills



Department of State Police

- Includes \$9.4 million GF in FY 2024 to begin implementation of Phase II of the Department's IT transformation efforts
 - Supports migration of data center and storage infrastructure to VITA, and to replace legacy IP-VPN services
- Proposes \$3.3 million GF in FY 2024 to support 24 new law enforcement positions to address workload and public safety issues
- Proposes \$2.0 million GF in FY 2024 to establish 20 new civilian positions within the Department's workforce
- Includes \$2.0 million GF in FY 2024 to address compression issues within the sworn officer ranks
- Provides \$1.4 million GF and \$1.0 million NGF to support replacement of Virginia Criminal Information Network (VCIN) servers and software
- Includes an increase of \$203,000 GF in FY 2024 for the Department's Master Equipment Lease Program (MELP) appropriation to reflect debt service on the net cost of funding the purchase of two new helicopters



Other Public Safety Agencies

Department of Juvenile Justice

- Proposes \$2.9 million GF in FY 2024 so that the Department may begin to lease and operate space within three juvenile detention centers
 - Change in length of stay guidelines expected to increase number of juveniles held in secure confinement by Department
 - Related amendment in capital portion of introduced budget would redirect existing capital authorization for renovations and improvements at Bon Air Correctional Center to expand its operational capacity

Department of Emergency Management

- Provides \$1.1 million GF in FY 2024 for ongoing costs of leasing and operating VDEM's central disaster warehouse

Alcoholic Beverage Control Authority

- Part 3 amendment increases the transfer of net profits to the general fund by \$19.3 million in FY 2023



Department of Veterans Services

- Provides \$20.5 million NGF in FY 2024 to increase the Department's working capital advance to support operational costs at the new Veterans Care Centers in Virginia Beach and Fauquier County
 - Language in capital portion of budget authorizes Department to request federal funding to construct a replacement veterans care center in Roanoke, and to renovate Sitter and Barfoot Veterans Care Center in the City of Richmond
- Proposes \$900,000 GF in FY 2024 to expand the Virginia Values Veterans (V3) Program
 - Would increase program from \$100,000 existing appropriation to a total of \$1.0 million
 - Language changes would increase grant award from \$1,000 to \$5,000 per veteran hired, and would increase maximum annual grant per employer from \$10,000 to \$50,000
- Includes \$400,000 GF in FY 2024 to eliminate veterans cemetery burial fees charged to spouses and children of veterans, and members of the National Guard and Military Reserve



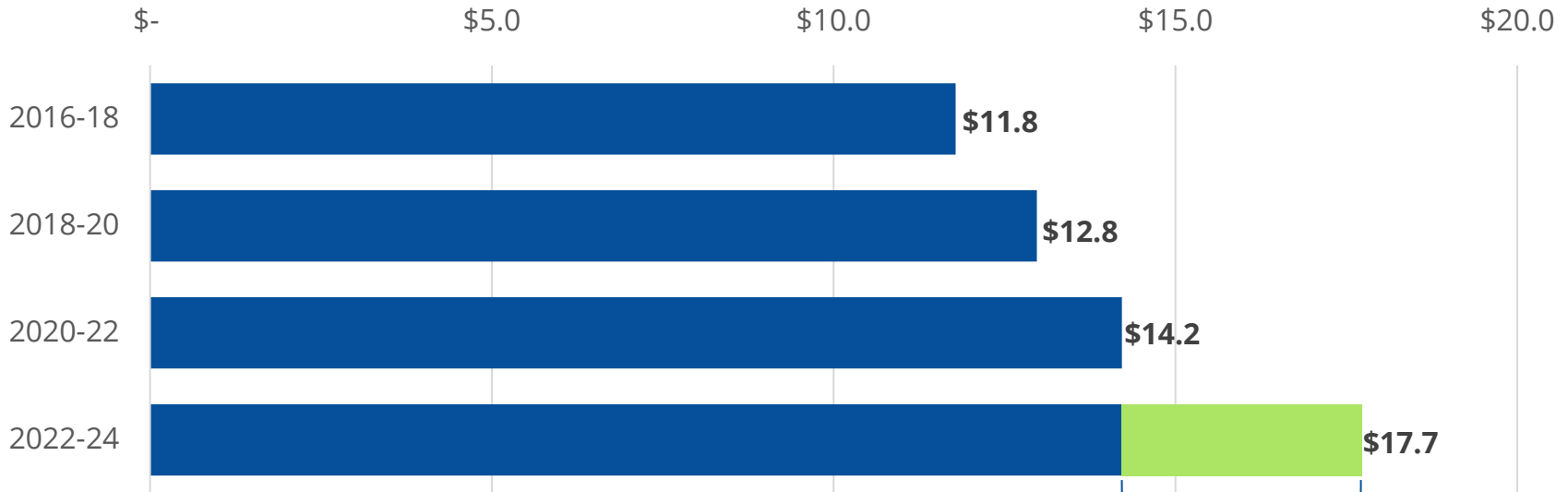
PUBLIC EDUCATION



Public Education

Adopted 2022-24 budget (Ch. 2) provided \$3.5 billion GF in new public education funding over prior biennium, a 24.7% increase

Public Education Funding (GF \$ in billions)



Chapter 2:
\$3.5 billion
above 2020-22



Public Education

In addition to the increases provided last year, HB 1400 proposes increasing spending by \$443.8 million GF, or 2.6% above Chapter 2

2022-24 Biennium: New K-12 Spending (GF \$ in millions)

Chapter 2
\$3,512.7

HB 1400
\$443.8

Chapter 2: \$3,512.7 million

- \$660.1 million – Rebenchmarking
- \$800.0 million – School Construction
- \$727.6 million – Two 5% Salary Incr.
- \$354.4 million – SOQ changes
- \$311.7 million – Teacher Retirement
- \$145.3 million – At-Risk Add-On
- \$100.0 million – Lab Schools
- \$66.9 million – Early Childhood

HB 1400, Introduced: \$443.8 million

- \$241.6 million – Technical Updates
- \$105.2 million – Staff Bonuses
- \$50.0 million – Lab schools
- \$24.1 million – Reading & Math Spec.
- \$20.0 million – Early Childhood

Public Education

- Technical updates drive more than half of proposed new spending

\$ in millions GF	FY 2023	FY 2024	Bien.
<u>Technical Updates</u>			
Update Sales Tax (Net Impact)	\$90.5	\$77.4	\$167.9
Update Enrollment Projections	28.4	42.8	71.2
Other Updates	<u>(3.0)</u>	<u>5.6</u>	<u>2.6</u>
Subtotal	115.9	125.8	241.7
<u>Policy Proposals</u>			
Bonuses & Hiring Incentives	0	105.2	105.2
Increase Lab School Funding	50.0	0	50.0
Other Proposals	<u>1.0</u>	<u>46.0</u>	<u>47.0</u>
Subtotal	51.0	151.2	202.2
HB 1400 AMENDMENTS GRAND TOTAL	\$166.9	\$277.0	\$443.8



Recruitment, Retention and Performance Bonuses

- Proposes \$105.2 million GF in FY 2024 for three one-time compensation actions

\$5,000 Performance Incentive *\$50.0 million*

- Eligibility: Top Performing Teachers meeting selection criteria
- Criteria may consider SOL assessments, growth assessments, other criteria developed by VDOE
- No local match

One Percent Retention Bonus *\$45.2 million*

- Eligibility: Instructional and support staff employed in FY 2023 and remaining in same school division in FY 2024
- Local match required

\$5,000 Recruitment Incentive *\$10.0 million*

- Eligibility: New hires filling instructional positions in hard-to-fill disciplines or in hard-to-staff schools
- Qualifying individuals may not be currently employed in K-12, unless transferring to a hard-to-staff school
- No local match



Reading and Mathematics Specialists

- Proposes \$24.1 million GF in FY 2024 to support additional reading and mathematics specialist positions

Reading Specialists for Grades 4 & 5

\$16.9 million

- Expands current staffing standard of 1 specialist per 550 students from K-3 to K-5
- Includes staffing flexibility while existing staff are obtaining training to meet licensure requirements that become effective in FY 2025
- Local match required

Math Specialists for Targeted Schools

\$7.2 million

- Supports one math specialist position for schools ranking in bottom 10% on grade three through eight mathematics SOL assessments administered during Spring 2021
- School divisions may use funds to support tuition costs for existing staff to become credentialed math specialists
- Local match required



Public Education

Lab Schools

- Proposes an additional \$50.0 million GF in FY 2023 to support College Partnership Lab School per-pupil costs, in addition to \$100.0 million provided in Chapter 2

Early Childhood Care & Education

- Proposes \$20.0 million GF in FY 2024 to expand mixed delivery preschool grants in Southwest Virginia & Petersburg/Hopewell area
- Proposes exemptions from teacher licensure requirements for Va. Preschool Initiative classrooms in community settings
- Proposes temporary adjustments to child-to-staff ratios and maximum group sizes for certain child day centers

Va. School for the Deaf & Blind

- Recommends \$1.1 million GF in FY 2024 for compensation adjustments to address recruitment and retention challenges



Public Education

Communities in Schools

- Proposes an additional \$1.0 million GF in FY 2023 to support expansion of the program in Southwest and Southside Virginia and Petersburg

Secretary of Education

- Proposes \$438,000 GF in FY 2024 to support three additional positions to support K-12, higher ed, and workforce initiatives

Department of Education

- Proposes \$389,000 GF in FY 2024 to address ongoing costs of new automated teacher licensure system

Dual Enrollment Tuition Grant

- Expands scholarship program for teachers seeking credentials to teach dual enrollment from \$7,500 to \$12,000 per individual
 - Expands eligible coursework to include career & technical education



COMPENSATION & BENEFITS



Funding for Employee Bonuses

- Proposes \$199.8 million GF the second year for one-time bonuses for state employees
 - Bonuses are provided to address inflation which has exceeded the pay raises included in Chapter 2
 - Proposes \$99.8 million GF the second year to provide one-time bonuses of \$1,500 to full-time state employees, on December 1, 2023
 - Includes a separate funding pool of \$100.0 million GF the second year to provide one-time, merit-based bonuses of up to 10.0% of base salary to qualifying state employees
 - Employees subject to the Personnel Act would have to receive an equivalent rating of at least “Extraordinary Contributor” on performance evaluations conducted within the previous twelve months to qualify
- Funding proposed in K-12 includes \$105.2 million GF for teacher bonuses and recruitment incentives



Proposed Targeted Compensation Actions

(GF \$ in millions)	FY 2024
Compensation Board: Deputy Sheriffs, Regional Jail Officers	\$13.9
Behavioral Health Food Service and Housekeeping	9.0
Department of Corrections: Vacant Corrections, Parole, and Probation Officers	8.6
Indigent Defense Commission: Public Defenders	7.4
State Police: Salary Compression for Sworn Positions	2.0
Marine Resources Commission: Law Enforcement Compression	1.8
Conservation and Recreation: Law Enforcement Compression	0.4
Wildlife Resources: Law Enforcement Compression	1.2
Department of Health: Chief Medical Examiner's Office	1.5
Va School for Deaf & Blind: Salary Adjustments for Staff	1.1
Office of the Attorney General: Non-Attorney Staff	0.5
Virginia Criminal Sentencing Commission: Recruitment and Retention	<u>0.1</u>
Total Targeted GF Cost	\$47.5



Funding for Employee Benefits

- Reduces funding provided in Chapter 2 for the FY 2024 state employee health insurance adjustment by \$2.0 million GF
 - Decreases funding from \$26.0 million to \$24.0 million
 - Funding would be sufficient to fund a 4.1% increase in the rates. Current projections assume an 8.2% increase in the cost of the program but large cash balances in the health insurance fund would enable the fund to absorb half of the cost increase
- Includes \$0.4 million in FY 2023 and \$0.9 million in FY 2024 in additional funding for the Line of Duty Program to reflect updated premium projections
- Captures savings of \$2.6 million GF in FY 2024 from savings in the state employee Workers Compensation Premiums



TRANSPORTATION



General Fund Transportation Amendments

- Includes the \$150.0 million GF in FY 2023 to support the widening of Interstate 64 between Exit 205 and Exit 234, as authorized in Chapter 2, which was contingent on FY 2022 revenues exceeding the official forecast
 - Funding is in addition to \$110.0 million GF in FY 2024 provided in Chapter 2 and \$210.0 million GF that was provided in FY 2022, bringing total GF support for the project up to \$470.0 million
- Proposes \$0.5 million GF in FY 2024 to support a study on the use of a public private partnership to advance the completion of the of I-81 corridor expansion
- Includes under capital outlay a one-time authorization of \$3.1 million GF in FY 2023 for acquisition of land adjacent to the Mid-Atlantic Regional Spaceport to support an economic development initiative related to Rocket Labs



NGF Transportation Amendments

- Proposed amendments would increase NGF appropriations within the Transportation Secretariat by \$254.4 million over the biennium

(\$ in millions)	FY 2023	FY 2024	Total
Dept. of Aviation - Technical Adjustments	(\$3.5)	\$12.9	\$9.4
VDOT - Updated Revenue Estimates and 6-year plan	124.3	(47.5)	76.8
VDOT Transfer Payments - Updated Revenue Estimates and 6-year plan	26.4	126.6	153.0
VPA - Rent Increases	3.5	3.7	7.2
VPA - Appropriation for the Port Opportunity Fund	<u>4.0</u>	<u>4.0</u>	<u>8.0</u>
Total	\$154.7	\$99.7	\$254.4



Transportation Partnership Opportunity Fund

- Includes several language amendments directing the deposit of up to \$300 million to the Transportation Partnership Opportunity Fund (TPOF)
 - Language directs the transfer of \$100.0 million NGF in uncommitted balances from the Virginia Transportation Infrastructure Bank to the TPOF
 - Recommends eliminating the appropriation of \$15.3 million NGF in each year from the statutory distribution of Commonwealth Transportation Funds to the Virginia Transportation Infrastructure Bank
- Includes language directing the Commonwealth Transportation Board to allocate \$200.0 million to the TPOF from the revised transportation revenue forecast for FY 2024 through FY 2029



HIGHER EDUCATION



Higher Education

- Proposed amendments to the 2022-24 budget include a biennial increase of \$45.8 million in new GF spending:
 - \$10.0 million GF the second year for costs associated with planning and initial integration activities for the Eastern Virginia Health Sciences Center at Old Dominion University. Budget language specifies five key deliverables to include a governance model that aligns all parties and stakeholders to complete a successful merger at the earliest date possible
 - \$9.0 million GF in the second year under SCHEV to support mental health services for K-12 and college students. Language requires coordination with the Secretary of Education and the Virginia Department of Education
 - \$21.0 million GF in the second year for three workforce related initiatives
 - \$15.0 million for five pilot projects to increase industry credentials for high school students
 - \$3.0 million to establish and expand career placement centers
 - \$3.0 million to promote awareness of G-3 and workforce credential programs
 - \$5.0 million GF increase in the second year for research at the Massey Cancer Center



CAPITAL OUTLAY



HB 1400: Capital Outlay

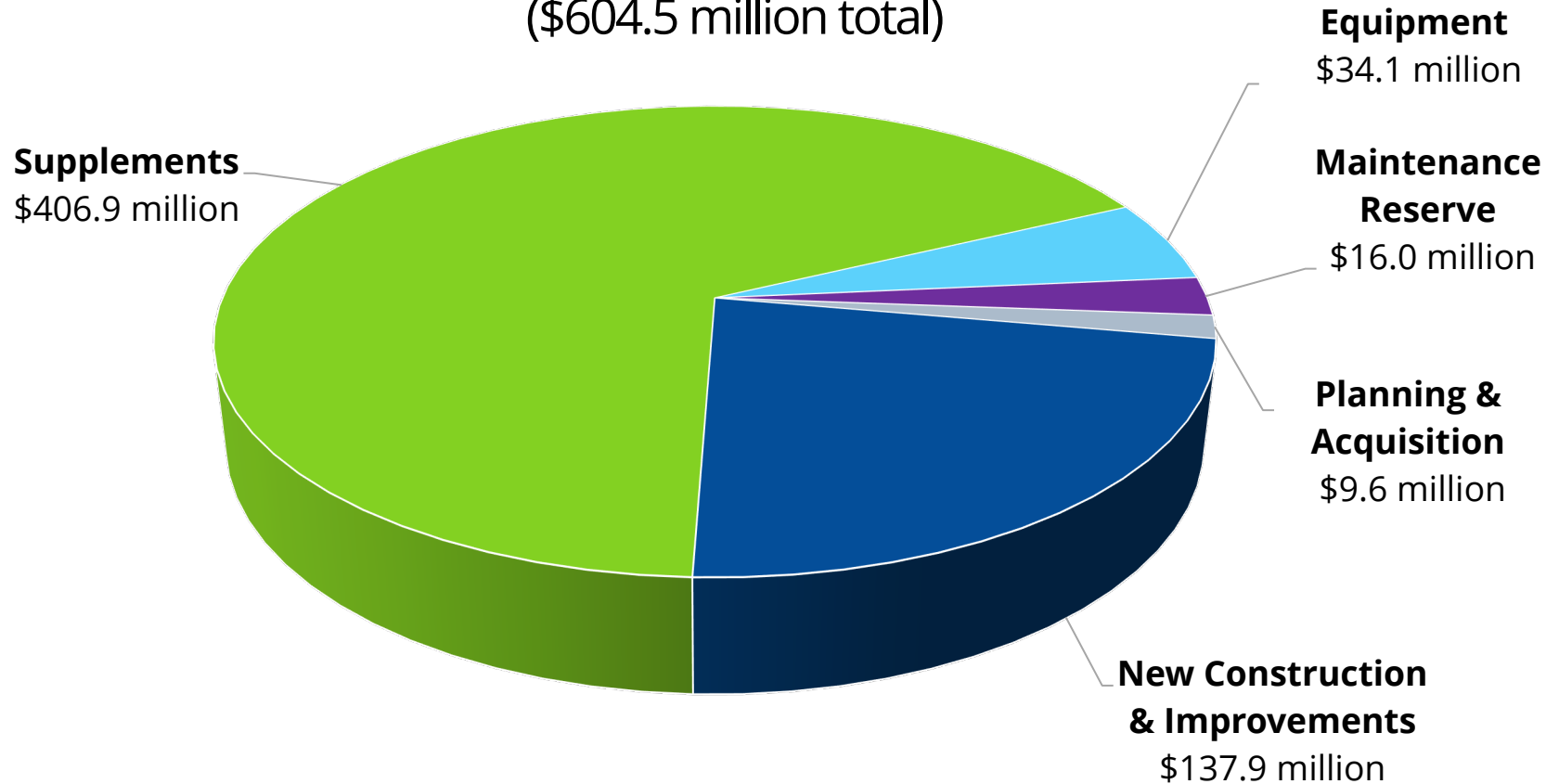
Capital Outlay Funding Proposed in HB 1400 (\$ in millions)			
Fund Type	Chapter 2	Gov. Intro. Amends	Total
General Fund	\$2,149.2	\$604.5	\$2,753.7
Nongeneral Fund Cash	977.7	211.7	1,189.4
9(c) Revenue Bonds	100.9	-	100.9
9(d) Revenue Bonds	56.4	120.1	176.5

- Two-thirds of proposed new spending is GF
- Only new GF-supported debt proposed is \$21.7 million for two local and regional jail projects in the Treasury Board
- Debt service increased by \$1.3 million in FY 2023 and reduced by \$3.2 million in FY 2024



Proposed GF Capital Spending

GF Capital Spending Categories (\$604.5 million total)



Supplements

- Proposes \$400.0 million GF to supplement previously-authorized projects
 - \$100.0 million to fulfill FY 2022 year-end revenue contingency commitment
 - \$300.0 million in new spending, contingent upon FY 2023 revenues
- When combined with the \$350.0 million GF approved in the 2022 session, these amendments would increase total supplemental pool funding to \$750.0 million



Construction & Improvements

- Proposes \$439.7 million (\$137.9 million GF and \$301.8 million NGF) for 24 projects, highlights include:

Project Owner	Project Title	GF \$	NGF \$	Total
Dept Military Affairs	Construct Army Aviation Support Facility, Sandston	\$0.0	\$126.8	\$126.8
Virginia Tech	Improve Building Envelopes	0.0	47.2	47.2
Jefferson Labs	Construct High Performance Data Facility	43.3	0.0	43.3
Virginia Tech	Replace Randolph Hall	0.0	24.6	24.6
Old Dominion University	Renovate Baseball Stadium	0.0	20.7	20.7
Old Dominion University	Address Deferred Maintenance	0.0	20.0	20.0
College of William & Mary	Improve Auxiliary Facilities	0.0	20.0	20.0
Virginia Dept of Transportation	Acquire, Design, Construct & Renovate Facilities	0.0	20.0	20.0
Virginia Commonwealth University	Arts & Innovation Building	0.0	18.0	18.0
Dept Behavioral Health & Dev Svcs	Improve Safety & Security at Eastern State	16.9	0.0	16.9

- Adds \$19.1 million GF for a construction pool of three projects:
 - Longwood University- Replace Chillers
 - VA Institute of Marine Science- Replace Andrews Hall Roof
 - Dept of Corrections- Construct Chesterfield Probation & Parole Office
- Includes \$21.7 million in GF-supported debt for the state share of two local and regional jail capital projects



Other Capital Spending

- **Equipment:** \$34.1 million GF and \$0.9 million NGF cash for equipment for projects that are to be completed within the next 18 months
- **Maintenance Reserve:** Adds \$16.0 million GF in FY 2023
 - \$8.0 million each to Norfolk State University and Virginia State University
- **Acquisitions:** \$3.1 million GF and \$0.6 million NGF for two acquisitions
- **Planning:** \$6.5 million GF and \$6.8 million NGF cash to initiate planning for eight projects:

Project Owner	Project Title
Dept of State Police	Construct Division Six Headquarters
Wilson Workforce & Rehab	Construct a new Postsecondary Education Rehabilitation Transition Facility
Virginia State University	Renovate Virginia Hall
Dept of General Services	State Consolidated Laboratory Replacement
VA Commonwealth University	School of Dentistry
Virginia Tech	Expand VT-Carilion School of Medicine & Fralin Biomedical Research Institute
Dept of Military Affairs	Planning to Compete for Federal Projects
Dept of Military Affairs	Renovate Camp Pendleton for National Guard At-Risk Youth Program



Language-Only Capital Proposals

Repurposes Existing Bond Authority

- Transfers bonds to supplement capital pools and address other needs

Authorizes \$62.1 million in Treasury Loans for Veterans Centers

- Commits the state share of costs upon federal award; source for loan repayment subject to future determination

Extends Study of Beaumont Property

- Continues workgroup to evaluate best use of Beaumont Correctional Center property, to continue hold on Deerfield and Powhatan Infirmery projects

Adds Approval Requirements for Alternative Financing

- Increases administrative approval for public-private financing arrangements

Changes Project Scopes

- Amends scope of previously-authorized projects (resulting costs vary)

Amends Distribution of Water Quality and Dam Repair Funding



GENERAL GOVERNMENT



Office of the Attorney General

- Includes \$4.2 million GF and 13 positions starting in FY 2024 to support proposed new initiatives:
 - \$2.5 million to establish a state witness protection program
 - \$513,374 and 5 FTEs for cannabis consumer protection enforcement investigators
 - \$414,105 and 3 FTEs to establish an organized retail crime taskforce
 - \$371,780 and 3 FTEs to fund implementation of proposed hemp legislation
 - \$253,902 and 2 FTEs to bolster ratepayer advocacy



Information Technology & Data Analytics

Virginia Information Technologies Agency

- Proposes \$1.3 million GF for two new initiatives
 - \$500,000 GF to create a centralized government portal
 - \$896,365 for a statewide permit evaluation application
- Proposes a net decrease of \$13.6 million NGF
 - \$31.9 million NGF reduction to right-size appropriation to reflect actual usage rates
 - \$18.3 million NGF increase to reflect additional services

Office of Data Governance and Analytics

- Establishes the office as a stand-alone agency and proposes additional \$3.5 million NGF and 7.0 FTEs
- NGF costs supported by fees paid by state agencies



Other GF Proposals

(GF, \$ in millions)	Biennial Total \$
ADMINISTRATION	
Compensation Board:	
- Salary actions for sworn sheriffs' deputies & regional jail officers	\$13.9
- Staffing for sheriffs/local & regional jails to assist with TDO and ECO cases	4.1
Dept of General Services: Capitol Square Master Site Plan update	0.5
EXECUTIVE OFFICES	
Office of the Lt. Governor: Additional staffing and contract security	0.7
JUDICIAL	
Supreme Court: Specialty dockets (veterans, behavioral health and drug)	3.5
Court of Appeals: Right-size staffing for recent court expansion	0.4
Circuit Courts: Revert balances from the Criminal Fund	(32.9)
Indigent Defense Commission: Address salary compression	7.1
FINANCE	
Dept of Accounts: Expand the Quality Assurance Unit	0.6
Dept of Planning & Budget: Upgrade Regulatory Town Hall (\$3.0 million working capital advance)	Language



General Government: Central Accounts

- **Transformation Office:** \$15.0 million GF in FY 2024 to support ongoing and new initiatives (\$10.0 million already in FY 2023)
- **Information Technology & State System Charges:**
 - \$5.3 million in FY 2024 to enhance statewide networks
 - Savings of \$2.8 million for GF share of agency VITA rates
 - \$269,708 for the GF share of Cardinal Financial charges
- **2024 Presidential Primary:** \$5.9 million GF to reimburse localities for presidential primary expenses
- **COVID Fine Reimbursements:** \$1.0 million GF in FY 2024 to reimburse state-issued COVID-19 fines
- **Increased Rent:** \$893,421 for the GF share of state-owned space

