



# Recommended Amendments to the FY 2021-FY 2022 Budget (HB 5005)

September 25, 2020

Prepared by House Appropriations Committee Staff

# HB 5005 AS INTRODUCED

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# FY 2020 GF Resources Grew 2.2%

## Finished \$232.0 Million Below Forecast

### Summary of Fiscal Year 2020 Revenue Collections (millions of dollars)

Major Sources	As a % of Total General Fund				% Growth Over FY19	
		Official	Actual	Change	Official	Actual
Withholding	59.6%	\$13,591.9	\$13,378.1	(\$213.8)	4.7 %	3.0
Nonwithholding	17.0	3,804.1	3,804.5	0.4	(4.3)	(4.3)
Refunds	(8.2)	(1,976.6)	(1,830.9)	145.7	13.7	5.3
Net Individual	68.4%	\$15,419.4	\$15,351.6	(\$67.8)	1.3 %	0.8 %
Sales	16.5%	\$3,844.5	\$3,706.8	(\$137.7)	7.4 %	3.5 %
Corporate	4.5	1,031.5	1,011.7	(19.9)	9.3	7.2
Wills (Recordation)	2.2	468.6	483.5	14.9	21.3	25.1
Insurance	1.6	394.1	360.6	(33.5)	3.2	(5.6)
All Other Revenue	3.7	813.9	823.6	9.7	3.2	14.6
<b>Total Revenue</b>	96.9%	<b>\$21,972.0</b>	<b>\$21,737.8</b>	<b>(\$234.2)</b>	<b>3.1 %</b>	<b>2.0 %</b>
A.B.C. Profits	0.6	\$124.8	\$137.5	\$12.7	(4.5) %	5.2 %
Sales Tax (0.375%)	1.8	421.6	406.0	(15.6)	7.4	3.4
Transfers	0.7	155.3	160.4	5.1	15.3	19.1
<b>Total Transfers</b>	3.1%	<b>\$701.7</b>	<b>\$703.9</b>	<b>\$2.2</b>	<b>6.6 %</b>	<b>7.0 %</b>
<b>TOTAL GENERAL FUND</b>	100.0%	<b>\$22,673.7</b>	<b>\$22,441.7</b>	<b>(\$232.0)</b>	<b>3.2 %</b>	<b>2.2 %</b>



# Revenue Reforecasting Process

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- Code mandates a reforecast of revenues when the forecast is missed by 1% or more
- The proposed revenue forecast contained in HB 5005 is based on the updated economic outlook for Virginia as presented to the Joint Advisory Board of Economists (JABE) and the Governor's Advisory Council on Revenue Estimates (GACRE)
- The Governor recommended using the standard forecast for both years; this is the basis for assumptions in HB 5005
- To hedge against concern that a lower forecast might be merited, Governor retained a large cash balance, and deferred consideration of many issues until the 2021 Regular Session at which time additional data should be available
- The forecast will be reevaluated again during the normal fall forecasting season
  - JABE is scheduled to meet again on November 4, and GACRE will meet on November 23
  - Governor's proposed budget amendments will be submitted on December 16



# Revenue Reforecast

## Fiscal Year 2021 Forecast Chapter 1289 and HB 5005 (Dollars in Millions)

	Fiscal Year 2021			% Growth Over FY20	
	Ch. 1289	HB 5005	Change	Ch. 1289	HB 5005
Withholding	\$14,118.0	\$13,704.2	(\$413.8)	3.9 %	2.4 %
Nonwithholding	4,101.0	3,668.9	(432.1)	7.8	(3.6)
Refunds	(2,059.9)	(1,924.9)	135.0	4.2	5.2
Net Individual	\$16,159.1	\$15,448.2	(\$710.9)	4.8	0.6
Sales	\$3,893.0	\$3,346.5	(\$546.5)	1.3	(9.7)
Corporate	1,019.2	1,041.7	22.5	(1.2)	3.0
Wills (Recordation)	388.1	422.4	34.3	(17.2)	(12.6)
Insurance	420.1	337.4	(82.7)	6.6	(6.4)
All Other Revenue	808.3	756.9	(51.4)	(0.7)	(7.8)
<b>Total Revenue</b>	<b>\$22,687.8</b>	<b>\$21,353.1</b>	<b>(\$1,334.7)</b>	<b>3.3 %</b>	<b>(1.8) %</b>
A.B.C. Profits	\$125.1	\$125.1	\$0.0	0.2 %	0.2 %
Sales Tax (0.375%)	426.9	365.7	(61.2)	1.3	(5.4)
Transfers Per Act	103.8	103.8	0.0	(33.2)	(33.2)
<b>Total Transfers</b>	<b>\$655.8</b>	<b>\$594.6</b>	<b>(\$61.2)</b>	<b>(6.5) %</b>	<b>(10.8) %</b>
<b>TOTAL GENERAL FUND</b>	<b>\$ <u>\$23,343.6</u></b>	<b>\$ <u>\$21,947.7</u></b>	<b>\$ <u>(1,395.9)</u></b>	<b><u>3.0 %</u></b>	<b><u>(2.0) %</u></b>



# Revenue Reforecast

## Fiscal Year 2022 Revenue Forecast Chapter 1289 and HB 5005 (Dollars in Millions)

	Fiscal Year 2022						2020-2022 Biennium		
	Ch. 1289	HB 5005	Change	% Growth Over FY21		Ch. 1289	HB 5005	Change	
				Ch. 1289	HB 5005				
Withholding	\$14,676.4	\$14,341.0	(\$335.4)	4.0 %	4.6 %	\$28,794.4	\$28,045.2	(\$749.2)	
Nonwithholding	4,306.5	3,784.9	(521.6)	5.0	3.2	8,407.5	7,453.8	(953.7)	
Refunds	<u>(2,137.4)</u>	<u>(2,062.4)</u>	<u>75.0</u>	<u>3.8</u>	<u>7.1</u>	<u>(4,197.3)</u>	<u>(3,987.3)</u>	<u>210.0</u>	
Net Individual	\$16,845.5	\$16,063.5	(\$782.0)	4.2	4.0	\$33,004.6	\$31,511.7	(\$1,492.9)	
Sales	\$3,955.6	\$3,438.7	(\$516.9)	1.6	2.8	\$7,848.6	\$6,785.2	(\$1,063.4)	
Corporate	1,132.6	1,143.0	10.4	11.1	9.7	2,151.8	2,184.7	32.9	
Wills (Recordation)	357.0	393.0	36.0	(8.0)	(7.0)	745.1	815.4	70.3	
Insurance	437.1	359.5	(77.6)	4.0	6.6	857.2	696.9	(160.3)	
All Other Revenue	<u>810.5</u>	<u>787.8</u>	<u>(22.7)</u>	<u>0.3</u>	<u>4.1</u>	<u>1,618.8</u>	<u>1,544.7</u>	<u>(74.1)</u>	
<b>Total Revenue</b>	<b>\$23,538.3</b>	<b>\$22,185.5</b>	<b>(\$1,352.8)</b>	<b>3.7 %</b>	<b>3.9 %</b>	<b>\$46,226.1</b>	<b>\$43,538.6</b>	<b>(\$2,687.5)</b>	
A.B.C. Profits	\$128.7	\$128.7	\$0.0	2.9 %	2.9 %	\$253.8	\$253.8	\$0.0	
Sales Tax (0.375%)	433.7	375.9	(57.8)	1.6	2.8	860.6	741.6	(119.0)	
Transfers Per Act	<u>103.8</u>	<u>103.8</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>207.6</u>	<u>207.6</u>	<u>0.0</u>	
<b>Total Transfers</b>	<b>\$666.2</b>	<b>\$608.4</b>	<b>(\$57.8)</b>	<b>1.6 %</b>	<b>2.3 %</b>	<b>\$1,322.0</b>	<b>\$1,203.0</b>	<b>(\$119.0)</b>	
<b>TOTAL GENERAL FUND</b>	<b><u>\$24,204.5</u></b>	<b><u>\$22,793.9</u></b>	<b><u>(\$1,410.6)</u></b>	<b><u>3.7 %</u></b>	<b><u>3.9 %</u></b>	<b><u>\$47,548.1</u></b>	<b><u>\$44,741.6</u></b>	<b><u>(\$2,806.5)</u></b>	



# HB 5005: Adjustments to Resources

	FY 2021	FY 2022
Chapter 1289: Unappropriated Balance (after Veto Session)	\$1,010.1	\$621.3
<b>HB 5005 Resource Adjustments</b>		
Revised Forecast – GF Revenues and Transfers	(1,395.9)	(1,410.6)
Revert FY 2020 Unspent Agency Balances to GF	247.1	30.4
<b>Total Resource Adjustments</b>	<b>(1,148.8)</b>	<b>(1,380.3)</b>
<b>HB 5005 Savings</b>		
Recognize GF Savings from Enhanced FMAP (DMAS and DSS)	336.8	0
K-12 Sales Tax Reduction (technical)	95.2	93.6
Convert Unallotments to Reductions - Net of Restorations	754.0	1,335.5
<b>HB 5005 Spending</b>		
Medicaid Continuation of Care	(89.1)	
Mandatory Revenue Stabilization Fund Deposit (based on FY 2022 forecast)	(0.0)	(71.5)
WQIF Part B Deposit (Based on FY 2020 Agency Balances)	(0.0)	(30.4)
Policy/New Spending	(45.9)	(1.0)
<b>Total Spending and Savings Adjustments</b>	<b>1,071.9</b>	<b>1,326.3</b>
<b>HB 5005: Unappropriated Balance</b>	<b>\$933.3</b>	<b>\$490.5</b>



# HOUSE APPROPRIATIONS COMMITTEE AMENDMENTS TO HB 5005

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# Chairman's Guiding Principles

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- This is a Special Session – HR 517 limits the scope of discussion to the following:
  - Criminal Justice and Police reform;
  - Impacts on health, education, state and local government operations, business, and the Commonwealth's economy from COVID-19; and
  - Budget bill changes to address the revenue reductions resulting from COVID-19
- Only considered budget amendments directly related to the topics above, primarily the following:
  - K-12 and childcare
  - Higher Education
  - Health care (including mental health)
  - Housing/evictions/utility disconnects/broadband access and affordability
  - Costs associated with CJR and Police Reform legislation adopted by the House
- January will provide an opportunity to reassess the economic and revenue climate and address broader funding issues



# Chairman's Guiding Principles

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- Staff was asked to identify savings and revenue adjustments to help restore some of the key actions the General Assembly took in the 2020 Session
- Included contingent appropriations to establish priorities should revenue picture remain on track and not face further declines
- Set out expenditure of federal CRF funding to maintain transparency, and for amounts not already allocated, direct those funds to House priorities



# Savings and Revenue Adjustments

Agency	Description	Amount
Central Accts	Unspent Portion of State COVID Authorization	\$47,000,000
Admin	HI Premium Holiday - (savings listed are GF only)	46,111,165
Admin	Reduce Health Insurance Premium Increase (\$535 m. balance)	20,650,000
ABC	Unrecognized FY 2020 Profits	11,100,475
ABC	Reforecast FY 2021 and FY 2022 based on FY 2020 actuals	9,400,000
VEDIP	Rolls Royce Incentives (direct and training funds)	7,200,000
DMAS	Excess FY 22 waiver slots (275 not needed for DOJ settlement)	6,230,938
HCF	Revenues from Tax on Heated Tobacco	5,430,000
VEDIP	Grant Programs - Non-performance	3,213,600
Transfers	VASAP	275,000
VEDIP	Virginia Jobs Investment Program (level fund in FY 2021)	2,000,000
Balances	WWII Commission, Career Development Progs	1,170,394
GF	"Wayfair" Sales tax for other tobacco products	310,000
<b>TOTAL</b>		<b>\$160,091,572</b>



# Atypical Funding Items

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- **Item 479.10: CRF Funding** HAC budget appropriates the Coronavirus Relief Funds (CRF)
  - That which already has been allocated is listed in a table for informational purposes – mirrors actions in 2009 (ARRA)
  - Appropriations are included for the majority of the remaining funds
  - Tables on following pages outline what is proposed for inclusion
- **Item 479.20: Gray Machines** House budget includes an appropriation of \$95.2 million NGF in FY 2021 to backfill the K-12 sales tax reduction
  - Language requires Governor to submit plan for use of any remaining funds in budget in December



# Atypical Funding Items

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- **Item 479.30: Contingent Expenditures** In times of economic uncertainty the General Assembly has, on a number of occasions, made use of “contingent appropriations”
  - Any contingent appropriations for FY 2021 will be dependent on forecast NOT being reduced in December by more than \$100 million
  - FY 2022 appropriations effectuated if FY 2021 forecast met
- **Item 479.40: Funding of CJR Bills** There are a number of pieces of legislation that have been adopted by the House but may not emerge from, or be amended by, the Senate in the area of Criminal Justice and Police Reform
  - Item in Central Accounts appropriates all costs for all such bills contingent upon enactment by the 2020 Special Session



# Contingent Appropriations

Agency	Description	Amount
Cent. Accts.	State and State-supported bonus (year 2)	\$97,756,001
DOE	School Meals (biennial)	6,600,000
DMAS	Restore Medicaid DD Waiver Provider Rates (half FY 21 and full FY 22)	32,734,688
DMAS	Restore Medicaid Rate Increase Skilled & Private Duty Nurses (FY 22)	6,245,286
DMAS	Eliminate 40 quarter work requirement for LPRs (beg. Jan. 1, 2021)	3,875,936
DMAS	Restore FAMIS MOMS' Extend Postpartum Coverage to 12 months	2,673,844
DCJS	Pre-Release and Post-Incarceration Services (PAPIS)	1,500,000
Higher Ed	Online Virginia Year 2	1,000,000
DHCD	VATI Year 2*	16,000,000
DHCD	Housing Trust Fund Year 2*	23,000,000
DCR	Virginia Land Conservation Fund (increase in HB 5005)*	11,000,000
DCR	Dam Rehabilitation Funding (move portion to year 2)*	5,000,000
<b>TOTAL:</b>		<b>\$207,385,755</b>

\*Items with asterisks were included in HB 5005 as introduced



# Coronavirus Relief Fund (CRF)

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- In addition to the GF adjustments, the Commonwealth has \$3.1 billion in federal CRF funds that can be utilized to address some of the outstanding funding issues
- CRF funding can ONLY be used for items directly related to COVID-19 response, cannot be used to backfill revenue shortfalls, and must be spent by December 30, 2020
- Of the \$1.3 billion still unallocated, HAC package appropriates the majority of the remainder



# Coronavirus Relief Fund Commitments

Agency	Description	Amount
VDEM	Testing	\$ 42,338,400
VDEM	PPE	97,000,000
VDEM	Other	33,722,001
VDH	Replace deficit authorization	3,291,300
VDH	Contract tracing/UVA Equipment	59,157,614
DGS	Consolidated Labs	6,052,673
DHCD	Emergency Housing for Homeless	8,828,998
DHCD	Mortgage and Rental Assistance	50,000,000
DSBSD	Small business assistance grants	70,000,000
DMAS	Long-term care facilities	55,640,872
DMAS	PPE for personal care attendants	9,256,178
VDACS	Food security - Agriculture surplus & emergency food*	1,211,953
DSS	Food security - Expand emergency food supply package*	650,000
VDEM	Food security - 1 million MREs*	2,000,000
Statewide	FY20 Agency-based requests	80,480,698
Statewide	Allocations to Localities	1,289,146,766
	<b>Subtotal of Amounts Committed to date</b>	<b>1,808,777,453</b>
	<b>Remaining Uncommitted CRF funds</b>	<b>1,300,725,383</b>
	<b>Total Coronavirus Relief Funds</b>	<b>\$ 3,109,502,836</b>





# Allocation of Remaining Coronavirus Relief Funds

Agency	Description	Amount
<b>VEC</b>	Unemployment Assistance	\$210,000,000
<b>K-12</b>	Costs for Re-Opening Schools	200,000,000
<b>SCC</b>	Establish fund to be used to offset utility debt	120,000,000
<b>Higher Ed</b>	PPE, Virtual Education	118,790,000
<b>Statewide</b>	Testing and Contact Tracing	103,000,000
<b>K-12</b>	Childcare Provider Stabilization Funds	60,000,000
<b>HHR</b>	Additional hospital reimbursements for eligible costs	60,000,000
<b>HHR</b>	Hazard pay for personal care attendants (assumes \$1,500 each)	56,100,000
<b>Statewide</b>	PPE Plan	42,112,285
<b>Higher Ed</b>	VCU Hospital, UVA Med. Ctr – capital, PPE, testing, educ.	40,000,000
<b>Statewide</b>	Telework – state agencies	28,000,000
<b>Statewide</b>	PPE/Sanitizing for state agencies	25,500,000
<b>Statewide</b>	State Agency Compliance with DOLI regulations and other operational costs	25,000,000
<b>HHR</b>	Retainer payments for Medicaid Day Support providers in DD Waiver	25,000,000
<b>K-12</b>	Child care partnerships for school-age children	16,600,000
<b>ELECT</b>	Voter safety for November election - cleaning, personal protective equipment, additional pay for election day workers, drop boxes	10,000,000



# Allocation of Remaining Coronavirus Relief Funds

Agency	Description	Amount
<b>VDEM</b>	Technical assistance, public education and preparedness	10,000,000
<b>DBHDS</b>	PPE and infection control, reimbursements to CSBs for telehealth & PPE	9,000,000
<b>HHR</b>	Carilion serology, DBHDS COVID patients, VDH EO costs	7,816,724
<b>DOC</b>	PPE, medical observation units, overtime	7,700,000
<b>DSS</b>	VA Federation of Food Banks - \$1.0 million per region	7,000,000
<b>Other Ed</b>	State Museums and Higher Education Centers	4,210,000
<b>DHCD</b>	Emergency housing for homeless - (\$8.8 m. covered March - current)	3,000,000
<b>ABC</b>	COVID Costs - use of CRF will allow additional profits to flow to GF	1,000,000
	Balance Remaining	<b>110,896,374</b>
<b>Total</b>		<b>\$1,300,725,383</b>



# Language Limiting Governor's Spending Authority

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- Congress may pass additional COVID relief legislation
- It may or may not include additional funding for states, but at a minimum, it is expected to allow for additional flexibility in use of funds already provided to states under the CARES Act
  - Extend deadline beyond December 30
  - Allow dollars to be used to backfill revenue reductions
- Amendment package includes language to ensure General Assembly retains Constitutional role of appropriator
  - Requires Governor to propose plan for expenditure of any additional federal funds made available prior to December in his budget submission in December to allow legislative consideration of appropriate uses
  - Sets strict reporting requirements to Money Committees



# COMMERCE AND GENERAL GOVERNMENT

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# Savings and Revenue Adjustments

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- Captures planned economic development incentives for Rolls Royce, due to the recent announcement of the company's closure of its Virginia facility
  - Totals \$7.2 million in technical savings and revenue adjustments over the biennium
- Updates planned payments for economic development incentive projects based on revised company performance data
  - Totals \$3.2 million in technical savings over the biennium



# Spending

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- Invests \$50 Million GF in FY 2021 in the Virginia Telecommunications Initiative to expand broadband infrastructure in response to COVID-19
- Provides \$55 Million GF in FY 2021 in the Virginia Housing Trust Fund to expand access to affordable housing, provide rental assistance, and support homeless populations in response to COVID-19
- Invests \$5 Million NGF in FY 2021 to the Virginia Biosciences Health Research Corporation (Catalyst) to accelerate the development of COVID-19 drug therapies in early stage clinical trails
- Redirects \$2.0 million in FY 2021 for the Virginia Jobs Investment Program to short-term worker retraining at the Community Colleges to help those impacted by COVID-19



# Utility Disconnect Moratorium

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- Staff worked with stakeholders on language to improve the original submission
- Updated Language
  - Extends the utility disconnection moratorium until 60 days after the end of declared state of emergency or until economic or public health conditions improve
  - Creates a repayment plan for customers with accounts in arrears during the moratorium
  - Provides an “off-ramp” from the moratorium for utilities should accounts receivable arrearages exceed 1% - 2% of the utilities operating revenues in Virginia
- Language bolstered by an appropriation of \$120 million of CRF funding to pay down customer accounts in arrears



# Evictions Moratorium

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- Staff worked with stakeholders on language to improve the original submission
- Updated Language
  - Recognizes the current order from the Center for Disease Control and Prevention (CDC) placing a national moratorium for evictions
  - Outlines Virginia's policy towards evictions should the CDC Order no longer be in effect, which relies on the creation of payment plans and application to the Rent and Mortgage Relief Program prior to any evictions related action taking place
- Expands the usage of additional Housing Trust Fund dollars to extend Rent and Mortgage Relief program after the expiration of CRF





# Additional Language/Policy Issues

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- Housing Trust Fund flexibility
  - Redirects supplemental Housing Trust Fund dollars (\$25 million above Ch. 1289) for FY 2021 toward supporting the Rent and Mortgage Relief program beyond December
  - Addresses shortcomings in the program to expand utilization
- Rebuild Virginia Program
  - Addresses shortcomings in the program to expand utilization to deploy the \$70 million of federal CRF dollars invested in the program
- Broadband flexibility
  - Creates a one-year pilot in FY 2022 to expand the application pool for awards from the Virginia Telecommunications Initiative
- Unemployment Insurance
  - Maintains flexibility for the UI program in response to COVID-19 added during the 2020 General Assembly Reconvened Session
  - Appropriates \$210 million from the CRF dollars to support the UI program through supplementing benefits for unemployed workers or increasing the solvency of the trust fund



# Additional Language/Policy Issues

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- Regulation of esthetic services during COVID-19
  - Provides a pathway to allow master estheticians to resume services during Phase III of the state of emergency
  - Requires a review of current safety guidelines that will allow for the removal of face coverings by customers for the duration of a facial treatment
- Elections support
  - Strikes all language included in House Bill 5103 from House Bill 5005
  - Includes appropriation of \$10.0 million from the CRF dollars to address additional concerns expressed by general registrars
    - Flexible funding with local option on deployment
    - Can be used for drop boxes, increased payments to elections workers, PPE and any other extraordinary costs of the November election to support voter safety



# ELEMENTARY & SECONDARY EDUCATION

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# K-12 Concerns

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## Localities and school divisions:

- Governor's revenue reforecast results in a mid-year sales tax reduction of \$95.2 million in FY 2021
- Enrollment is expected to fluctuate throughout the year, resulting in unpredictable state funding in FY 2021
- Need flexibility in use of funds, especially Infrastructure & Operations Per-Pupil (Lottery) Payments

## Parents:

- Child care needs

## Child Care:

- Provider sustainability under current social distancing requirements



# CARES Act Funding to Support K-12

Fund	Virginia's Allocation	Details
<b>ESSER</b> Elementary & Secondary Schools Emergency Relief	\$238.6 million	<ul style="list-style-type: none"> <li>• \$214.7 million distributed to divisions per CARES Act</li> <li>• \$23.8 million state set-aside to be used to increase remote learning capacity, student supports, safe reopening                             <ul style="list-style-type: none"> <li>• Includes \$17.8 million in competitive grants to divisions</li> </ul> </li> <li>• May be used throughout FY 2021</li> </ul>
<b>GEER</b> Governors Emergency Education Relief	\$66.8 million	<ul style="list-style-type: none"> <li>• Governor announced \$43.4 million will support K-12; remaining \$23.4 million for higher education:                             <ul style="list-style-type: none"> <li>• \$30.4 million to support remote learning</li> <li>• \$10 million for additional early childhood slots</li> <li>• \$3 million to assist with school nutrition costs</li> </ul> </li> <li>• May be used throughout FY 2021</li> </ul>
<b>CRF</b> Coronavirus Relief Fund	\$3.1 billion	<ul style="list-style-type: none"> <li>• Governor distributed \$1.3 billion to localities</li> <li>• Appropriates \$200 million to school divisions as per-pupil payments</li> <li>• Must be used by December 30, 2020</li> </ul>



# Additional CARES Act Allocations

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- Remote Learning Needs
  - Governor announced \$26.9 million of GEER funding to be used for distance learning needs:
    - \$8.9 million for longer-term broadband expansion
    - \$18 million for grants to school divisions to meet short-term needs such as hotspots and laptops; \$45 million in applications received
  - Language would redirect the \$8.9 million to address the short-term needs
- Per-Pupil Payment
  - Allocates \$200 million in CRF funds as a \$159/pupil payment



# Relief to School Divisions

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- HAC budget will provide a \$95.2 million hold-harmless payment to school divisions, using gray machine revenues, to eliminate impact of the FY 2021 sales tax reforecast on K-12 allocations
  - One-time action recognizes impact of pandemic; not intended to create expectation that future reforecasts are backfilled
- Currently, two mid-year adjustments occur to state aid to reflect ADM changes:
  - In January, payments are adjusted to reflect revised ADM projection, incorporating fall enrollment data
  - In May/June, payments adjusted to reflect final ADM
  - Language will direct DOE to not adjust payments in January, allowing General Assembly to review scope of ADM changes during 2021 Session



# K-12 Flexibility Options

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- In addition to providing additional funds, HAC package will extend flexibility to address local needs
  - Waives pupil/teacher ratios for school counselors and English learner teachers for FY 2021
    - These positions were removed from the “flexibility provision” during 2020 Session
  - Delays implementation of new requirement to reserve 30% of Infrastructure & Operations Per Pupil Funds (Lottery PPA) for non-recurring costs
  - Permits textbook funds to be used for remote learning or reopening costs incurred due to COVID-19 and removes local match requirement for FY 2021





# Proposed K-12 Funding Restorations

Description	FY 2021	FY 2022
Provide free school meals to reduced price eligible students (revenue contingent)	\$2,500,000	\$4,100,000
Early Childhood Educator Retention Incentives	3,000,000	0
Jobs for Virginia's Future	1,670,000	0
American Civil War Museum	1,000,000	0
Black History Museum & Cultural Center	1,300,000	0
Blue Ridge PBS	350,000	0
<b>Total</b>	<b>\$9,820,000</b>	<b>\$4,100,000</b>



# Child Care Proposal

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- CARES Act provided \$70.8 million to stabilize providers and ensure availability of care for essential personnel
  - HAC budget provides an additional \$60.0 million in CRF funds for provider stabilization payments
- HB 5005 included \$16.6 million in general funds to support emergency child care programs for school-age children through partnerships with regional partnerships, such as YMCA's and Boys and Girls Clubs
  - HAC budget provides additional \$16.6 million in CRF funds to supplement this initiative, preserving the general funds for child care after December 30
  - Proposed language encourages alternative locations for programs such as religious institutions and community centers



# HIGHER EDUCATION

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# Higher Education

- Higher Education unallotment amounts totaled almost \$360 million for the biennium (table below)
- HB 5005 eliminated all but \$15.4 million of these funds, restoring only the first year amounts for new HBCU funding (see next slide)

Spending Category Unallotted	FY 2021	FY 2022
Colleges & Universities	\$119,166,183	\$120,197,061
VIMS & Extension	2,040,356	2,140,054
SCHEV (retains student ombudsman funding)	6,395,375	11,195,375
EVMS, Higher Ed Ctrs, & Jefferson Labs	2,266,043	1,949,300
Online Virginia Network	1,000,000	1,000,000
Tuition Moderation Funding	54,750,000	25,000,000
State Library & Museums (retains Comm for Arts administrative cost funding)	5,060,069	5,254,688
<b>Total Higher and Other Education</b>	<b>\$190,678,026</b>	<b>\$166,736,478</b>



# Restoration of HBCU Funding

Norfolk State University	FY 2021
Ensure continuation of Spartan Pathways	\$150,000
Implement academic advising model	300,000
Implement UTeach program	250,000
Increase storage and expand information technology services	3,000,000
Launch Virginia College Affordability Network initiative	3,459,590
Center for African American Policy	250,000
Support First-Day Success program	75,000
<b>NSU - Total Restorations</b>	<b>\$7,484,590</b>

Virginia State University	FY 2021
Expand Supplemental Instructional program	\$320,000
Implement Summer Bridge program	319,900
Implement UTeach program	250,000
Launch Virginia College Affordability Network	3,773,490
Provide funding for data center modernization	1,644,000
Support Intrusive Advising Early Warning System	150,000
VSU Cooperative Extension - Increase funding for state match	1,461,956
<b>VSU - Total Restorations</b>	<b>\$7,919,346</b>

No restorations proposed for FY 2022 in HB 5005



# Higher Education Challenges

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- COVID-19 pandemic has placed all public colleges and universities under significant financial stress
  - Closures last Spring resulted in tens of millions in required refunds to students
  - Institutions face significant cost increases related to cleaning / disinfecting, PPE, telework, online education, testing and other COVID-related costs
    - Current estimates for the Fall 2020 totals well over \$100 million
  - Facing significant revenue losses for both E & G and auxiliary enterprises resulting from enrollment losses of both in-state and out-of-state students
    - Midpoint of the E & G revenue loss range is over \$160 million with in-state undergraduates accounting for about half
    - Midpoint of the auxiliary revenue loss range is about \$460 million driven mainly by reduced room & board revenues
    - Current estimates are still preliminary as circumstances change daily



# Maintain Affordable Access

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- HAC proposes \$80 million GF in FY 2021 to be allocated as flexible funding which institutions may utilize for operations, financial aid or other COVID related costs
- Allocations based on in-state undergraduates and addressing estimated revenue shortfalls
  - Each institution will receive sufficient funds to reflect either a minimum of 5% of in-state undergrad revenues or 40% of the average in-state revenue shortfall
  - GMU & ODU amounts reflect restorations of the \$10 million operating support, which exceeds both of the above parameters
  - Radford funding also includes \$2 million for Carilion merger
  - Every institution receives at least \$1 million



# Institutional Financial Flexibility

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- Part 4 language builds on recent flexibility with regard to indirect cost recoveries
- Allows institutions to make use of fund balances from other fund sources to support auxiliary operations
  - Limit on the use of E & G balances directly supporting athletics programs
- Proposed new language in the Affordable Access amendment would permit institutions to petition the Governor through the OP6 to seek bridge financing before the next regular session prior to declaring fiscal exigency
  - Requires OP6 review and approval





# CRF Allocations for Higher Education

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- Propose allocating \$118.8 million from federal CRF funds to institutions based on recent OP6 survey of estimated COVID-related expenses
  - Amounts reflect expense data for E & G and auxiliary shortfalls only, and not lost revenues (which are not eligible)
  - Amounts mainly address costs for cleaning / disinfecting, PPE, and online education delivery
- Propose \$4.2 million from federal CRF funds for state library and museums
- Governor announced Tuesday plan to restructure higher education debt, saving \$300 million over the next 3 years
  - Legislation will be presented to the 2021 GA for 9(c) debt



# Other GF Recommendations

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- Includes \$2.0 million in first year for workforce credential programs at VCCS and Richard Bland that leverage private funds to train unemployed Virginians in high demand fields
- Provides \$1.0 million restoration of the Online Virginia Network expansion in FY 2021, additional \$1.0 million contingent appropriation in FY 2022
- \$1.0 million in FY 2021 for local library assistance targeted to provide broadband access to citizens and students in order to aid job search and virtual learning



# HEALTH AND HUMAN RESOURCES

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# HHR Recommendations

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- Proposes \$11.2 million GF in FY 21 to provide an additional quarter of nursing facility relief of \$20/day through March 31, 2021
- Restores \$882,000 GF in each year of the biennium to expand access to mental health services for children through the Virginia Mental Health Access Program
  - \$4.2 million GF each year was unallotted in April and eliminated in HB 5005
- Restores \$3.75 million GF each year for state behavioral health hospital census reduction pilot programs
  - \$7.5 million GF each year was unallotted in April and eliminated in HB 5005
- Restores \$250,000 GF each year for grants for recovery residences to serve individuals with substance use disorder
  - Amount was unallotted in April and eliminated in HB 5005



# Contingent Spending

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- \$10.7 million in FY 2021 and \$22.0 million GF in FY 2022 to restore Medicaid rate increase for group homes, sponsored residential and group day support providers of DD Waiver services using updated data
  - Will restore all of FY 2022 and last 6 months in FY 2021 that was unallotted in April and eliminated in HB 5005
- \$6.2 million GF in FY 2022 to restore Medicaid rate increase for skilled and private duty nursing provided through the DD Waiver programs
  - \$6.2 million GF each year was unallotted in April and eliminated in FY 5005
- \$586,046 in FY 2021 and \$3.3 million in FY 2022 to eliminate the Medicaid 40 quarter work requirement for legal, permanent residents
  - Will restore all of FY 2022 and last 6 months in FY 2021 that was unallotted in April and eliminated in HB 5005
- \$557,468 GF in FY 2021 and \$2.1 million GF in FY 2022 to extend FAMIS MOMS' postpartum coverage to 12 months
  - Will restore all of FY 2022 and last 6 months in FY 2021 that was unallotted in April and eliminated in HB 5005



# Recommended Language

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- Requires Va. Health Dept. (VDH) plan for equitable distribution of COVID-19 vaccine and other medications
- Requires VDH to report actual deaths not an extrapolated projection of deaths for COVID-19 and other infectious diseases
- Requires medical facilities licensed by VDH to allow designated persons to accompany and visit disabled patients
- Extends waivers for nurse practitioners to practice without a written or electronic practice agreement until the termination of the COVID-19 emergency declaration
- Extends flexibility for allow relative caregivers of children to continue to provide and be paid for Medicaid personal care services during the COVID-19 pandemic through June 30, 2021
- Restores language inadvertently eliminated in HB 5005 that removes the requirement that CSBs increase STEP-VA services beyond those funded in Chapter 854, 2019 Appropriations Act



# CRF Allocations

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- Provides \$60 million for additional hospital payments for CRF related costs
  - To be used for remaining auditable COVID-19 costs after all other federal relief act payments have been used
- Allocates \$56.1 million for hazard pay for Medicaid personal care, respite and companion care providers
  - Provides \$1,500 per personal care attendant
    - 22,000 consumer directed personal care attendants
    - 15,400 agency directed personal care attendants
- Provides \$25 million for retainer payments for Medicaid day support providers from August to December



# NATURAL RESOURCES

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# Natural Resources

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- Moves \$5.5 million GF each year in VLCF funding to contingent appropriations
  - These increases were added in Chapter 1289, and Governor restored unallotted funding in HB 5005
- Reduces first year funding in DCR for dam rehabilitation from \$15 million to \$10 million
  - Provides additional \$5 million in second year as contingent appropriation
- Amends language proposed during Veto Session and included in Chapter 1289 that authorized Natural Resources agencies to establish compensatory mitigation policies
  - Authority limited to the Hampton Roads Bridge Tunnel project
- Removes language proposed in HB 5005 to study the establishment of a statewide solid waste disposal fee



# PUBLIC SAFETY

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# Criminal Justice and Police Reform

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- House passed 10 criminal justice reform bills with a fiscal impact that are still under consideration
  - Cost of package totals \$17.8 million in FY 2021 and \$10.6 million in FY 2022
- Bill funding will be set out in Central Appropriations and will be moved to appropriate location upon enrolling if bills pass both bodies
  - All spending is in one amendment to provide flexibility in the next steps of the budget development process and enrollment
- In other action, amendment restores funding to staff the reconstituted Local and Regional Jail Board



# House Criminal Justice Reform Legislation

Description	Patron	FY 2021	FY 2022
HB 5146 - Expungements	Herring	14,120,553	1,977,497
HB 5148 - Earned Sentence Credits	Scott	1,304,753	8,973,109
HB 5148 - Earned Sentence Credits	Scott	0	(5,100,000)
HB 5051 - LEO Decertification	Simon	210,324	252,389
HB 5043 - Marcus Alert	Bourne	204,000	3,522,000
HB 5072 - Pattern and Practice	Lopez	114,709	229,418
HB 5109 - Uniform Curriculum	Hope	1,605,185	726,222
HB 5029 - Duty to Intervene	McQuinn	50,000	0
HB 5045 - Carnal Knowledge with Detainee	Delaney	50,000	0
HB 5049 - Use of Military Equipment	Helmer	50,000	0
HB 5069 - Use of Neck Restraints	Carroll Foy	50,000	0
HB 5098 - False Reports; Hate Crimes	Askew	50,000	0
HB 5146 - Expungements	Herring	50,000	0
	<b>Total Spending on CJR Bills</b>	<b>17,859,524</b>	<b>10,580,635</b>
	<b>Amounts Included in Introduced Budget</b>	<b>2,557,225</b>	<b>1,018,670</b>
	<b>Net Cost of CJR Bills</b>	<b>15,302,299</b>	<b>9,561,965</b>



# TRANSPORTATION

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# Transportation Amendments

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- Introduced budget included 4 language amendments within the Transportation Secretariat to provide the Secretariat flexibility to manage programs during the pandemic
  - Language under Secretary's office allows the Commonwealth Transportation Board (CTB) to redirect Revenue Sharing Funds allocated in FY 2020 and prior years, not currently needed, to other programs to mitigate the impact of reductions in Transportation Revenues
  - The language also allows for the redirection of funds from the State of Good Repair, High Priority Projects, and District Grant Programs if the funding is not currently needed. Language states funding must be restored by 2025



# Transportation Amendments

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- HB 5005 also included language under DRPT to allow the CTB to allocate funds as needed to maintain transit operating support at 2020 levels and to allow the Department to support the operation of the Virginia Rail Authority until the Authority is able to hire an executive director and staff
- Language under the DMV gives the Commissioner the authority to extend deadlines related to the issuance and renewals of DMV licenses and registrations during the pandemic
- Committee amendment requires the Secretary to report to the General Assembly prior to the effectuation of the transfers authorized in the introduced budget under the Secretary's office and the language regarding DRPT's administrative funding
  - Prohibits the CTB from shifting allocations at the same meeting at which they are proposed and instead requires a one-month delay to allow for GA input



# COMPENSATION ISSUES

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# Cash Balance In State Employee Health Insurance Fund

\$ in Millions	July 2017	July 2018	July 2019	July 2020
State Employees & Non Medicare Retirees	\$197.6	\$320.2	\$430.8	\$535.2

- The cash balance in the HIF currently would be around \$657 million had the General Assembly not authorized a one month premium holiday last year
- Amendments authorize another a one month health insurance premium holiday in FY 2021 which would save \$122 million all funds (including GF, NGF, employees and early retiree)
  - \$46 million GF and \$46 million NGF savings
  - Savings of approximately \$22 million for employees and \$8.0 million for retirees
  - Savings of \$37.8 million (\$15.8 million GF and \$22.0 million NGF) for higher education



# Adjust Funding for FY 2022 Health Insurance Premium Increase

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- Additionally, the amendment package recommends a reduction in funding for a FY 2022 premium increase in the state employee health insurance program
  - Amendment decreases funding for premium increase from \$41.2 million GF to \$20.6 million GF
  - Would still support a premium increase of 3.35%
- Language amendment requires the Department of Human Resource Management to contract with an actuarial firm to review the actuarial process and assumptions used to calculate the employee health insurance premiums and provide a recommendation regarding the appropriate target level of cash reserves in the fund
  - Report would be due by October 15, 2021



# State and State Supported Local Bonus

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- Chapter 1289 provided 3% bonuses in FY 2021 (2% for state supported locals) and 2% raises in FY 2022 to state and state supported local employees
  - These were unallotted and not restored in HB 5005
- Provides a \$1,500 per employee bonus for all state employees at a cost of \$82.2 million GF and provides a 1.5% bonus to state supported local employees at a cost of \$15.5 million GF
  - The amounts provided to adjunct faculty (included in the total above) would be \$750 each, based on the part-time nature of the positions
- While a bonus is one-time in nature and does not address the longer-term pressure for pay adjustments, it would reduce some of the pressure
- Contingent bonus would be available August 2021, if FY 2021 forecast is met



# CAPITAL OUTLAY

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# Capital Outlay Recommendations

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- HB 5005 included no changes to debt-financed projects approved in Chapter 1289
- HAC amendments restore funding for two projects (Nimmo Parkway and Accomack Hangar) previously funded with cash through use of VPBA bonds
  - Recently updated debt capacity based on lower forecast – it is still strong and is estimated at \$560 million per year for next ten years with an additional three years of excess capacity reserved
  - This incorporates the entire debt package approved in the 2020 regular session, the revised revenue figures, and any adjustments in interest rates
- Eliminate proposed new language authorizing DJJ project at Bon Air which conflicts with Conference agreement
- Includes 3 language amendments to facilitate Capitol Square projects



# SUMMARY

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# Net Changes from HAC Actions

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- In total amendments contain \$404.2 million of increases offset by savings and revenue adjustments
  - \$251.8 million in net new spending above HB 5005
- Contained within the package is \$207.4 million of contingent spending which won't be released unless revenues meet forecast
- HAC amendments leave an unappropriated balance of \$304.5 million at the end of biennium
- First year includes flexible reserve deposit of \$150 million to offset any potential Rainy Day Fund deposit requirement in lieu of estimated mandatory deposit to RDF of \$89.7 million in year 2

