



Special Session II – HB 7001 Proposal for ARPA Spending

August 2, 2021

Prepared by House Appropriations Committee Staff

Parameters for Special Session

- Budget package contained in HB 7001 is limited to appropriating only federal COVID-Relief Funds made available through the American Rescue Plan Act (ARPA)
 - Bill includes a total appropriation of \$9.0 billion of federal funding
 - Includes proposed allocation of just more than \$3.1 billion of the \$4.3 billion ARPA State and Local Fiscal Relief Funds (SLFR)
 - Also appropriates the program-specific pots (e.g. Child Care Development, Mental Health and Substance Abuse Block Grants, federal unemployment benefits, LIHEAP etc.)
 - No General Funds included in the budget proposal
- Because of the time constraints associated with a 2-week Special Session, no amendments will be made in Committee



Activity to Date

- There has been unprecedented openness and cooperation between the Administration and both bodies of the legislature
 - Administration shared individual proposals as they developed them, and staff worked with Administration drafting language and ensuring the House's priorities are protected
- Chairman Torian, Vice Chair Sickles, Chair Howell and Sen. Barker (along with the Staff Directors) held many meetings with Administration to review initiatives, propose changes in dollar values and program details over the past 3 weeks
- House Bill 7001 was filed Friday and posted on LIS



Content of Package

- Efforts have centered around one-time transformational projects
 - Commitment made to limit establishment or expansion of ongoing programs that would have to be supported with general fund dollars in the out-years
 - Of the total spending included in the bill from the State and Local Recovery Funds (SLRF) and the Capital Projects Fund (all directed to the broadband package), about 7% is committed to ongoing activities in FY 2022, for a total of \$240 million
 - Administration committed that where any item will be ongoing, it will have ARPA funding in FY 2022 and FY 2023, and GF support will be included in FY 2024 in the new biennial budget sent down in December



Major Elements of Package

Program	Funding	Comments
Broadband	\$716.0 million	Includes funding from Capital Projects fund as well as SLRF
VEC Replenishment VEC Call Center, Adjudication & Systems	\$862.0 million \$73.6 million	Ensures no employer's rate increases
Rebuild Virginia	\$250.0 million	Funds backlog and new tranche
Water, Wastewater and CSOs	\$411.5 million	CSOs, nutrient removal, straight pipes, clean drinking water
School Ventilation Improvements	\$250.0 million	ADM distribution, 1:1 match req'd, 200k floor
Other Small Business/Tourism Assistance	\$76.5 million	ISRF, Main Street, VTA
Food Access	\$25.6 million	
Higher Ed Financial Aid	\$111.0 million	Includes \$11 million for privates
Mental Health and Substance Abuse	\$238.0 million	Amounts from other pots & proposed out-year reach Gov's total of \$485 million
Parks	\$25.0 million	State parks maintenance backlog
Public Safety and Community Violence	\$114.5 million	
Public Health Initiatives	\$280.8 million	
Utility Assistance	\$120.0 million	



Broadband

- \$700.0 million in FY 2022 for the expansion of broadband infrastructure to achieve universal broadband access
 - Funding to support this initiative comes from two federal sources – the State and Local Fiscal Relief Fund and the Capital Project Fund
 - Grants will be administered by the Department of Housing and Community Development through the established Virginia Telecommunications Initiative (VATI)
 - Includes transparency and accountability language for the oversight of investments made from these dollars
- \$8.0 million in FY 2022 for a pilot program to assist low-to-moderate income customers in extending broadband network service to their homes (“long drops”)



Unemployment Insurance

- \$862.0 million in FY 2022 to replenish the Unemployment Insurance Trust Fund
 - This deposit and the accompanying language guarantees that no employer will experience a higher tax rate in 2022 compared to 2021
 - 2022 UI tax rates will either be held constant to tax year 2021
 - Rates for employers whose experience rating results in a reduction will still be reduced
 - Will bring trust fund replenishment to 50% levels by January 2023
 - Virginia will not need to borrow federal dollars to pay state UI claims through the end of the year
- In advance of the 2022 Regular Session, we can reassess any additional needs for the UI Trust Fund based on the revenues anticipated from 2022 UI taxes and the overall health of Virginia's economy

UI Tax	2021 UI Tax	2022 Change	2022 UI Tax w/o HB 7001 Action
Average Base Rate*	\$71.24	Same or Lower	\$249.60
Pool Charge	\$2.40	Same or Lower	\$94.40
Fundbuilder	\$16.40	Same	\$16.00

(*) Base rates vary for every employer and range between 0.1% and 6.2%



Virginia Employment Commission

VEC Initiatives (\$ in millions)	FY 2022
Upgrades to the agency's information technology system to improve communications with UI claimants and other stakeholders	\$29.8
Supplemental call center staff to improve customer service	37.4
Additional adjudication officers to reduce the wait times of claimants seeking UI benefits	4.6
Elevated security at the state's one-stop career centers	1.8
Total	\$73.6



Business Assistance and Tourism

- \$250.0 million in FY 2022 for the Rebuild Virginia program
 - Funds all eligible applications for business assistance currently in the pipeline
 - Allows for an additional round of grants with an emphasis on support for businesses in the hospitality and tourism industry
- \$50.0 million in FY 2022 to support marketing and incentive efforts at the Virginia Tourism Corporation
 - Includes \$30.0 million in grant funds for local destination marketing organizations, which VTC will administer



Business Assistance and Tourism

- \$22.5 million in FY 2022 for the Industrial Revitalization Fund to provide grants for the redevelopment of vacant, deteriorated commercial properties
 - Allows for a maximum grant award of up to \$5.0 million for projects in economically distressed communities, and requires a 100% match from local and/or private sources for these projects
- \$4.0 million in FY 2022 for the Virginia Main Street program to provide technical assistance to businesses recovering from the COVID-19 pandemic



Housing

- Continues Virginia's current rent relief policy by requiring a tenant or landlord to apply for rental assistance prior to proceeding with an eviction for non-payment of rent
 - As of June 16, 2021, Virginia has an estimated \$809 million in federal funds left from the Consolidated Appropriations Act and ARPA
- Virginia leads the nation in distributing federal rental relief funds to those in need
 - New data from the U.S. Treasury shows that Virginia has distributed 43% of its first round of federal rental relief assistance, leading all other states on this metric
- Includes \$3.8 million in FY 2022 for a lead abatement program at DHCD in residential properties with young children
- Provides an additional \$2.5 million to Legal Aid for civil indigent defense in eviction cases



Utility Assistance

- Provides \$120.0 million to continue Virginia's utility assistance program to provide relief to residential customers in jurisdictional and nonjurisdictional utilities with accounts over 60 days in arrears
 - Program is administered by the State Corporation Commission and Department of Housing and Community Development
 - Funds will be distributed proportionally based on the needs of residential utility customers as of August 31, 2021
 - Program excludes Phase II utilities
- Separate language places a moratorium on Phase II Electric Utility disconnections for low-income individuals until March 1, 2022



General Government

- Elections Support
 - \$3.0 million in FY 2022 to assist localities with the expansion of early voting, to include the adoption of Sunday voting
 - \$1.5 million in FY 2022 for a voter education campaign to inform on new elections laws and combat misinformation
- Office of Diversity, Equity, and Inclusion
 - \$0.5 million in FY 2022 for a contract to scope statewide needs to overcome language access barriers to services; report due Nov 2021
 - Expectation is that Governor will put funding in outgoing budget to address identified translation needs at customer-facing agencies



Wastewater & Drinking Water

- Provides substantial appropriations for wastewater, nutrient removal, and CSOs, including:
 - \$125.0 million for the Alexandria, Lynchburg, and Richmond CSO projects
 - \$100.0 million for the Enhanced Nutrient Removal Certainty Program and related projects
 - \$75.0 million for septic, straight pipe, and sewer collection system repair, replacement, and upgrades
- Drinking Water
 - \$50.0 million in FY 2022 for safe drinking water at small and disadvantaged community waterworks
 - \$5.8 million in FY 2022 for improvements in well and septic systems for low-income homeowners (incomes < 200% poverty)
- SLAF and Ag BMPs will be addressed in 2022 Session
 - \$2.6 billion surplus and anticipated agency balances will cause a substantial WQIF deposit in FY 2023 that would allow these issues to be addressed in the upcoming regular session



Other Ag & Natural Resources

- Includes \$25.0 million for state park maintenance and construction at the Department of Conservation and Recreation
- Provides \$25.6 million for several food access programs
 - Includes support for food bank infrastructure, shelf-stable food purchases, Virginia Farm to Virginia Families food box program, and Virginia Agriculture Food Assistance Program (2021 legislation)



Public Education

- School Ventilation Projects
 - Includes \$250.0 million for qualifying projects to be distributed on a per-pupil basis with a minimum \$200,000 distribution for small divisions
 - Requires dollar-for-dollar local match, divisions may use \$3.0 billion in local ESSER funds for match
- Teacher Recruitment
 - Directs \$11.5 million from ESSER III funds to help fill vacant instructional positions
 - Provides a \$2,500 payment per position, or \$5,000 per position for hard-to-staff schools and hard-to-staff positions



Public Education

- Special Education - High School Extension
 - Includes \$3.5 million from ESSER III funds to support private day school costs for adult special education students accessing the additional school year provided in Ch. 552
 - Language clarifies these students shall receive services consistent with federal special education law
- Child Care
 - Language permits temporary adjustment of staffing ratios in child day centers to assist with current staffing shortages
 - ARPA also included \$488.6 million for childcare provider stabilization payments and \$305.5 million in Child Care Development Funds



Higher Education

- Contains \$100.0 million in need-based financial aid at public higher education institutions with a distribution methodology to be determined
- Includes \$11.0 million in need-based financial aid for TAG-eligible students at private higher education institutions with a distribution methodology to be determined
- Provides additional \$10.0 million for the Online Virginia Network for operating costs to meet increased demand for online learning
- Language in a separate enactment clause addresses the issue of compensation for student-athletes for the use of their name, image, or likeness



Behavioral Health System Improvements

- Dept. of Behavioral Health & Developmental Services
 - \$45.0 million for bonuses to retain direct care staff at state DBHDS facilities
 - \$10.0 million in FY 2022 to continue expansion of the community-based crisis services system, including mobile crisis, crisis receiving centers and MARCUS Alert activities
 - \$20.0 million for crisis services would be included in the biennial budget
 - ARPA also provides an 85% enhanced federal matching rate under Medicaid to states that opt to cover mobile crisis intervention services over a 5-year period beginning April 2022
 - \$5.0 million in FY 2022 for additional permanent supportive housing in Northern Virginia
 - \$1.7 million for dementia pilot program to transition patients from state facilities to private nursing homes
 - \$50.0 million for renovation or replacement of ventilation and water or sewer systems at state DBHDS facilities
 - Language allows temporary increase in licensed group home capacity when lack of adequate staff jeopardizes the health, safety and welfare of residents
- Suicide and Substance Abuse Prevention and Treatment
 - \$10.0 million to the Virginia Association of Recovery Residences for substance abuse treatment
 - \$5.0 million for other treatment services through DBHDS in FY 2022 and FY 2023
 - \$5.0 million to VDH for suicide & substance abuse prevention in FY 2022 with \$5.0 million to be included in FY 2023



Department of Health

- IT and Infrastructure Projects
 - \$8.0 million for broadband connectivity and network infrastructure at local health departments
 - \$10.0 million for an Electronic Health Records (EHR) system in local health departments
 - \$10.0 million to modernize administrative systems and software to improve emergency response capacity (\$40 million in upcoming biennial budget)
 - \$10.0 million for an automated records management system (\$20 million upcoming biennial budget)
 - \$30.0 million for facility upgrades at local health departments
 - VDH to provide detailed plans and implementation schedules of these projects by September 30th with progress reports by December 31, 2021
- \$20.0 million to provide targeted community outreach regarding COVID vaccines in hard-to reach communities
- Language extends public health emergency provisions for temporary nurse aides in long-term care facilities to sit for their CNA exams and for certain nurse practitioners to practice without direct physician supervision through June 30, 2022



Medicaid

- Medicaid Home and Community Based Services (HCBS)
 - About \$273.0 million available to support Medicaid home and community-based services through enhanced FMAP
 - Language requires a plan to be submitted to General Assembly by October 1st for re-investing freed up general fund dollars in HCBS
 - Provides temporary authorization to increase rates for HCBS providers of eligible DD waiver and long-term care services by 12.5% from July 1 to December 31, 2021
 - As part of this package, it expedites the rate increase for personal care providers that was scheduled to go into effect on January 1, 2022
 - Authorizes a one-time \$1,000 payment to help retain current personal care attendants working as of October 1
- Includes \$10.0 million in FY 2022 and \$5.0 million in FY 2023 to address eligibility re-evaluations, appeals and operational backlogs at DMAS due to COVID-19
- Provides \$31.1 million to provide nursing facilities an additional \$5/day
 - Brings reimbursement to \$20/day consistent with FY 2021 amount



Public Safety & Veterans

- Includes \$34.8 million for the Department of Corrections
 - Covers a variety of activities including ongoing testing costs, expansion of telehealth services, video visitation, and the purchase of personal protective equipment
- Provides \$13.2 million at DCJS in additional support for victims of crimes and the sexual and domestic violence victim fund
- Appropriates \$10.0 million to backfill COVID-related revenue shortfalls at veterans' care centers
- Includes \$2.5 million at the Office of the Attorney General to support gun violence reduction programs
- For State Police, provides \$2.8 million to purchase live scan fingerprinting machines for area offices
- Contains \$1.6 million for COVID-related expenses at the Department of Juvenile Justice, including facilitating additional family visitation



Compensation Actions

- All compensation actions included in the bill for FY 2022 are provided as one-time bonuses
- All employee groups received at least a 5% salary increase on July 1, with state police receiving an 8% increase and a compression adjustment equal to \$100 per year of service
- State Police Compensation
 - Includes \$20.0 million to provide bonuses and relocation expenses for the state police, as follows:
 - \$5,000 bonus for all sworn officers
 - \$5,000 sign-on bonus for new hires
 - Up to \$2,000 for relocation expenses for new hires and troopers being relocated
 - Retention bonuses as needed
 - Compression adjustment bonuses of between 2% and 8% as appropriate
 - Separate language states the intention to provide \$20.0 million in FY 2023 to implement a new compensation plan for State Police based on the recommendations of a workgroup including State Police, JLARC, and DHRM which will complete its work and make recommendations by October 15th of this year



Compensation Actions

- Funding for \$1,000 One-Time Hazard Pay Bonus for Public Safety Personnel
 - \$10.0 million to the Department of Corrections for Corrections Officers and Law Enforcement Officers
 - \$11.1 million for sworn officers in Sheriffs Departments and Regional Jails
- Funding for direct care staff at state behavioral health facilities and intellectual disability training centers
 - \$45.0 million for quarterly bonuses for direct care staff at state behavioral health facilities and intellectual disability training centers including RNs, LPNs, DSAs and security personnel
 - Separate language states the intention to provide \$76.9 million for salary adjustments for direct care staff in FY 2023 pending review
- Funding to Provide Bonuses for New Teachers
 - Provides \$11.5 million from the Elementary and Secondary School Emergency Relief Fund to provide a \$2,500 bonus to new teachers hired between August 15, 2021 and November 15, 2021



Capital Outlay

- Includes \$40.0 million for Northern Virginia Community College to construct new space to expand nursing (\$25.0 million) & trades programs (\$15.0 million)
- Includes \$5.0 million at the Virginia Museum of Fine Arts to upgrade air handling systems
- Includes \$2.0 million at Jamestown-Yorktown to upgrade ventilation systems
- Includes \$25.0 million for state parks maintenance repairs
- Includes \$11.5 million for Dept. of Blind & Vision Impaired for renovations in Charlottesville facility
- Includes \$50.0 million for HVAC & repairs at Readiness Centers (DMA)
- Includes \$225.0 million at DEQ for CSO projects & nutrient removal grants



Language Amendments

- Language allows permanent or interim legislative study or advisory commissions, committees, or subcommittees to continue to meet electronically if the meeting is being held solely to receive presentations, updates, public comment, or conduct other forms of information gathering
 - No such group may take any votes or make any formal recommendations at any virtual meeting
 - Formal standing committees and subcommittees are not included in the exception and cannot meet electronically
 - The other provisions governing virtual meetings must be complied with, including public streaming
- Language authorizes up to \$25 million in previously authorized VPBA bonds for the Port of Virginia may be used for infrastructure improvements at the Portsmouth Marine Terminal which are needed to support an offshore wind project
 - The language requires the Secretaries of Finance and Transportation, and the Virginia Port Authority Board to approve the projects prior to issuing the debt



Language Amendments

- Corporate Income Tax Informational Reporting
 - Eliminates provision in 3-5.23 that would assess a penalty of \$10,000 on any corporation that fails to submit a report on unitary combined report
- Language permitting the wearing of masks to prevent the spread of COVID-19
 - Enactment 15 states that the provisions of §18.2-422 do not apply to persons wearing a mask for COVID reasons
- Language redefines the words “pay” and “wages” for purposes of the Virginia Overtime Wage Act to state that for public employees overtime compensatory time may be offered in lieu of overtime as allowed under the FLSA

