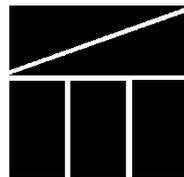


Governor Northam's Proposed Amendments to FY 2020 of the 2018-2020 Biennial Budget and the Proposed Biennial Budget for the 2020-2022 Biennium

*A briefing for the Joint Meeting of the Senate Finance Committee,
House Appropriations Committee, and the House Finance Committee*

December 17, 2019



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HB/SB 29 – The “Caboose” Budget

Overview of Available Resources
for FY 2020

The current budget, Chapter 854, included a planned carryover balance from FY 2019 to FY 2020 of \$229.9 million, which is the starting point

Chapter 854, 2019 Acts of Assembly General Fund Only

	FY 2019	FY 2020
General Fund Resources		
Prior Year Balance	\$1,229.9	→ \$229.9
Additions to Balance	(723.3)	336.2
Revenue Forecast	20,528.7	21,556.7
Revenue Stabilization Fund	0.0	0.0
Transfers	639.1	635.8
Total GF Resources	\$21,674.4	\$22,758.6
General Fund Appropriations		
Operating	\$21,443.0	\$22,747.8
Capital	1.5	3.2
Total GF Appropriations	\$21,444.5	\$22,751.0
General Fund Balance at Year-End	\$229.9	\$7.6

*Amounts shown in millions

FY 2019 concluded with an unrestricted year-end balance of \$2.2 billion

- The unrestricted cash balance reported by the State Comptroller represents the cash after accounting for liabilities and setting aside the balances for the restricted funds, including the Revenue Stabilization Fund, the Lottery Proceeds Fund, and the Water Supply Assistance Grant Fund.
- This balance also includes:
 - *a revenue surplus of \$778.8 million;*
 - Surplus includes \$455 million to be transferred to the Taxpayer Relief Fund;
 - *unexpended general fund operating appropriations of \$131.8 million;*
 - *unexpended general fund capital appropriations of \$6.2 million;*
 - *other cash on deposit in the Treasury that is counted as general fund cash according to GASB standards.*
- This unrestricted general fund cash balance as of June 30, 2019, replaces the \$229.9 million beginning balance previously anticipated in CH 854 for an increase of approximately \$1.9 billion.

**The FY 2020
beginning
balance must be
adjusted before
determining the
amounts
available for
appropriation**

Current Adjustments to Balance per CH 854	\$336.2
<u>New Adjustments to Balance</u>	
Committed Fund Balance:	
Reappropriation of 2019 Unexpended Balances for Capital Outlay and Restoration Projects	(6.7)
Virginia Health Care Fund	(53.1)
Central Capital Planning Fund	(7.0)
Communication Sales and Use Tax	(33.9)
Commonwealth's Development Opportunity Fund	(26.1)
Natural Disaster Sum Sufficient	(21.3)
Amount Required for Mandatory Reappropriation	(108.2)
Virginia Water Quality Improvement Fund	(34.5)
Virginia Water Quality Improvement Fund - Part A	(32.4)
Virginia Water Quality Improvement Fund - Part B	(14.6)
Revenue Reserve Fund	(502.6)
Taxpayer Relief Fund	(455.0)
Local Government Fiscal Distress	(0.8)
Other Committed Nongeneral Funds	(177.1)
Assigned Fund Balance:	
Amount Required for Discretionary Reappropriations	(131.8)
Amount for Voluntary Revenue Reserve Deposit	(270.8)
Other Assigned Nongeneral Funds	(54.8)
Additional Adjustments:	
Adjust balance for Veto of Item 292 – 2019 GA Session	(0.8)
Revert FY 2019 Unexpended Discretionary Balances	86.4
Appropriate Voluntary Revenue Reserve Deposit	270.8
Subtotal of New Adjustments	(1,574.2)
TOTAL Adjustments to Balance	(\$1,238.0)

Total changes to resources provide a net increase of \$535.1 million in new funds available for spending

<u>RESOURCES</u>	FY 2020
Revenue Forecast - CH 854, 2019 Acts of Assembly	
Prior Year Balance	\$229.9
Additions to Balance	336.2
Revenue Forecast	21,556.7
Revenue Stabilization Fund	0.0
Transfers	635.8
Total GF Resources	<u>\$22,758.6</u>
Revisions to Forecast	
Prior Year Balance	\$1,930.6
Additions to Balance	(1,574.2)
Revenue Forecast	147.8
Revenue Stabilization Fund	0.0
Transfers	30.9
Total Revisions	\$535.1
Revised Revenue Forecast	
Prior Year Balance	\$2,160.5
Additions to Balance	(1,238.0)
Revenue Forecast	21,704.5
Revenue Stabilization Fund	0.0
Transfers	666.7
Total GF Resources	<u>\$23,293.7</u>

*Amounts shown in millions

HB/SB 29 – The “Caboose” Budget

Summary of Proposed
Spending Changes
for FY 2020

The proposed caboose budget contains 39 individual amendments that result in a net **decrease** in general fund spending of \$20.4 million in FY 2020

- 24 amendments increase general fund spending by \$376.2 million.
 - *Examples of the largest increases are:*
 - ❖ \$270.8 million for a voluntary deposit to the Revenue Reserve, and
 - ❖ \$21.1 million due to enrollment increases in Direct Aid to Public Education.
- 15 amendments decrease spending by \$396.5 million.
 - *Examples of the largest decreases occurred in the Medicaid program:*
 - ❖ \$211.7 million for Medicaid utilization and inflation, and
 - ❖ \$44.4 million in Health Care Fund revenues that offset general fund Medicaid costs.
- The result is a net **decrease** in operating spending of \$20.4 million over Chapter 854.

After adjusting for all resource and spending changes, the Caboose bill produces a \$563.0 million balance that rolls to the 2020-2022 biennium

Revised Resource Forecast

Prior Year Balance	\$2,160.5	
Additions to Balance	(1,238.0)	
Revenue Forecast	21,704.5	
Revenue Stabilization Fund	0.0	
Transfers	666.7	
Total GF Resources		<u>\$23,293.7</u>

Expenditures

Current Operating	\$22,747.8	
Current Capital	3.2	
		<u>\$22,751.0</u>
	CH 854 Base	
New Operating	(\$20.4)	
New Capital	0.1	
Subtotal of New Spending		<u>(\$20.3)</u>
Revised Spending Proposed in HB/SB 29		<u><u>\$22,730.7</u></u>
Unexpended Balance in HB/SB 29		\$563.0

HB/SB 30
The 2020-2022
Biennial Budget

Overview of Available Resources

Virginia will have revenue growth to address high priority spending requirements

	FY 2021	FY 2022
<u>BASE RESOURCES</u>		
Prior Year Balance	\$0.0	\$0.0
Additions to Balance	(0.5)	(0.5)
Revenue Forecast – May 2019 Official Forecast	22,220.2	23,128.6
Revenue Stabilization Fund	0.0	0.0
Transfers	635.8	635.8
Total GF Resources	<u>\$22,855.5</u>	<u>\$23,763.9</u>
Revisions		
Prior Year Balance	\$563.0	\$0.0
Additions to Balance	120.6	0.0
Revenue Forecast	468.9	400.8
Revenue Stabilization Fund	0.0	0.0
Transfers	16.8	27.0
Total Revisions	<u>\$1,169.4</u>	<u>\$427.8</u>
<u>Revised Resource Forecast</u>		
Prior Year Balance	\$563.0	\$0.0
Additions to Balance	120.1	(0.5)
Revenue Forecast	22,689.1	23,529.4
Revenue Stabilization Fund	0.0	0.0
Transfers	652.6	662.8
Total GF Resources	<u>\$24,024.8</u>	<u>\$24,191.7</u>

*Amounts shown in millions

HB/SB 30
The 2020-2022
Biennial Budget

Summary of Proposed
Spending Changes

Goals of the Governor's budget

- Strengthen fiscal integrity by increasing reserve balances, improving fiscal liquidity, and maintaining structural balance
- Fund mandates, commitments, and core services
- Grow Virginia's economy by:
 - *strengthening Virginia's educational system*
 - *investing in broadband and workforce development*
 - *maintaining our commitment to economic development*
- Improve citizen quality of life through:
 - *improving access to healthcare, mental health services, addiction treatment and prevention, and housing assistance*
 - *improving infrastructure with investments in water quality and clean energy*
 - *enhancing public safety, election security, and emergency preparedness*

The proposed budget contains four forms of general fund spending changes that add and subtract to overall spending for a net increase of \$2.7 billion in total spending over the new biennium

New General Fund Appropriations

	FY 2021	FY 2022
New Operating		
Base Budget Adjustments	(\$650.4)	(\$670.6)
Technical Adjustments	0.0	0.0
Policy-Based Decision Packages	1,448.5	2,556.8
Total Operating	<u>\$798.1</u>	<u>\$1,886.2</u>
	Biennial Operating Total	<u>\$2,684.3</u>
New Capital		
Cash for planning	23.0	0.0
Total New Appropriations	821.0	1,886.2
	Total New Biennial Appropriations Above Base	\$2,707.2

After adjusting for reductions in base appropriations, policy-based changes in operating costs are driven by issues that both increase and reduce spending

- 331 amendments totaling \$4.7 billion increase general fund spending.
 - *Examples include:*
 - Updates to K12 education for Standards of Quality re-benchmarking and enrollment increases;
 - Updates to Medicaid utilization and inflation;
 - Deposits to the Revenue Stabilization Fund and the Revenue Reserve;
 - New education investments for school counselors, early childhood, teacher salaries, and “G3”;
 - Revisions in funding for other forecast-based expenditures, core services, and priority needs;
 - Transfers into an agency from another to spread funding to its proper location.
- 56 amendments totaling \$720.2 million decrease general fund spending.
 - *Examples include:*
 - Savings from increases in transportation revenues to offset general fund expenses;
 - Savings from increases in tobacco tax revenues to offset general fund expenses in Medicaid, which allowed the establishment of a health reinsurance program;
 - Realization of savings associated with VITA’s new service provider model; and,
 - Transfers out of an agency and into another to spread funding to its proper location.

The net general fund impact is an overall increase in operating spending of \$4.0 billion for the biennium after adjusting the base.

The top 10 agencies receive 85.7 percent of the recommended new policy-based funding

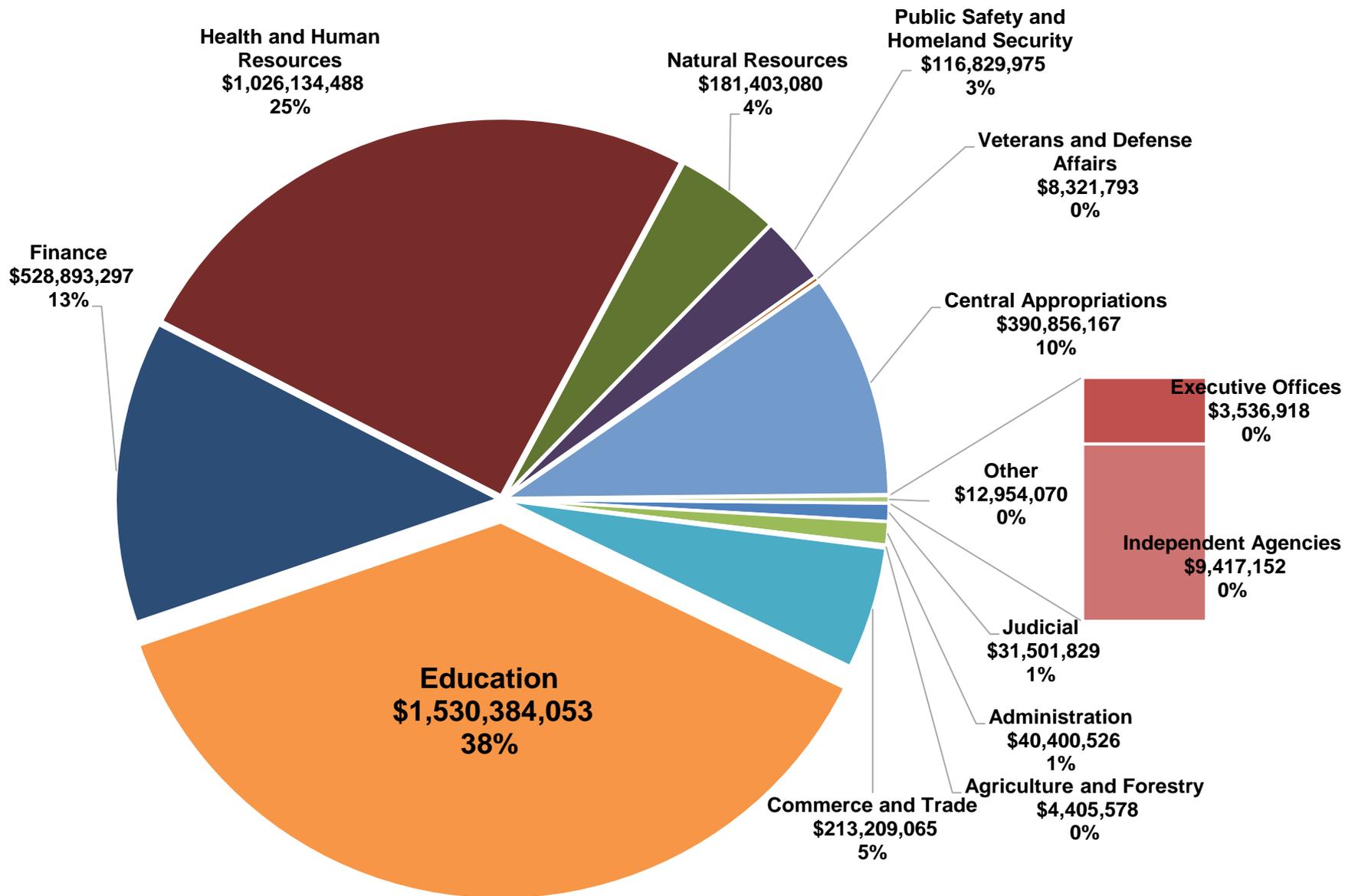
Agency	FY 2021	FY 2022	Biennial Total	% of Total
Direct Aid to Public Education	454,626,517	787,523,260	1,242,149,777	31.0%
Department of Medical Assistance Services	160,367,045	522,774,881	683,141,926	17.1%
Central Appropriations	171,757,090	219,099,077	390,856,167	9.8%
Department of Accounts Transfer Payments	56,409,780	296,513,177	352,922,957	8.8%
Treasury Board	57,797,799	113,901,449	171,699,248	4.3%
Virginia Community College System	73,926,437	75,061,937	148,988,374	3.7%
Department of Conservation & Recreation	74,324,770	68,985,904	143,310,674	3.6%
Department of Social Services	52,918,007	61,391,674	114,309,681	2.9%
Department of Housing & Community Development	44,450,000	55,450,000	99,900,000	2.5%
Department of Corrections	37,192,179	49,019,784	86,211,963	2.2%
Subtotal of Top 10 Agencies	1,183,769,624	2,249,721,143	3,433,490,767	85.7%
Subtotal of Remaining Agencies	264,755,060	307,048,094	571,803,154	14.3%
Grand Total of All Agencies	1,448,524,684	2,556,769,237	4,005,293,921	100.0%

The top 10 policy-based spending amendments account for 69.2 percent of the total increased cost

Agency	Title	FY 2021	FY 2022	Biennial Total	% of Total
197: Direct Aid to Public Education	Rebenchmark the cost of Direct Aid to Public Education - 18 separate amendments	\$347,035,414	\$461,480,238	\$808,515,652	20.2%
602: Department of Medical Assistance Services	Fund Medicaid utilization and inflation	\$174,441,079	\$500,534,467	\$674,975,546	16.9%
162: Department of Accounts Transfer Payments	Provide funding for a voluntary deposit to the Revenue Reserve Fund	\$0	\$300,000,000	\$300,000,000	7.5%
995: Central Appropriations	Provide funding for uncommitted contingencies	\$100,000,000	\$100,000,000	\$200,000,000	5.0%
155: Treasury Board	Adjust funding for debt service	\$57,797,799	\$113,901,449	\$171,699,248	4.3%
995: Central Appropriations	Provide funding for reinsurance program	\$73,000,000	\$73,000,000	\$146,000,000	3.6%
197: Direct Aid to Public Education	Increase salaries for funded Standards of Quality instructional and support positions	\$0	\$145,115,222	\$145,115,222	3.6%
260: Virginia Community College System	Implement the Get Skilled, Get a Job, Give Back program	\$72,540,937	\$72,540,937	\$145,081,874	3.6%
162: Department of Accounts Transfer Payments	Appropriate Revenue Stabilization Fund deposits	\$77,409,780	\$17,513,177	\$94,922,957	2.4%
197: Direct Aid to Public Education	Maximize pre-kindergarten access for at-risk three- and four-year-old children	\$35,998,181	\$49,406,792	\$85,404,973	2.1%
Subtotal of Top 10 Spending Amendments		\$938,223,190	\$1,833,492,282	\$2,771,715,472	69.2%
Subtotal of Remaining Spending Amendments		\$510,301,494	\$723,276,955	\$1,233,578,449	30.8%
Grand Total of All Policy-Based Spending Amendments		\$1,448,524,684	\$2,556,769,237	\$4,005,293,921	100.0%

NOTE: Unless noted, these amendments reflect discrete changes and may need to be read with other amendments to obtain a comprehensive result.

Education dominates new spending at 38%



K12 Public Education – a general fund increase of \$1.3 billion for the biennium

The top 5 issues in K12 public education total \$1.2 billion for the biennium:

- \$808.5 million to update the state cost of Direct Aid to Public Education for the 2020-2022 biennium. Funded across 18 separate amendments that address changes in enrollment, fringe benefits, composite index data, sales tax, prevailing cost data, and other technical revisions supporting Standards of Quality and other related education programs.
- \$145.1 million to increase salaries for funded Standards of Quality instructional and support positions by 3.0 percent, effective July 1, 2021.
- \$99.3 million for additional school counselors. The first amendment provides \$42.6 million for the school counselor staffing ratios authorized in the Standards of Quality by the 2019 General Assembly and a second amendment provides \$56.7 million to lower the standard to one school counselor per 250 students in grades kindergarten through 12.
- \$94.7 million to maximize pre-kindergarten access for at-risk three- and four-year-old children, to attract and retain early childhood educators in hard-to-serve preschool classrooms, and to increase pre-kindergarten classroom observations and teacher professional development.
- \$52.6 million to support educationally at-risk students. Additionally, \$87.8 million of Lottery Per Pupil payments are reallocated to the At-Risk Add-On program. The per pupil allocation is backfilled with \$125.0 million from “Games of Skill” revenue.

The remaining amendments in K12 public education total \$69.0 million.

Higher Education and other education programs – a general fund increase of \$261.2 million for the biennium

The top 5 amendments total \$249.5 million for the biennium:

- \$145.1 million to implement the “G3” program, which provides the full cost of tuition, fees, and books for students with a family income less than 400 percent of the federal poverty line enrolled in select pathways at two-year colleges.
- \$45.4 million for need-based financial aid for in-state undergraduate students spread to each of the institutions of higher education by separate amendments.
- \$22.0 million to support in-state enrollment growth and increases in transfer students at Old Dominion University.
- \$22.0 million to support in-state enrollment growth and increases in transfer students at George Mason University.
- \$15.0 million to support cancer research at Massey Cancer Center.

The remaining amendments provide a total increase in spending of \$67.7 million, which is offset by the transfer of \$56.0 million from the Virginia Research Investment Fund to the new Virginia Innovation Partnership Authority for a total net increase of \$11.7 million.

Administration – a general fund increase of \$40.4 million for the biennium

The top 5 amendments in Administration total \$22.1 million for the biennium:

- \$5.6 million to fund salary increases for regional jail officers consistent with those received by deputy sheriffs during the 2018 Special Session to equalize the pay grade for all entry level correctional officers in local and regional jails.
- \$5.0 million to fully fund the reimbursement of general registrar and electoral board salaries to localities.
- \$4.9 million to annualize the cost of operating the Prince William/Manassas Adult Detention Center jail expansion project. The expansion was approved in Chapter 665, 2015 Acts of Assembly.
- \$3.8 million to adjust salaries of circuit court clerks to address pay equity with that of the district court clerk positions.
- \$2.8 million to fund additional Assistant Commonwealth's Attorneys and support staff positions. This amendment will provide 29 positions to address workload demands across various offices in the Commonwealth according to the staffing standards of the Compensation Board.

The remaining amendments in Administration total \$18.2 million.

Agricultural and Forestry – a general fund increase of \$4.4 million for the biennium

The top 5 amendments in Agricultural and Forestry total \$3.7 million for the biennium:

- \$1.0 million to establish hardwood forest habitat program.
- \$0.9 million to support the commercialization of industrial hemp in the Commonwealth.
- \$0.9 million to achieve the state's tree planting and forest conservation commitment in support of the Phase III Watershed Implementation Plan.
- \$0.5 million for three positions to enhance the food safety inspection program.
- \$0.4 million for two positions to enhance audit and verification of contractor-applicators of fertilizer to nonagricultural property.

The remaining amendments in Agricultural and Forestry total \$683,238.

Central Appropriations – a general fund increase of \$390.9 million for the biennium

The top 5 amendments in Central Appropriations total \$475.2 million for the biennium:

- \$200.0 million for uncommitted contingencies that may arise over the biennium.
- \$146.0 million for a reinsurance program intended to stabilize the rates and premiums for health insurance policies in the individual market and providing greater financial certainty to consumers of health insurance in the Commonwealth.
- \$66.6 million for the employer share of state employee health insurance premiums.
- \$32.2 million for the changes in employer contribution rates for state employee retirement. Funding is provided for the full contribution rates certified by the Virginia Retirement System Board based on the June 30, 2019, Virginia Retirement System valuation for 2021 and 2022.
- \$30.4 million for the continuation of the Commonwealth's commitment to the Tech Talent Pipeline Fund.

The remaining amendments in Central Appropriations result in a net savings of \$84.3 million for the biennium due primarily to information technology savings.

Commerce and Trade – a general fund increase of \$213.2 million for the biennium

The top 5 new spending amendments in Commerce and Trade total \$122.2 million for the biennium:

- \$56.0 million for deposit to the Virginia Housing Trust Fund bringing state support for the trust fund to \$30.0 million in FY 2021 and \$40.0 million in FY 2022.
- \$32.0 million to support the Virginia Telecommunication Initiative (VATI) bringing state support for the program to \$35.0 million in each year.
- \$16.0 million to meet the requirements of the Advanced Shipbuilding Production Facility Grant Program.
- \$10.0 million to establish a clean energy financing program consisting of a revolving loan fund and a loan loss reserve fund to support public and private sector projects.
- \$8.2 million for the Special Workforce Grant Program to meet the requirements of the Special Workforce Grant Program established in Section 59.1-284.30, Code of Virginia.

The remaining amendments in Commerce and Trade total \$91.0 million, which includes the funds transferred from other entities to the new Virginia Innovation Partnership Authority.

Finance – a general fund increase of \$528.9 million for the biennium

The top 5 amendments in Finance total \$570.4 million for the biennium:

- \$300.0 million for a voluntary deposit to the Revenue Reserve Fund. With this deposit, the combined balance of the Revenue Reserve Fund and the Revenue Stabilization Fund will exceed eight percent of FY 2022 general fund revenue from income and sales tax.
- \$171.7 million for increased debt service on bonds issued by the Virginia Public Building Authority and the Virginia College Building Authority.
- \$94.9 million for actual and projected mandatory deposits to the Revenue Stabilization Fund.
- \$2.4 million to support 14 new field auditor positions in the Department of Taxation.
- \$1.4 million to support the addition of eight worker misclassification auditors in the Department of Taxation.

The remaining amendments in Finance result in a net savings of \$41.5 million, which includes replacing general fund support with transportation revenues for debt service payments for the Northern Virginia Transportation District and the Oak Grove Connector project.

Health and Human Resources – a general fund increase of \$1.0 billion for the biennium

The top 5 amendments in Health and Human Resources total \$929.9 million for the biennium:

- \$675.0 million for the most recent forecast of increases in Medicaid costs. \$2.2 billion of nongeneral fund appropriation is also provided.
- \$80.2 million for the FAMIS program to address increases in the forecast expenditures and to reflect the loss of enhanced federal matching dollars as the CHIP match rate decreases from 76.5 percent to 65 percent in federal FY 2021.
- \$68.3 million for the Commonwealth's Medicaid Children's Health Insurance to fund the latest forecast of utilization and inflation and the loss of enhanced federal matching dollars as the CHIP match rate decreases from 76.5 percent to 65 percent in federal FY 2021.
- \$56.6 million to continue the implementation of STEP-VA by adding funds for outpatient services, veterans services, peer support services, mobile crisis teams, and a hotline.
- \$49.8 million from the general fund and \$15.9 million in nongeneral funds to fund local departments of social services to hire staff and create prevention services departments in response to the federal Family First Prevention Services Act (FFPSA).

The remaining amendments in Health and Human Resources total \$96.2 million, which reflects the substitution of the tobacco tax revenue (Health Care Fund) for general fund in Medicaid.

Judicial – a general fund increase of \$31.5 million for the biennium

The top 5 amendments in Judicial Branch total \$29.6 million for the biennium:

- \$9.5 million to support 59 additional public defenders to address high caseload demands in offices across the Commonwealth.
- \$5.6 million to fund an additional 60 district court clerk positions to address workload demands in courts across the Commonwealth.
- \$5.4 million to cover the costs of opening and operating a public defender's office in Prince William County. This is partial start-up funding to support 35 positions, including support staff.
- \$4.5 million to fund the anticipated cost increases associated with providing constitutionally mandated legal defense for indigent persons accused of crimes (Criminal Fund) in General District Courts.
- \$4.5 million to fund the anticipated cost increases associated with providing constitutionally mandated legal defense for indigent persons accused of crimes (Criminal Fund) in Juvenile and Domestic Relations District Courts.

The remaining amendments in the Judicial Branch total \$1.9 million.

Natural Resources – a general fund increase of \$181.4 million for the biennium

The top 5 amendments in Natural Resources total \$151.5 million for the biennium:

- \$47.0 million for the mandatory deposit to the Water Quality Improvement Fund (WQIF) associated with the FY 2019 year-end surplus.
- \$41.8 million for a supplemental deposit to the Water Quality Improvement Fund (WQIF). Of the amount provided, \$39.6 million is designated for the Virginia Natural Resources Commitment Fund, a subfund of the WQIF, of which \$35.0 million is for the implementation of Agricultural Best Management Practices (BMP) and \$4.6 million is for the Soil and Water Conservation Districts to assist in the implementation of the BMPs.
- \$31.0 million for deposit to the Virginia Land Conservation Fund bringing total funding to \$20.0 million each year.
- \$20.0 million to support the Dam Safety, Flood Prevention, and Protection Assistance Fund.
- \$11.7 million to support positions, equipment, and contractual activities in air and water monitoring and compliance programs.

The remaining amendments in Natural Resources total \$29.9 million.

Public Safety and Homeland Security – a general fund increase of \$116.8 million for the biennium

The top 5 amendments in Public Safety and Homeland Security total \$76.6 million for the biennium:

- \$27.6 million to expand treatment of Hepatitis-C-positive offenders in correctional facilities.
- \$14.7 million for the Department of Corrections to address recruitment, retention, and salary compression issues by raising salaries of correctional officers, sergeants, captains, lieutenants, and majors.
- \$12.9 million general fund and 21 positions to implement an electronic healthcare records system in state correctional facilities. This funding will be added to \$7.0 million of existing base funding in DOC and \$6.0 million transferred from base funding in Central Appropriations.
- \$11.9 million for pilot collaborations between the Department of Corrections and two university healthcare systems (UVA and VCU) to provide services for state-responsible offenders.
- \$9.5 million for the Department of Corrections to cover projected increases in offender medical care costs.

The remaining amendments in Public Safety and Homeland Security total \$40.3 million.

Veterans and Defense Affairs – a general fund increase of \$8.3 million for the biennium

3 amendments in Veterans and Defense Affairs total \$8.3 million for the biennium:

- \$5.0 million the first year to construct the Virginia Veteran's Parade Field at the site of the future National Museum of the United States Army. This appropriation will be matched with private funding.
- \$2.3 million and three positions for an information technology system, mental health support positions, benefits positions, facility maintenance expenses, and salary increases for staff in the Northern Virginia region.
- \$1.0 million over the biennium in additional tuition assistance funding that would be available under the State Tuition Assistance Program (STAP).

Other General Fund Spending – a general fund increase of \$12.9 million for the biennium

Biennial funding changes also are recommended in Independent and Executive Offices:

- \$1.2 million to fund the Office of the Chief Diversity Officer.
- \$1.2 million to fund the Office of the Chief Workforce Advisor.
- \$1.1 million to fund the cost of staffing and workload improvement measures in the Office of the Secretary of the Commonwealth.
- \$9.4 million in the Virginia Workers' Compensation Commission for forensic evidence collection and medical care of sexual assault victims.

In addition to the above spending, \$80.0 million in general fund appropriations are reduced from transportation to eliminate general fund support for the U.S. Route 58 Corridor Development Fund and replace it with support from the Commonwealth Transportation Fund.

Summary of Proposed Capital

Capital Outlay – 2020-22 Biennium

<p>Fund Maintenance Reserve <i>Addresses maintenance needs that are critical to continued use of buildings, systems, or equipment.</i></p>	<p>\$260 million VCBA/VPBA</p>
<p>Fund 22 infrastructure umbrella projects at: <i>DGS (for FMA), CWM, GMU, ODU, VCCS, VPI, VPI Ext. VSU, DBHDS, DBVI, DCR, MRC, DOC, VSP, & DMA</i></p>	<p>\$393.1 million VCBA/VPBA</p>
<p>Provide supplemental funding for previously authorized capital project construction pools to address any shortfalls in these pools.</p>	<p>\$145.7 million VCBA/VPBA</p>
<p>Move high priority projects to construction stage: <i>Higher education and related entities: \$788.8 million</i> <i>Higher education research and workforce development: \$106.1 million</i> <i>Non-higher education agencies: \$224.3 million</i></p>	<p>\$1.12 billion VCBA/VPBA</p>
<p>Fund programs providing funding for local water-related infrastructure projects.</p>	<p>\$367.0 million VPBA</p>
<p>Fund potential public-private partnerships.</p>	<p>\$73.4 million VCBA/VPBA</p>
<p>Fund planning for 16 projects.</p>	<p>\$23.0 million GF</p>
<p>Fund equipment for 13 previously authorized projects being completed in the 2020-2022 biennium.</p>	<p>\$93.1 million VCBA/VPBA</p>
<p>Fund 18 projects at institutions of higher education with revenue bonds.</p>	<p>\$279.5 million 9(C) \$397.0 million 9(D)</p>
<p>Revert unutilized bond authorization from projects in excess of project need.</p>	<p>(\$13.8) million VCBA/VPBA</p>

Additional debt authorizations address a variety of state needs

Maintain state infrastructure and facilities	Amount
Maintenance Reserve for state agencies and institutions	\$260 million
Umbrella infrastructure projects	\$393.1 million
Construction and renovation of high priority facilities	\$1.12 billion
Supplement Existing Projects and Programs	
Supplement for any potential shortfalls in other capital project pools	\$145.7 million
Programs for local water-related infrastructure projects	\$367.0 million
Address Equipment Needs	
Equipment for previously authorized projects being completed in 2020-2022	\$93.1 million
Higher Education Equipment Trust Fund	\$166.0 million
Fund Other Projects	
Fund potential public-private partnerships	\$73.4 million
Other Actions Impacting Debt Capacity	
Department of the Treasury – Support Local Jail Construction	\$1.5 million
Revert unutilized bond authorization from projects in excess of project need.	(\$13.8) million
GRAND TOTAL IMPACTING DEBT CAPACITY	\$2.6 billion

The introduced budget combines new revenues and spending to yield an unappropriated general fund balance of \$13.7 million

General Fund (GF) Only

	FY 2021	FY 2022	Biennial Total
Revised GF Resources			
Prior Year Balance	\$563.0	\$0.0	\$563.0
Additions to Balance	120.1	(0.5)	119.6
Revenue Forecast	22,689.1	23,529.4	46,218.5
Revenue Stabilization Fund	0.0	0.0	0.0
Transfers	652.6	662.8	1,315.4
Total GF Resources	<u>\$24,024.8</u>	<u>\$24,191.7</u>	<u>\$48,216.5</u>
Proposed Expenditures			
Chapter 854 Base			
Operating	\$22,747.8	\$22,747.8	\$45,495.6
Capital	\$0.0	\$0.0	\$0.0
CH 854 Base	<u>\$22,747.8</u>	<u>\$22,747.8</u>	<u>\$45,495.6</u>
Proposed Amendments			
Base Adjustments	(\$650.4)	(\$670.6)	(\$1,321.0)
New Operating	\$1,448.5	\$2,556.8	\$4,005.3
New Capital	\$23.0	\$0.0	\$23.0
Subtotal Proposed New Spending	<u>\$821.0</u>	<u>\$1,886.2</u>	<u>\$2,707.2</u>
Total of All Proposed GF Spending	\$23,568.8	\$24,634.0	\$48,202.8
Unexpended Balance in HB/SB 30	\$456.0	(\$442.3)	\$13.7

*Amounts shown in millions

Structural balance is achieved in FY 2022, which serves as the base going forward

FY 2022 Base Adjustments - General Fund Only

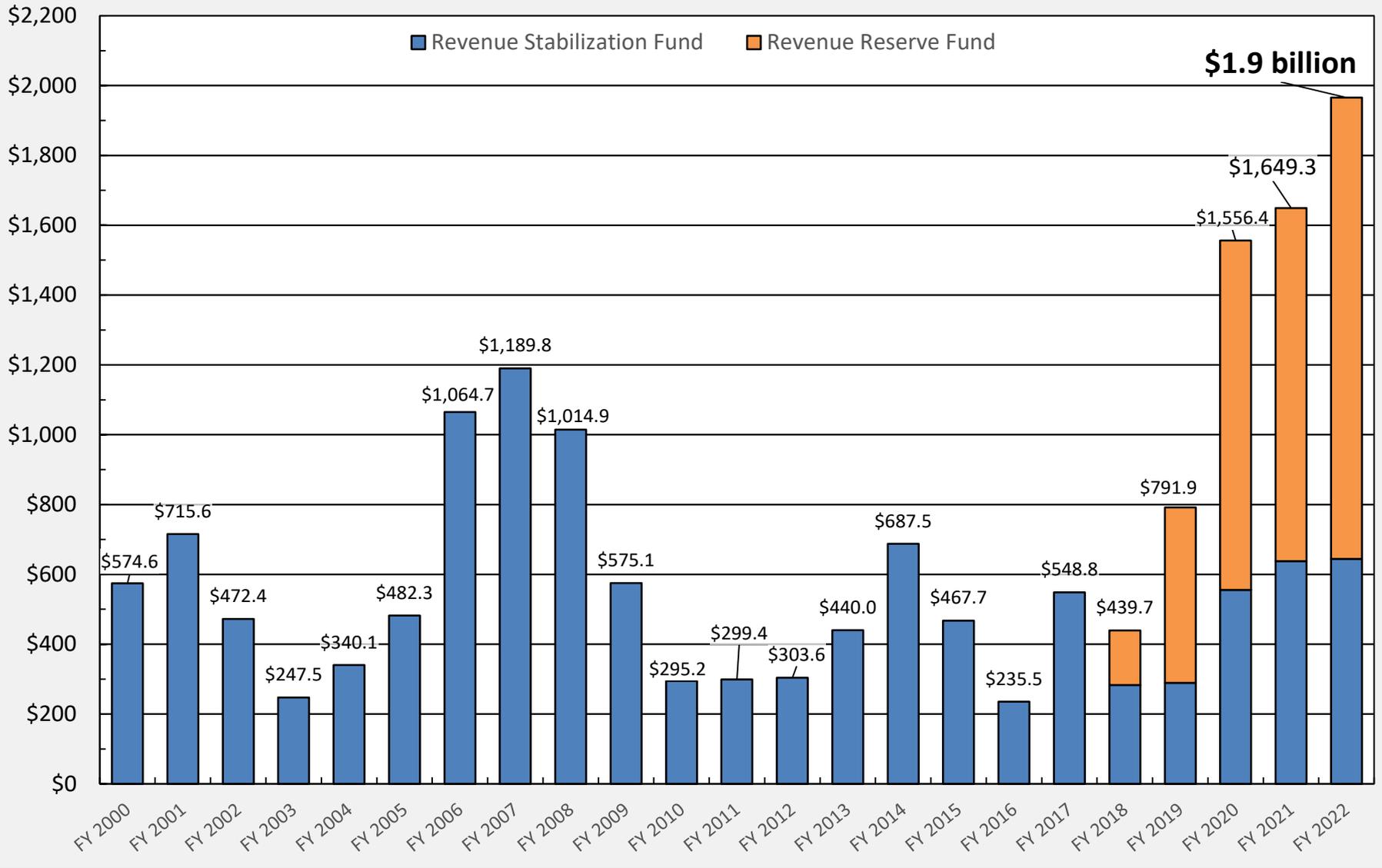
FY 2022 Resources in HB/SB 30		\$24,191.7
Adjustments to Resources (assumes no revenue growth)	0.0	
	Subtotal of Adjustments	<u>0.0</u>
	Base Resources Going Forward	<u><u>\$24,191.7</u></u>

Total FY 2022 Expenditures in HB/SB 30		\$24,634.0
Adjustments to Expenditures		
Less capital	\$0.0	
Less one-time payments to Revenue Reserve	(300.0)	
Less one-time payments to Revenue Stabilization Fund	(17.5)	
Less other one-time expenses	(134.8)	
	Subtotal of Adjustments	<u>(452.3)</u>
	Base Expenditures Going Forward	<u><u>\$24,181.7</u></u>
	Balance of Uncommitted Base Resources	\$10.0

NOTE: Adjustments to expenditures are from new spending only and do not include any base amounts that could be reduced.

*Amounts shown in millions

Total of All Reserves



The Governor's budget also includes \$17.5 million in FY2022 as a reserve for a potential mandatory deposit to the Revenue Stabilization Fund in FY2023.

For More Details About Governor Northam's Introduced Budget

including specific language amendments, please
refer to the Department of Planning and Budget's
Website at:

<http://dpb.virginia.gov/>

Appendix

Summary of Changes by Secretarial Area

While education leads the pack in new operating spending, most secretarial areas will experience a net increase in general fund appropriations

	General Operating Base Budget (Equivalent to CH 854, FY 2020)			HB/SB 30 Introduced Total Includes Base Adjustments & New Spending Recommendations			Proposed General Fund Changes					
	FY 2021	FY 2022	Biennial Total	FY 2021	FY 2022	Biennial Total	FY 2021		FY 2022		Biennial Total	
Legislative Department	\$97.4	\$97.4	\$194.8	100.3	100.3	200.6	2.9	3.0%	2.9	3.0%	5.9	3.0%
Judicial Department	507.3	507.3	1,014.6	527.8	531.6	1,059.4	20.5	4.0%	24.3	4.8%	44.9	4.4%
Executive Offices	36.9	36.9	73.9	40.6	40.6	81.2	3.6	9.8%	3.6	9.8%	7.3	9.8%
Administration	740.0	740.0	1,479.9	784.3	787.6	1,571.9	44.4	6.0%	47.6	6.4%	92.0	6.2%
Agriculture & Forestry	57.0	57.0	113.9	62.3	61.5	123.8	5.3	9.3%	4.5	7.9%	9.8	8.6%
Commerce & Trade	302.3	302.3	604.6	377.1	366.6	743.6	74.8	24.7%	64.3	21.3%	139.0	23.0%
Education	8,858.3	8,858.3	17,716.6	9,506.6	9,855.9	19,362.5	648.3	7.3%	997.6	11.3%	1,645.9	9.3%
Finance	2,491.7	2,491.7	4,983.4	2,027.8	2,324.1	4,351.9	-463.9	-18.6%	-167.6	-6.7%	-631.5	-12.7%
Health & Human Resources	7,073.9	7,073.9	14,147.8	7,447.0	7,855.1	15,302.1	373.1	5.3%	781.2	11.0%	1,154.3	8.2%
Natural Resources	196.5	196.5	393.1	216.7	209.7	426.4	20.2	10.3%	13.1	6.7%	33.3	8.5%
Public Safety & Homeland Security	2,038.1	2,038.1	4,076.2	2,197.6	2,200.8	4,398.4	159.5	7.8%	162.6	8.0%	322.1	7.9%
Transportation	41.0	41.0	82.1	1.0	1.0	2.1	-40.0	-97.5%	-40.0	-97.5%	-80.0	-97.5%
Veterans & Defense Affairs	34.1	34.1	68.2	43.0	38.2	81.1	8.9	25.9%	4.1	12.0%	12.9	19.0%
Central Appropriations	273.1	273.1	546.1	207.0	254.3	461.3	-66.1	-24.2%	-18.7	-6.9%	-84.8	-15.5%
Total Executive Department	22,143.0	22,143.0	44,285.9	22,911.0	23,995.3	46,906.3	768.0	3.5%	1,852.3	8.4%	2,620.4	5.9%
Independent Agencies	0.2	0.2	0.4	6.8	6.8	13.6	6.6	3,638.6%	6.6	3,638.6%	13.2	3,638.6%
Total Operating Appropriations	\$22,747.8	\$22,747.8	\$45,495.6	\$23,545.9	\$24,634.0	\$48,179.8	\$798.1	3.5%	\$1,886.2	8.3%	\$2,684.3	5.9%

*Amounts shown in millions

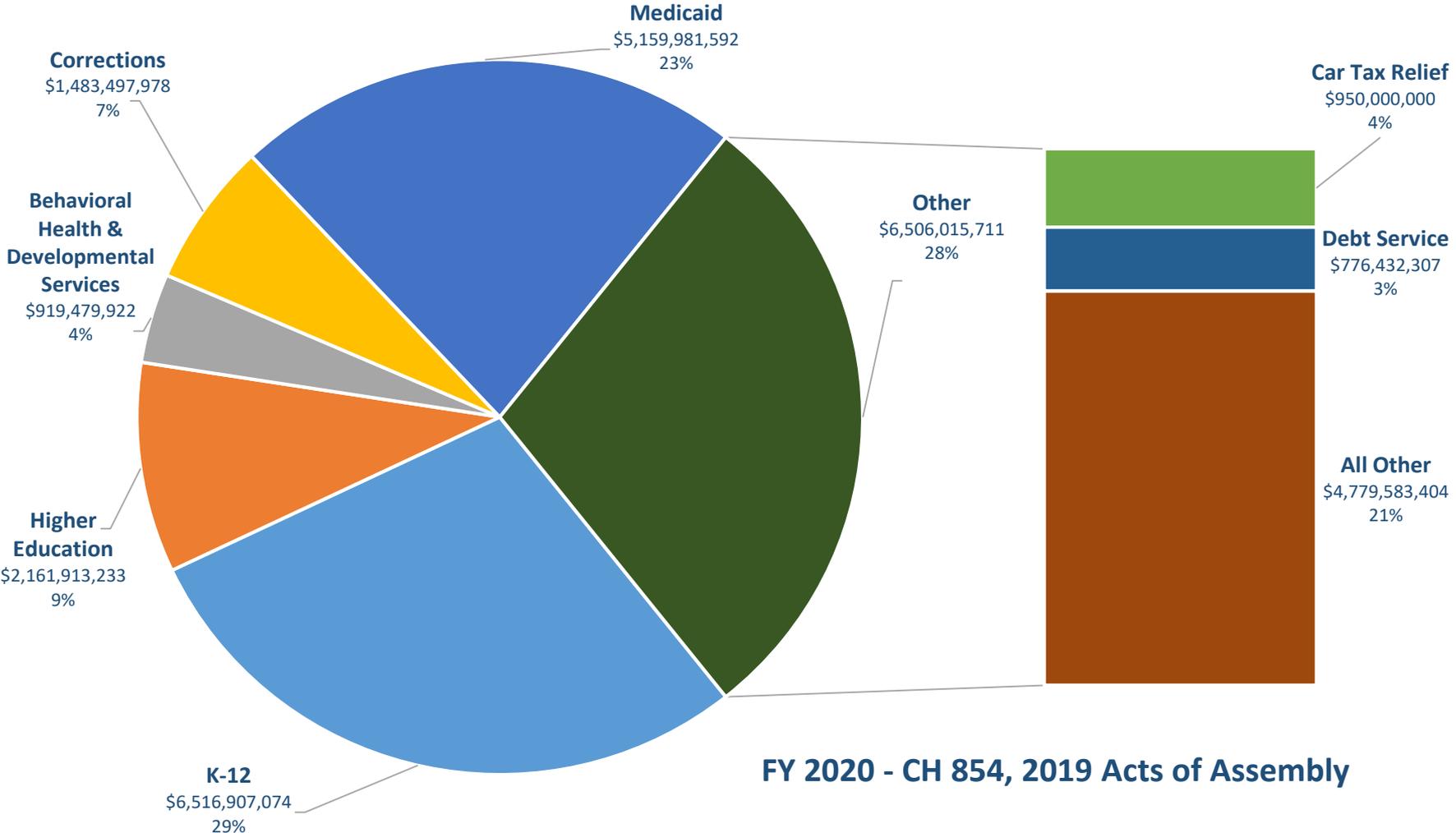
The Education Secretariat accounts for the majority of the increase in position levels in the proposed budget for FY 2022

Secretarial Area	FY 2020 FTE (Chapter 854)	FY 2022 FTE (HB/SB 30 Introduced)	Proposed Net Changes FY 2022
Legislative Department	633.00	633.00	0.00
Judicial Department	3,393.71	3,547.71	154.00
Executive Offices	572.00	578.00	6.00
Office of Administration	1,115.40	1,151.40	36.00
Office of Agriculture and Forestry	836.00	844.00	8.00
Office of Commerce and Trade	1,666.00	1,697.00	31.00
Office of Education	60,669.47	61,419.41	749.94
Office of Finance	1,333.00	1,342.00	9.00
Office of Health & Human Resources	15,579.27	14,726.27	-853.00
Office of Natural Resources	2,153.50	2,169.50	16.00
Office of Public Safety and Homeland Security	19,839.00	20,090.00	251.00
Office of Transportation	10,183.00	10,255.00	72.00
Office of Veterans and Defense Affairs	1,466.50	1,714.50	248.00
Central Appropriations	0.00	0.00	0.00
Independent Agencies	1,764.00	1,824.00	60.00
Grand Total	121,203.85	121,991.79	787.94

- Large increase in Education Secretariat primarily due to technical adjustments for various higher education institutions.
- Increase in Public Safety and Homeland Security due primarily to opening of new ABC stores and other ABC initiatives.
- Increase in Veterans and Defense Affairs Secretariat primarily due to staffing of two new veterans care centers.
- Increase in Judicial Department due to additional court clerk and public defender office positions.
- Decrease in Health & Human Resources primarily due to Training Center closures.

Summary of Changes in Budget Drivers

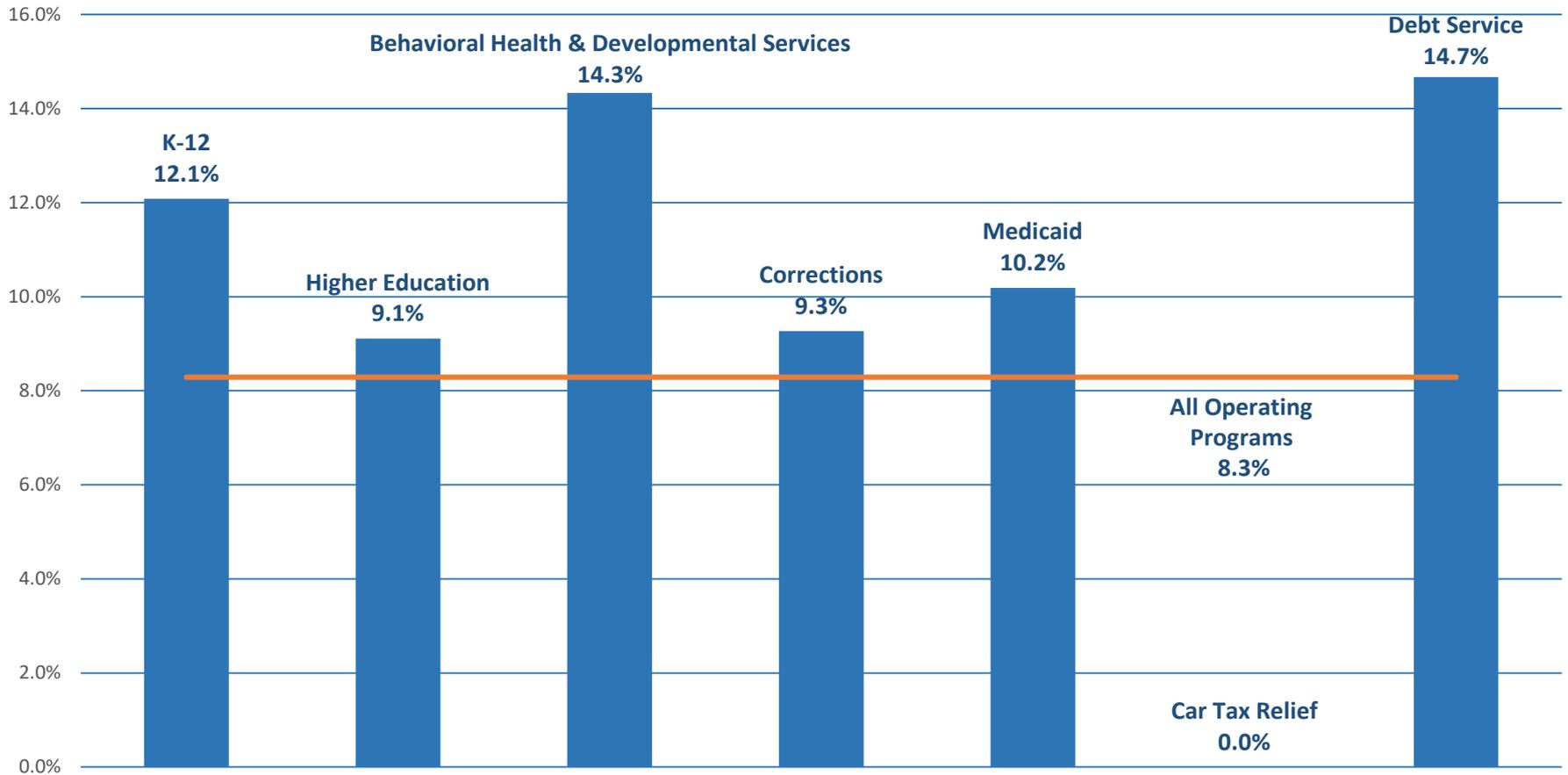
Five budget drivers make up 72 percent of the FY 2020 general fund budget in Chapter 854



FY 2020 - CH 854, 2019 Acts of Assembly

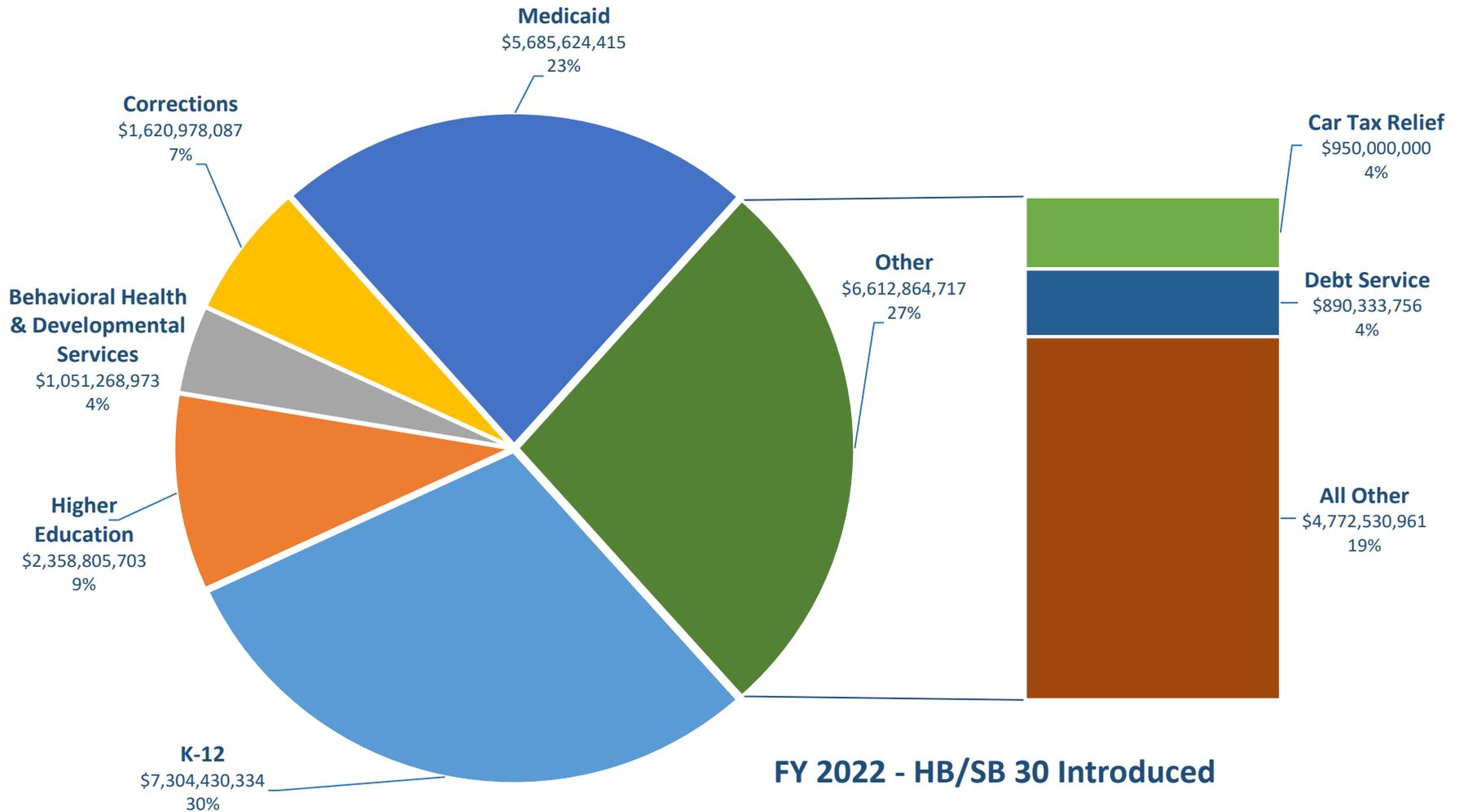
Percentage growth from the FY 2020 base to FY 2022 is led by amounts required for Debt Service

Percentage Growth Over Current Base



CH 854 is the FY 2020 base from which growth is measured.

In FY 2022, the five budget drivers make up 73 percent of the general fund in HB/SB 30 (introduced)



From FY 2012 to FY 2022, growth in general fund spending on budget drivers ranges from 31.6 percent in Corrections to 81.9 percent in Behavioral Health and Developmental Services

Ten-Year Growth Rates

