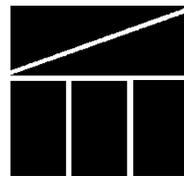


**Governor Northam's Proposed Amendments
to the 2020-2022 Biennial Budget
HB 1800/SB 1100
2021 General Assembly Session**

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

December 16, 2020



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Director

Virginia Department of Planning and Budget

Establishing the Starting Point

and

Changes in Resources

The current budget, Chapter 56, is the starting point for the Governor's introduced budget

Chapter 56, 2020 Acts of Assembly, Special Session I General Fund Only

	FY 2021	FY 2022	Biennium
General Fund Resources			
Prior Year Balance	\$2,874.1		\$2,874.1
Additions to Balance	(1,284.5)	29.9	(1,254.6)
Revenue Forecast	21,353.1	22,185.5	43,538.6
Revenue Stabilization Fund	0.0	0.0	0.0
Transfers	610.4	612.4	1,222.8
Total GF Resources	<u>\$23,553.1</u>	<u>\$22,827.7</u>	<u>\$46,380.8</u>
General Fund Appropriations			
Operating	\$22,709.9	\$23,368.8	\$46,078.6
Capital	0.0	0.0	0.0
Total GF Appropriations	<u>\$22,709.9</u>	<u>\$23,368.8</u>	<u>\$46,078.6</u>
General Fund Balance at Year-End	\$843.3	(\$541.1)	\$302.2

*Amounts shown in millions

Five adjustments account for the change in general fund resources

Resource Adjustments

	<u>FY 2021</u>	<u>FY 2022</u>	<u>Biennium</u>
<u>Technical</u>			
GACRE Revisions - revenue	689.7	552.7	1,242.4
GACRE Revisions - transfers	28.7	29.2	57.9
Miscellaneous transfer adjustments	0.1	(0.0)	0.1
<u>Policy</u>			
CARES Act conformity - revenue	(34.2)	(7.5)	(41.7)
Agricultural equipment tax credits - revenue (legislation)	0.0	(1.3)	(1.3)
Total Resource Adjustments	\$684.3	\$573.1	\$1,257.4

Changes in revenues and transfers increase net resources available for spending by more than \$1.2 billion

	<u>FY 2021</u>	<u>FY 2022</u>	<u>Biennium</u>
<u>BASE RESOURCES - CH 56</u>			
Prior Year Balance	\$2,874.1	\$0.0	\$2,874.1
Additions to Balance	(1,284.5)	29.9	(1,254.6)
Revenue Forecast	21,353.1	22,185.5	43,538.6
Revenue Stabilization Fund	0.0	0.0	0.0
Transfers	610.4	612.4	1,222.8
Total GF Resources	<u>\$23,553.1</u>	<u>\$22,827.7</u>	<u>\$46,380.8</u>
<u>Revisions</u>			
Prior Year Balance	\$0.0	\$0.0	\$0.0
Additions to Balance	0.0	0.0	0.0
Revenue Forecast - GACRE	655.5	543.9	1,199.4
Revenue Stabilization Fund	0.0	0.0	0.0
Transfers - GACRE	28.8	29.2	58.0
Total Revisions	<u>\$684.3</u>	<u>\$573.1</u>	<u>\$1,257.4</u>
<u>Revised Resource Forecast</u>			
Prior Year Balance	\$2,874.1	\$0.0	\$2,874.1
Additions to Balance	(1,284.5)	29.9	(1,254.6)
Revenue Forecast	22,008.6	22,729.4	44,738.0
Revenue Stabilization Fund	0.0	0.0	0.0
Transfers	639.3	641.5	1,280.8
Total GF Resources	<u>\$24,237.5</u>	<u>\$23,400.8</u>	<u>\$47,638.2</u>

*Amounts shown in millions

Summary of Proposed Spending Changes

Highlights of the Governor's budget

- Respond to ongoing needs related to COVID-19 pandemic
- Restore deposit to revenue reserve – reaching the goal of eight percent of total revenues and transfers by FY 2022
- Restore priority programs
- Preserve liquidity to operate government and deliver services

Changes in general fund operating costs are driven by increases and decreases in spending

- 222 amendments totaling \$2.4 billion increase spending
 - *Examples include:*
 - Deposits to the Revenue Reserve
 - Investments to respond to the COVID-19 pandemic
 - Compensation for teachers, state employees, and state-supported locals
 - Restoration of funding for core services and priority programs
 - Investments in housing, broadband, public schools, and transportation
- 28 amendments totaling \$907.5 million decrease spending
 - *Examples include:*
 - Savings from revised forecasts in public education enrollment and participation
 - Savings in Medicaid utilization and inflation
 - Recognition of an additional quarter of enhanced federal match in Medicaid programs
 - Use of nongeneral fund revenue to supplant general fund costs
 - Recognition of debt service savings

The combined impact is an overall net increase in operating spending of nearly \$1.5 billion for the biennium

The top 10 new spending items represent 75.1 percent of the total – dominated by public education

Agency	Title	FY 2021	FY 2022	Total	% of Total
162: Department of Accounts Transfer Payments	Provide funding to the Revenue Reserve	-	\$650,000,000	\$650,000,000	27.1%
197: Direct Aid to Public Education	Provide No Loss funding to local school divisions	\$299,373,461	\$214,167,967	\$513,541,428	21.4%
162: Department of Accounts Transfer Payments	Provide a payment to the Virginia Retirement System to reduce unfunded liabilities	\$100,000,000	-	\$100,000,000	4.2%
995: Central Appropriations	Provide state and state-supported local employee bonus	-	\$97,756,001	\$97,756,001	4.1%
601: Department of Health	Add funding to support mass vaccination efforts	\$30,184,899	\$59,123,029	\$89,307,928	3.7%
197: Direct Aid to Public Education	Update sales tax revenue for public education	\$42,335,519	\$46,595,740	\$88,931,259	3.7%
197: Direct Aid to Public Education	Provide a two percent bonus for instructional and support positions	-	\$80,068,012	\$80,068,012	3.3%
127: Department of Emergency Management	Provide funding for COVID-19 disaster response	\$41,965,587	\$36,930,220	\$78,895,807	3.3%
197: Direct Aid to Public Education	Change fund source for COVID-19 Local Relief Payments	\$52,901,159	-	\$52,901,159	2.2%
505: Department of Rail and Public Transportation	Extend intercity passenger rail service	-	\$50,000,000	\$50,000,000	2.1%
Subtotal of Top 10 Spending Increases		\$566,760,625	\$1,234,640,969	\$1,801,401,594	75.1%
Subtotal of Remaining Spending Increases (212)		\$83,099,222	\$513,467,052	\$596,566,274	24.9%
Grand Total of All Spending Increases		\$649,859,847	\$1,748,108,021	\$2,397,967,868	100.0%

The top 10 decreases in spending total \$869.6 million or 95.8 percent of the total savings

Agency	Title	FY 2021	FY 2022	Total	% of Total
197: Direct Aid to Public Education	Update Average Daily Membership projections based on actual Fall Membership	(\$199,432,610)	(\$201,146,159)	(\$400,578,769)	44.1%
602: Department of Medical Assistance Services	Adjust Medicaid utilization and inflation	(\$245,296,854)	\$17,935,388	(\$227,361,466)	25.1%
602: Department of Medical Assistance Services	Adjust Health Care Fund appropriation	(\$53,910,131)	(\$5,204,943)	(\$59,115,074)	6.5%
197: Direct Aid to Public Education	Update Lottery proceeds for public education	(\$27,071,726)	(\$24,798,667)	(\$51,870,393)	5.7%
155: Treasury Board	Recognize debt service savings	(\$22,672,670)	(\$27,090,704)	(\$49,763,374)	5.5%
197: Direct Aid to Public Education	Update the state cost for English as a Second Language based on data for verified English learners	(\$11,841,463)	(\$19,043,255)	(\$30,884,718)	3.4%
197: Direct Aid to Public Education	Update the cost of Lottery-funded programs	(\$18,720,887)	(\$8,633,348)	(\$27,354,235)	3.0%
602: Department of Medical Assistance Services	Fund Family Access to Medical Insurance Security (FAMIS) utilization and inflation	(\$6,748,314)	(\$3,426,109)	(\$10,174,423)	1.1%
602: Department of Medical Assistance Services	Adjust Medicaid forecast to account for revised Medicare premiums	(\$2,596,171)	(\$4,801,416)	(\$7,397,587)	0.8%
200: Children's Services Act	Adjust appropriation to account for forecast changes	(\$2,046,751)	(\$3,051,520)	(\$5,098,271)	0.6%
Subtotal of Top 10 Spending Decreases		(\$590,337,577)	(\$279,260,733)	(\$869,598,310)	95.8%
Subtotal of Remaining Spending Decreases (18)		(\$20,242,495)	(\$17,698,086)	(\$37,940,581)	4.2%
Grand Total of All Spending Decreases		(\$610,580,072)	(\$296,958,819)	(\$907,538,891)	100.0%

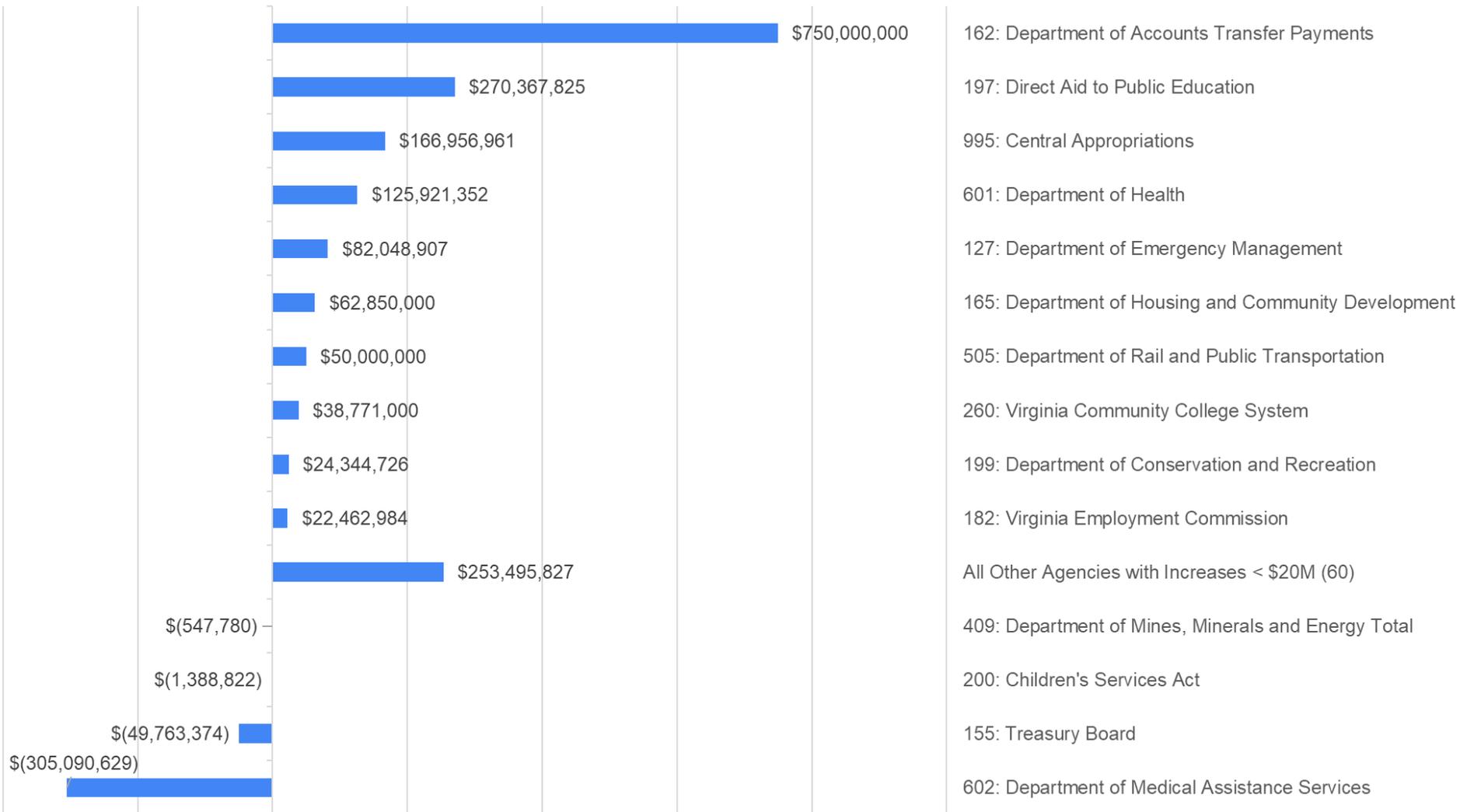
The majority of the net growth in new spending centers on finance and education

Secretarial Area	FY 2021	FY 2022	Total	% of Total
Judicial	235,419	6,376,227	6,611,646	0.4%
Executive Offices	-	1,299,898	1,299,898	0.1%
Administration	17,025,451	12,598,860	29,624,311	2.0%
Agriculture and Forestry	-	1,959,300	1,959,300	0.1%
Commerce and Trade	15,700,000	87,401,904	103,101,904	6.9%
Education	140,775,778	264,771,172	405,546,950	27.2%
Finance	77,327,330	623,143,931	700,471,261	47.0%
Health and Human Resources	(269,884,964)	130,188,593	(139,696,371)	-9.4%
Natural Resources	335,000	36,701,856	37,036,856	2.5%
Public Safety and Homeland Security	44,310,489	77,228,772	121,539,261	8.2%
Transportation	-	55,000,000	55,000,000	3.7%
Veterans and Defense Affairs	-	977,000	977,000	0.1%
Central Appropriations	13,355,272	153,601,689	166,956,961	11.2%
Independent Agencies	-	-	-	0.0%
Total	39,179,775	1,451,249,202	1,490,428,977	100.0%

Deposits to VRS and the revenue reserve in DOA Transfer Payments represent half of the net new spending

Agency	FY 2021	FY 2022	Total	% of Total
162: Department of Accounts Transfer Payments	100,000,000	650,000,000	750,000,000	50.3%
197: Direct Aid to Public Education	132,412,531	137,955,294	270,367,825	18.1%
995: Central Appropriations	13,355,272	153,601,689	166,956,961	11.2%
601: Department of Health	38,007,371	87,913,981	125,921,352	8.4%
127: Department of Emergency Management	41,965,587	40,083,320	82,048,907	5.5%
165: Department of Housing and Community Development	15,700,000	47,150,000	62,850,000	4.2%
505: Department of Rail and Public Transportation	-	50,000,000	50,000,000	3.4%
260: Virginia Community College System	-	38,771,000	38,771,000	2.6%
199: Department of Conservation and Recreation	300,000	24,044,726	24,344,726	1.6%
182: Virginia Employment Commission	-	22,462,984	22,462,984	1.5%
All Other Agencies with Increases <\$20M (60)	37,161,586	216,334,241	253,495,827	17.0%
409: Department of Mines, Minerals, and Energy	-	(547,780)	(547,780)	0.0%
200: Children's Services Act	(2,046,751)	657,929	(1,388,822)	-0.1%
155: Treasury Board	(22,672,670)	(27,090,704)	(49,763,374)	-3.3%
602: Department of Medical Assistance Services	(315,003,151)	9,912,522	(305,090,629)	-20.5%
Total Spending Changes	39,179,775	1,451,249,202	1,490,428,977	100.0%

The majority of the growth in spending is within a few agencies – four agencies see reductions in spending



Changes in net new general fund spending can be summarized across nine categories

Category	FY 2021	FY 2022	Total
Restoration of prior budget reductions	\$ 10,439,574	\$ 881,342,582	\$ 891,782,156
Pandemic Response	\$ 386,137,458	\$ 365,296,303	\$ 751,433,761
Other spending or initiatives	\$ 122,529,828	\$ 250,349,910	\$ 372,879,738
New general fund spending initiatives	\$ 55,008,374	\$ 121,280,728	\$ 176,289,102
Information technology	\$ 27,886,420	\$ 36,556,792	\$ 64,443,212
Reorganizations	\$ -	\$ (547,780)	\$ (547,780)
Caseload or workload adjustments	\$ (2,046,751)	\$ (6,400,740)	\$ (8,447,491)
Unanticipated and unavoidable cost adjustments	\$ (21,062,514)	\$ (8,139,451)	\$ (29,201,965)
Mandates	\$ (539,712,614)	\$ (188,489,142)	\$ (728,201,756)
Total	\$ 39,179,775	\$ 1,451,249,202	\$ 1,490,428,977

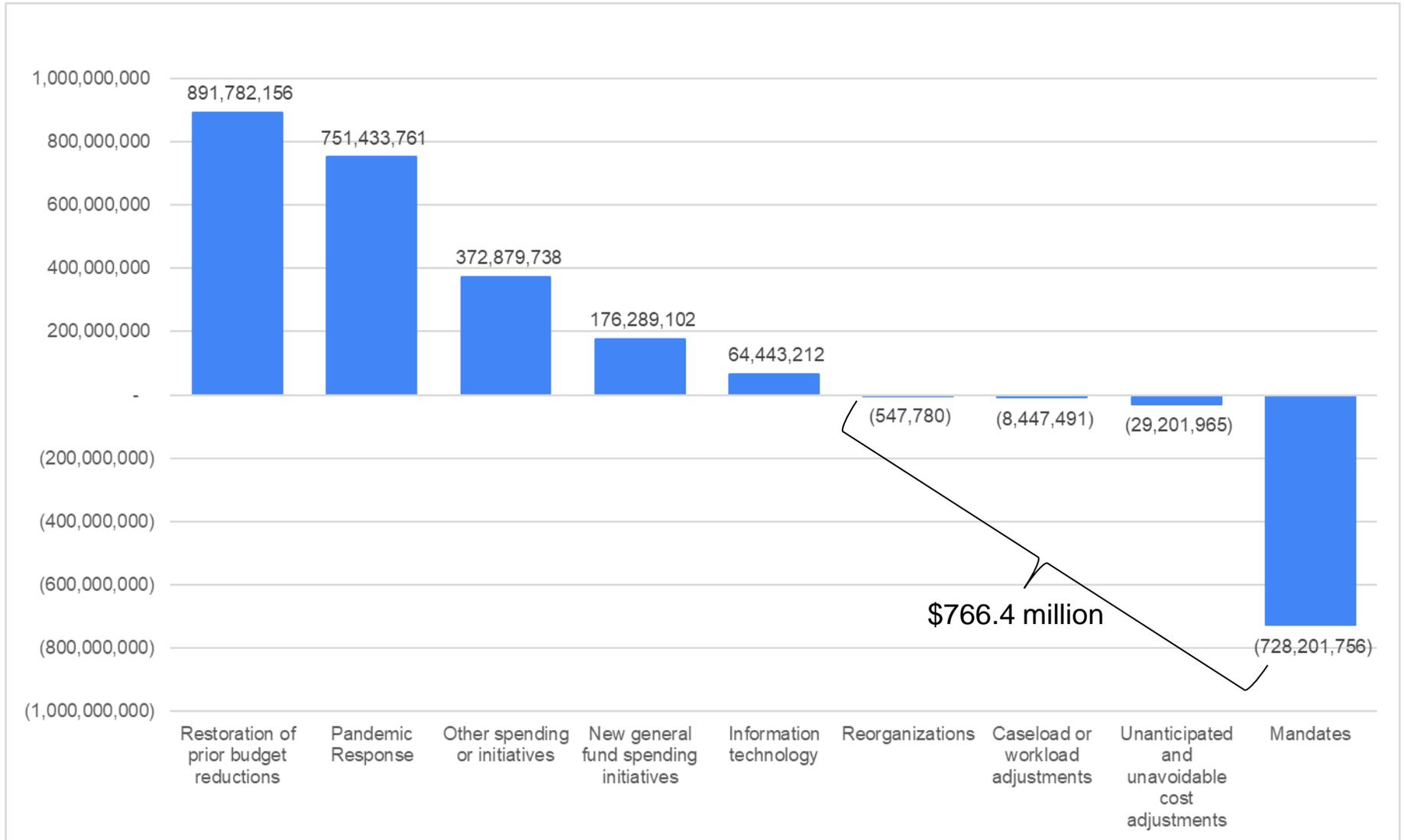
Education is the priority focus of restorations, after the deposit to the revenue reserve

Secretarial Area	FY 2021	FY 2022	Total	% of Total
Judicial	-	1,500,000	1,500,000	0.2%
Administration	-	10,335,002	10,335,002	1.2%
Agriculture and Forestry	-	1,522,991	1,522,991	0.2%
Commerce and Trade	-	13,231,700	13,231,700	1.5%
Education	5,000,000	151,446,310	156,446,310	17.5%
Finance	-	650,000,000	650,000,000	72.9%
Health and Human Resources	5,439,574	22,335,963	27,775,537	3.1%
Natural Resources	-	26,680,025	26,680,025	3.0%
Public Safety and Homeland Security	-	3,563,591	3,563,591	0.4%
Veterans and Defense Affairs	-	727,000	727,000	0.1%
Total	10,439,574	881,342,582	891,782,156	100.0%

Reserves, G3, student financial aid, and school counselors top the list of restorations

Agency	Title	FY 2021	FY 2022	Total	% of Total
162: Department of Accounts Transfer Payments	Provide funding to the Revenue Reserve	-	\$650,000,000	\$650,000,000	72.9%
260: Virginia Community College System	Restore funding to implement the Get Skilled, Get a Job, Give Back Program	-	\$36,000,000	\$36,000,000	4.0%
Institutions of Higher Education - 17 Institutions in total	Restore undergraduate student financial assistance	-	\$30,285,800	\$30,285,800	3.4%
197: Direct Aid to Public Education	Provide support for school counselors pursuant to the Standards of Quality	-	\$26,645,142	\$26,645,142	3.0%
199: Department of Conservation and Recreation	Provide supplemental funding for the Virginia Natural Resources Commitment Fund and technical assistance	-	\$13,550,000	\$13,550,000	1.5%
197: Direct Aid to Public Education	Restore funding to maximize pre-kindergarten access	-	\$11,122,649	\$11,122,649	1.2%
236: Virginia Commonwealth University	Restore support for the Massey Cancer Center	\$5,000,000	\$5,000,000	\$10,000,000	1.1%
765: Department of Social Services	Fund statewide Family First Prevention Services Act (FFPSA) prevention services program	-	\$9,211,378	\$9,211,378	1.0%
213: Norfolk State University	Restore previous reductions	-	\$8,397,765	\$8,397,765	0.9%
440: Department of Environmental Quality	Increase funding for water protection	-	\$8,315,476	\$8,315,476	0.9%
Subtotal of Top 10 Restorations		\$5,000,000	\$798,528,210	\$803,528,210	90.1%
Subtotal of Remaining Restorations (70)		\$5,439,574	\$82,814,372	\$88,253,946	9.9%
Grand Total of All Restorations		\$10,439,574	\$881,342,582	\$891,782,156	100.0%

Savings in current programs support the increased spending needed to respond to the pandemic



Pandemic response funding focusses on public education, a vaccination program, and emergency services support

Agency	Title	FY 2021	FY 2022	Total	% of Total
197: Direct Aid to Public Education	Provide No Loss funding to local school divisions	\$299,373,461	\$214,167,967	\$513,541,428	68.3%
601: Department of Health	Add funding to support mass vaccination efforts	\$30,184,899	\$59,123,029	\$89,307,928	11.9%
127: Department of Emergency Management	Provide funding for COVID-19 disaster response	\$41,965,587	\$36,930,220	\$78,895,807	10.5%
601: Department of Health	Add funding for COVID-19 pandemic communications needs	\$6,500,000	\$12,500,000	\$19,000,000	2.5%
197: Direct Aid to Public Education	Include Presumptive English Learner designation in English as a Second Language program update	\$4,251,850	\$6,490,911	\$10,742,761	1.4%
182: Virginia Employment Commission	Provide funding for unemployment insurance customer service support	-	\$9,960,283	\$9,960,283	1.3%
182: Virginia Employment Commission	Provide funding for interest payments on federal cash advances	-	\$7,502,701	\$7,502,701	1.0%
792: Mental Health Treatment Centers	Provide comprehensive surveillance of COVID-19 for state-operated facilities	\$2,142,601	\$4,285,202	\$6,427,803	0.9%
182: Virginia Employment Commission	Provide funding to integrate Coronavirus Aid, Relief, and Economic Security (CARES) Act programs	-	\$5,000,000	\$5,000,000	0.7%
601: Department of Health	Strengthen infrastructure for disease surveillance and investigation	-	\$3,118,145	\$3,118,145	0.4%
Subtotal of Top 10 Pandemic Response		\$384,418,398	\$359,078,458	\$743,496,856	98.9%
Subtotal of Remaining Pandemic Response (13)		\$1,719,060	\$6,217,845	\$7,936,905	1.1%
Grand Total of All Pandemic Response		\$386,137,458	\$365,296,303	\$751,433,761	100.0%

Employee compensation and benefits make up nearly 75 percent of the balance of other general fund spending

Agency	Title	FY 2021	FY 2022	Total	% of Total
162: Department of Accounts Transfer Payments	Provide a payment to the Virginia Retirement System to reduce unfunded liabilities	\$100,000,000	-	\$100,000,000	26.8%
995: Central Appropriations	Appropriate amounts for state and state supported local employee bonus	-	\$97,756,001	\$97,756,001	26.2%
197: Direct Aid to Public Education	Provide a two percent bonus for instructional and support positions	-	\$80,068,012	\$80,068,012	21.5%
165: Department of Housing and Community Development	Increase funding for the Virginia Housing Trust Fund	\$15,700,000	\$25,000,000	\$40,700,000	10.9%
995: Central Appropriations	Provide funding for marijuana expungement and related legislation	\$5,000,000	\$20,000,000	\$25,000,000	6.7%
165: Department of Housing and Community Development	Support the Virginia Telecommunication Initiative (VATI) Program	-	\$15,250,000	\$15,250,000	4.1%
995: Central Appropriations	Provide funding for the cost of proposed legislation	-	\$5,000,000	\$5,000,000	1.3%
765: Department of Social Services	Expand the Supplemental Nutrition Assistance Program Employment and Training (SNAPET) program	-	\$2,034,699	\$2,034,699	0.5%
201: Department of Education, Central Office Operations	Support repayment of Treasury loan	\$1,868,562	-	\$1,868,562	0.5%
799: Department of Corrections	Fund state share of renovation projects approved by the Board of Local and Regional Jails in 2020	-	\$1,634,160	\$1,634,160	0.4%
Subtotal of Top 10 Other GF Spending		\$122,568,562	\$246,742,872	\$369,311,434	99.0%
Subtotal of Remaining Other GF Spending (16)		(\$38,734)	\$3,607,038	\$3,568,304	1.0%
Grand Total of All Other GF Spending		\$122,529,828	\$250,349,910	\$372,879,738	100.0%

New initiatives replenish the COVID-19 Relief Fund, and fund transportation and historic justice initiatives

Agency	Title	FY 2021	FY 2022	Total	% of Total
197: Direct Aid to Public Education	Change fund source for COVID-19 Local Relief Payments	\$52,901,159	-	\$52,901,159	30.0%
505: Department of Rail and Public Transportation	Extend intercity passenger rail service	-	\$50,000,000	\$50,000,000	28.4%
238: Virginia Museum of Fine Arts	Plan for Monument Avenue's future	-	\$10,750,000	\$10,750,000	6.1%
601: Department of Health	Update JLARC cooperative budget funding formula	-	\$10,200,000	\$10,200,000	5.8%
995: Central Appropriations	Provide additional funding for Slavery and Freedom Heritage Site in Richmond	-	\$9,000,000	\$9,000,000	5.1%
312: Economic Development Incentive Payments	Support a technology development grant program	-	\$5,625,000	\$5,625,000	3.2%
125: Court of Appeals of Virginia	Fund additional judges and support staff for Court of Appeals	\$235,419	\$4,876,227	\$5,111,646	2.9%
199: Department of Conservation and Recreation	Provide appropriation for Project Harmony	-	\$5,000,000	\$5,000,000	2.8%
501: Department of Transportation	Provide support for the development of multi-use trails	-	\$5,000,000	\$5,000,000	2.8%
720: Department of Behavioral Health and Developmental Services	Create diversion and discharge pilots for individuals with dementia	-	\$3,547,000	\$3,547,000	2.0%
Subtotal of Top 10 New Initiatives		\$53,136,578	\$103,998,227	\$157,134,805	89.1%
Subtotal of Remaining New Initiatives (29)		\$1,871,796	\$17,282,501	\$19,154,297	10.9%
Grand Total of All New Initiatives		\$55,008,374	\$121,280,728	\$176,289,102	100.0%

Caseload and unavoidable cost increases are more than offset by savings

Agency	Title	FY 2021	FY 2022	Total
156: Department of State Police	Provide additional appropriation to address increased vehicle and equipment costs	-	\$9,488,184	\$9,488,184
765: Department of Social Services	Fund the Supplemental Nutrition Assistance Program (SNAP) error rate reinvestment and repayment	\$1,903,760	\$2,265,379	\$4,169,139
200: Children's Services Act	Increase appropriation to account for Medicaid replacing Title IV-E as payer of first resort	-	\$2,688,153	\$2,688,153
995: Central Appropriations	Fund inauguration and transition for statewide elected offices	-	\$2,668,552	\$2,668,552
312: Economic Development Incentive Payments	Adjust the Special Workforce Grant Fund payment schedule	-	\$2,290,000	\$2,290,000
777: Department of Juvenile Justice	Fund security enhancements at Bon Air Juvenile Correctional Center	\$225,059	\$1,500,000	\$1,725,059
199: Department of Conservation and Recreation	Support for natural heritage public safety and access needs	-	\$1,038,331	\$1,038,331
799: Department of Corrections	Provide funding to address the shortfall in the Drug Assessment Fund	\$500,000	\$500,000	\$1,000,000
141: Attorney General and Department of Law	Provide funding for additional workload resulting from the expansion of appeal rights	-	\$806,898	\$806,898
157: Compensation Board	Fund impact of statewide minimum wage increase on constitutional officers	\$85,657	\$246,767	\$332,424
Subtotal of Top 10 Caseload & Unavoidable Increases		\$2,714,476	\$23,492,264	\$26,206,740
Subtotal of Remaining Caseload & Unavoidable Increases (5)		-	\$695,440	\$695,440
Subtotal of Remaining Caseload & Unavoidable Decreases (9)		(\$25,823,741)	(\$38,727,895)	(\$64,551,636)
Grand Total of Caseload and Unavoidable Spending		(\$23,109,265)	(\$14,540,191)	(\$37,649,456)

While the mandate category reflects net savings, there are some increases in spending

Agency	Title	FY 2021	FY 2022	Total
197: Direct Aid to Public Education	Update sales tax revenue for public education	\$42,335,519	\$46,595,740	\$88,931,259
799: Department of Corrections	Provide funding to support increases in inmate medical costs	\$394,103	\$13,857,831	\$14,251,934
765: Department of Social Services	Fund the Temporary Assistance for Needy Families (TANF) forecast	\$1,747,069	\$1,378,372	\$3,125,441
602: Department of Medical Assistance Services	Fund managed care operational changes	-	\$2,196,012	\$2,196,012
602: Department of Medical Assistance Services	Provide support for federal interoperability and patient access requirements	-	\$1,739,306	\$1,739,306
200: Children's Services Act	Shift expenditures for congregate care from IV-E to CSA	-	\$921,296	\$921,296
197: Direct Aid to Public Education	Update sales tax distribution for school age population	-	\$742,335	\$742,335
602: Department of Medical Assistance Services	Implement federal client appeals requirements	\$34,135	\$598,763	\$632,898
602: Department of Medical Assistance Services	Comply with federal durable medical equipment requirements	\$68,014	\$272,050	\$340,064
161: Department of Taxation	Increase funding to participate in the Virginia Facilitated Enrollment Program	-	\$234,635	\$234,635
	Subtotal of Top 10 Mandate Increases	\$44,578,840	\$68,536,340	\$113,115,180
	Subtotal of Remaining Mandate Increases (3)	\$50,891	\$243,676	\$294,567
	Subtotal of Remaining Mandate Decreases (17)	(\$584,342,345)	(\$257,269,158)	(\$841,611,503)
	Grand Total of Mandates	(\$539,712,614)	(\$188,489,142)	(\$728,201,756)

Summary of Proposed Capital

Capital Outlay – 2020-22 Biennium

<p>Fund 14 systems upgrades, facility repairs, and life/safety projects <i>Provides funding to: Perform waterproofing repairs for Capitol Visitor's Center, DGS; Replace Major HVAC Controls and Equipment, LU; Improve Heating, Air Conditioning, & Ventilation Campus-wide, VSU; Address Critical Facility & Infrastructure Upgrades & Safety Modifications, SMV; Replace Life & Safety Components, VMFA; Install Lewis Hall Emergency Generator, EVMS; Replace Two Hofheimer Hall Air Handling Units, EVMS; Replace HVAC System at Mary Switzer Building, WWRC; Replace Roof, VIB, Charlottesville Plant, DBVI; Remove & replace compromised fire protection water tank, DJJ; Support renovation projects at veterans care centers, DVS; Renovate Veterans Care Centers for Pandemic Response, DVS; Provide antiterrorism & force protection security enhancements, DVS; Replace/Install Fire Safety Systems in Readiness Centers, DMA</i></p>	<p>\$62.1 million VCBA/VPBA \$0.5 million GF \$2.2 million NGF</p>
<p>Address workforce and facility projects <i>Provides funding to: address renovations and equipment for the Tech Talent Investment Program; and Reconstruct East Yard Enslaved Quarter at Gunston Hall</i></p>	<p>\$9.1 million VCBA/VPBA</p>
<p>Supplement existing project <i>Provides additional capacity for the Central State Hospital construction project</i></p>	<p>\$58.5 million VPBA</p>
<p>Fund planning for two projects <i>Provides planning funding to: Construct new Supreme Court building (DGS); and Construct new state office building and parking deck at 7th and Main St (DGS)</i></p>	<p>\$17.5 million GF</p>
<p>Fund equipment for four previously authorized projects being completed in the 2020-2022 biennium.</p>	<p>\$6.8 million VCBA</p>
<p>Fund 9 projects at institutions of higher education and other agencies from revenue bonds and other nongeneral fund sources <i>4 projects at institutions of higher education funded with revenue bonds 5 projects at non-higher education agencies funded from other nongeneral fund sources</i></p>	<p>\$34.1 million 9(C) \$21.0 million 9(D) \$19.2 million NGF</p>
<p>Revert unutilized bond authorization from projects in excess of project need.</p>	<p>(\$0.9) million VCBA/VPBA</p>

Additional debt authorizations address a variety of state needs

Maintain state infrastructure and facilities	Amount
Life/Safety-related projects	\$55.9 million
Systems upgrades and facility repair	\$6.2 million
Supplement Existing Project	
Provide additional capacity for the Central State Hospital construction project	\$58.5 million
Address Equipment Needs	
Equipment for previously authorized projects being completed in 2020-2022	\$6.8 million
Fund Other Workforce and Facility Projects	
Tech Talent Investment Program & Reconstruct Gunston Hall East Yard Enslaved Quarter	\$9.1 million
Other Actions Impacting Debt Capacity	
Revert unutilized bond authorization from projects in excess of project need.	(\$0.9) million
GRAND TOTAL IMPACTING DEBT CAPACITY	\$135.5 million

The Governor's proposed budget increases total general fund appropriations by \$1.5 billion

Changes in General Fund Appropriations

	<u>FY 2021</u>	<u>FY 2022</u>	<u>Biennium</u>
Current General Fund Appropriations - CH 56			
Operating	\$22,709.9	\$23,368.8	\$46,078.6
Capital	0.0	0.0	0.0
Total GF Appropriations	<u>\$22,709.9</u>	<u>\$23,368.8</u>	<u>\$46,078.6</u>

Proposed Changes in Appropriations

Operating	\$39.2	\$1,451.2	\$1,490.4
Capital	0.0	18.0	18.0
Total Change in Appropriations	<u>\$39.2</u>	<u>\$1,469.3</u>	<u>\$1,508.5</u>

Revised General Fund Appropriations

Operating	\$22,749.0	\$24,820.0	\$47,569.0
Capital	0.0	18.0	18.0
Total Revised GF Appropriations	<u>22,749.0</u>	<u>24,838.0</u>	<u>\$47,587.1</u>

The introduced budget increases revenues and spending leaving an unappropriated general fund balance of \$51.1 million

General Fund Only

	FY 2021	FY 2022	Biennial Total
Revised GF Resources			
Prior Year Balance	\$2,874.1	\$0.0	\$2,874.1
Additions to Balance	(1,284.5)	29.9	(1,254.6)
Revenue Forecast	22,008.6	22,729.4	44,738.0
Revenue Stabilization Fund	0.0	0.0	
Transfers	639.3	641.5	1,280.8
Total GF Resources	<u>\$24,237.5</u>	<u>\$23,400.8</u>	<u>\$47,638.2</u>
Proposed Appropriations			
Operating	\$22,749.0	\$24,820.0	\$47,569.0
Capital	\$0.0	\$18.0	\$18.0
Total GF Spending	<u>\$22,749.0</u>	<u>\$24,838.0</u>	<u>\$47,587.1</u>
Unappropriated Balance	\$1,488.4	(\$1,437.3)	\$51.1

Structural balance will continue to be a challenge until the economy recovers

FY 2022 Base Adjustments - General Fund Only

FY 2022 Resources		\$23,400.8
Adjustments to Resources (assumes no revenue growth)		
Remove one-time balances	(29.9)	
	Subtotal of Adjustments	<u>(29.9)</u>
	Base Resources Going Forward	<u><u>\$23,370.9</u></u>

Total FY 2022 Expenditures		\$24,838.0
Less Adjustments to Expenditures		
Deposit to the Revenue Reserve	(\$650.0)	
State and state supported local employee bonus	(\$97.8)	
Two percent bonus for SOQ-funded instructional and support positions	(\$80.0)	
Support for Mass Vaccination Efforts	(\$59.1)	
Extend intercity passenger rail service	(\$50.0)	
Support for COVID-19 disaster response	(\$36.9)	
Water Quality B Deposit	(\$30.4)	
Additional funding for the Virginia Housing Trust Fund	(\$25.0)	
Capital Projects and Planning	(\$18.0)	
Additional funding for the Virginia Telecommunications (VATI) Program	(\$15.0)	
Plan for Monument Avenue's future	(\$10.8)	
Provide additional funding for Slavery and Freedom Heritage Site in Richmond	(\$9.0)	
Provide supplemental funding for the Virginia Natural Resources Commitment Fund	(\$9.0)	
Provide support for the development of multi-use trails	(\$5.0)	
Provide appropriation for Project Harmony	(\$5.0)	
	Subtotal of Adjustments	<u>(1,101.0)</u>
	Base Expenditures Going Forward	<u><u>\$23,737.1</u></u>
	Balance of Uncommitted Base Resources	<u><u>(\$366.2)</u></u>

*Amounts shown in millions

Reserve Analysis

Current Status

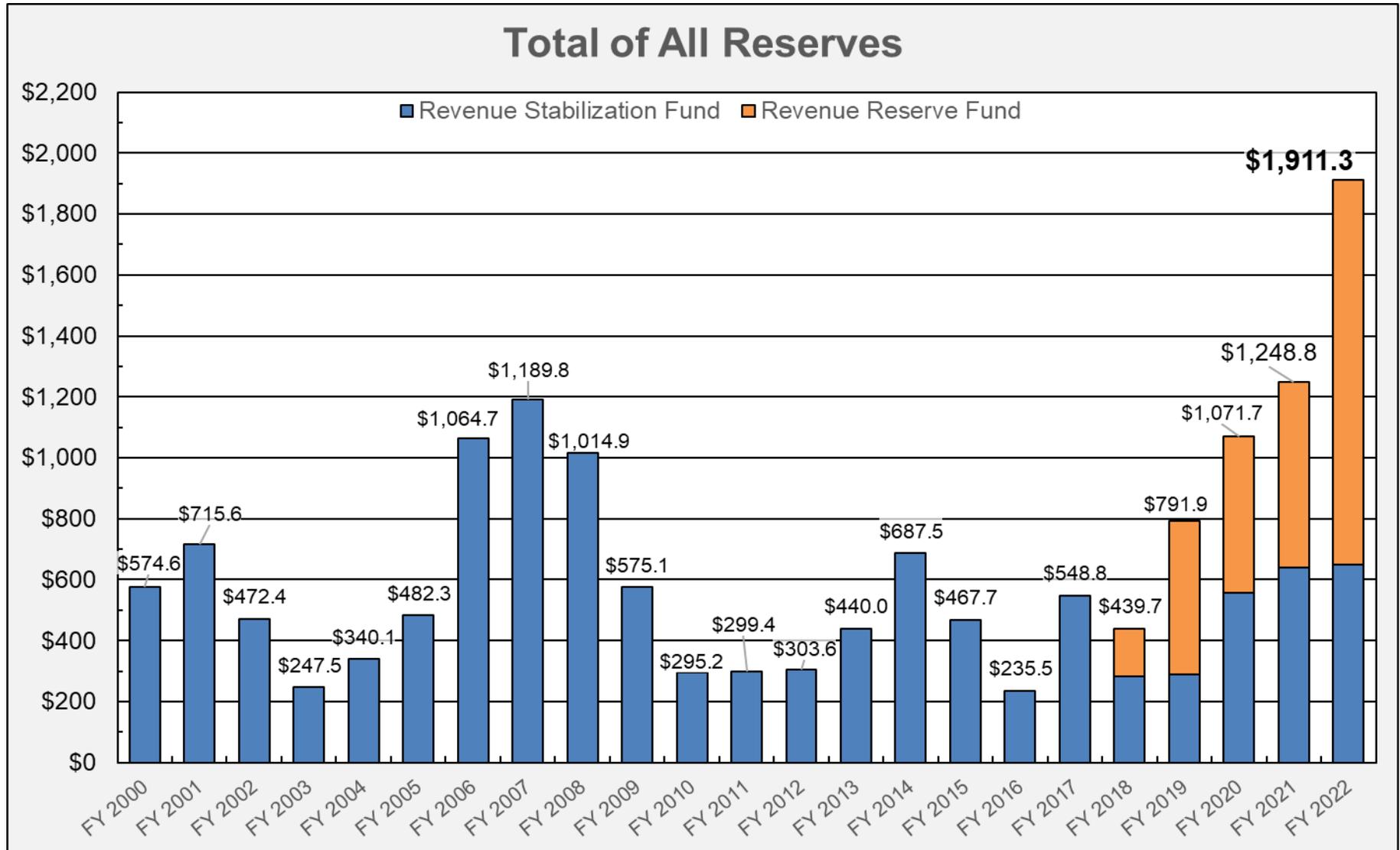
	Revenue Reserve	Revenue Stabilization Fund	Total
June 30, 2020 Balance	513,245,000	558,432,000	1,071,677,000
FY 2021 Mandatory Deposits from FY 2019 Balance	-	77,409,780	77,409,780
FY 2021 Voluntary Deposits per CH 56	89,027,631		89,027,631
Projected Total Reserve Balances by FY 2022	602,272,631	635,841,780	1,238,114,411
		Total FY 2022 Revenues and Transfers	23,370,901,863
		Reserve Balances as a percentage of Total Revenues and Transfers	5.3%
		Total FY 2022 Revenues from Income and Retail Sales	21,501,700,000
		Reserves as a percentage of Revenues from Income and Retail Sales	5.8%

Proposed Funding to Reach 8%

	Revenue Reserve	Revenue Stabilization Fund	Total
June 30, 2020 Balance	513,245,000	558,432,000	1,071,677,000
FY 2021 Mandatory Deposits from FY 2019 Balance	-	77,409,780	77,409,780
FY 2021 Voluntary Deposits per CH 56	89,027,631	-	89,027,631
FY 2022 Voluntary Deposit	650,000,000	-	650,000,000
Projected Total Reserve Balances by FY 2022	1,252,272,631	635,841,780	1,888,114,411
		Total FY 2022 Revenues and Transfers	23,370,901,863
		Reserve Balances as a percentage of Total Revenues and Transfers	8.08%
		Total FY 2022 Revenues from Income and Retail Sales	21,501,700,000
		Reserves as a percentage of Revenues from Income and Retail Sales	8.78%

NOTE: Amounts do not include deposits from interest earnings.

By the close of FY 2022, total reserves are estimated to be \$1.9 billion, exceeding 8% of total revenues & transfers



For More Details About Governor Northam's Introduced Budget

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

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

Appendix

Summary of Changes by Secretarial Area

While there is an overall increase in general fund spending, several secretarial areas reflect net decreases in general fund appropriations due to the distribution of reductions authorized in Chapter 56, 2020 Acts of Assembly, Special Session I

	Chapter 56, 2020 Special Session I, GF Operating Totals			HB 1800 / SB 1100 Introduced, GF Operating Totals			Proposed General Fund Changes ¹					
	FY 2021	FY 2022	Biennial Total	FY 2021	FY 2022	Biennial Total	FY 2021		FY 2022		Biennial Total	
Legislative Department	\$106.4	\$106.5	\$212.9	\$106.4	\$106.5	\$212.9	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%
Judicial Department	533.2	535.5	1,068.7	524.6	540.4	1,065.0	(8.6)	-1.6%	4.9	0.91%	(3.7)	-0.3%
Executive Offices	42.4	42.8	85.2	42.4	44.1	86.5	0.0	0.0%	1.3	3.04%	1.3	1.5%
Administration	788.8	786.0	1,574.8	792.3	783.6	1,575.9	3.6	0.5%	(2.4)	-0.31%	1.1	0.1%
Agriculture & Forestry	64.0	62.3	126.3	62.6	62.8	125.4	(1.4)	-2.3%	0.5	0.82%	(0.9)	-0.7%
Commerce & Trade	400.9	342.1	743.0	397.5	414.5	812.0	(3.4)	-0.9%	72.5	21.18%	69.0	9.3%
Education	9,570.5	9,765.5	19,336.0	9,381.6	9,642.1	19,023.7	(188.9)	-2.0%	(123.4)	-1.26%	(312.3)	-1.6%
Finance	2,118.0	2,307.6	4,425.6	2,195.2	2,630.6	4,825.8	77.2	3.6%	323.0	14.00%	400.3	9.0%
Health & Human Resources	7,185.7	7,804.6	14,990.3	6,771.8	7,844.9	14,616.7	(413.8)	-5.8%	40.3	0.52%	(373.5)	-2.5%
Natural Resources	211.9	199.3	411.2	202.3	196.0	398.3	(9.7)	-4.6%	(3.3)	-1.66%	(13.0)	-3.2%
Public Safety & Homeland Security	2,219.2	2,212.9	4,432.1	2,237.1	2,253.9	4,491.0	17.9	0.8%	41.0	1.85%	58.9	1.3%
Transportation	0.0	0.0	0.1	0.0	55.0	55.1	0.0	0.0%	55.0	>1,000%	55.0	>1,000%
Veterans & Defense Affairs	40.4	37.6	78.1	36.0	37.0	73.0	(4.4)	-10.9%	(0.7)	-1.74%	(5.1)	-6.5%
Central Appropriations	(578.4)	(840.8)	(1,419.1)	(2.9)	206.5	203.6	575.5	99.5%	1,047.3	124.56%	1,622.7	114.3%
Total Executive Department	22,063.5	22,720.0	44,783.5	22,116.0	24,171.1	46,287.0	52.5	0.2%	1,451.1	6.39%	1,503.6	3.4%
Independent Agencies	6.8	6.8	13.6	2.1	2.1	4.1	(4.7)	-69.5%	(4.7)	-69.5%	(9.4)	-69.5%
Total Operating Appropriations	\$22,709.9	\$23,368.8	\$46,078.6	\$22,749.0	\$24,820.0	\$47,569.0	\$39.2	0.2%	\$1,451.2	6.21%	\$1,490.4	3.23%

¹ Changes also reflect the distribution of budget reductions from Central Appropriations to the respective secretarial areas.

*Amounts shown in millions.

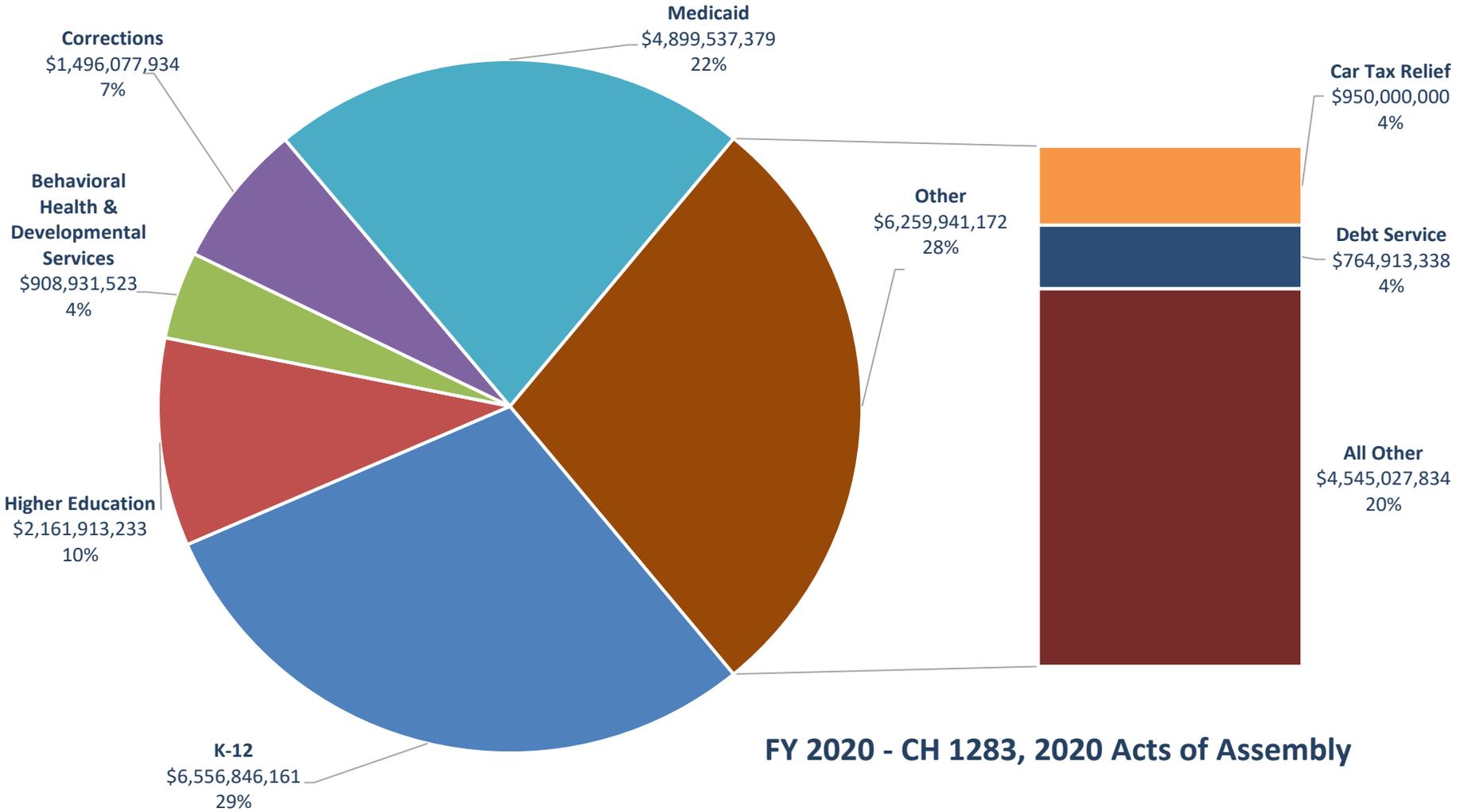
Public Safety & Homeland Security accounts for the majority of the increase in position levels in the proposed budget for FY 2022

Secretarial Area	FY 2022 FTE (Chapter 56, 2020 Special Session)	FY 2022 FTE (HB 1800 / SB 1100 Introduced)	Proposed Net Changes FY 2022
Legislative Department	651.00	651.00	0.00
Judicial Department	3,616.71	3,643.71	27.00
Executive Offices	598.50	606.50	8.00
Office of Administration	1,132.40	1,139.40	7.00
Office of Agriculture and Forestry	850.00	855.00	5.00
Office of Commerce and Trade	1,714.00	1,746.00	32.00
Office of Education	61,421.11	61,430.11	9.00
Office of Finance	1,342.00	1,342.00	0.00
Office of Health & Human Resources	14,656.77	14,716.77	60.00
Office of Natural Resources	2,179.00	2,188.00	9.00
Office of Public Safety and Homeland Security	20,132.00	20,251.00	119.00
Office of Transportation	10,297.00	10,357.00	60.00
Office of Veterans and Defense Affairs	1,715.50	1,716.50	1.00
Central Appropriations	0.00	0.00	0.00
Independent Agencies	1,944.00	1,944.00	0.00
Grand Total	122,249.99	122,586.99	337.00

- Large increase in Public Safety & Homeland Security primarily due to earned-sentence-credit legislation enacted during the 2020 Special Session and for security staff to support the new VCU Health outpatient clinic in the Department of Corrections.
- Increase in Transportation due to the continuation of positions for REAL ID workload in the Department of Motor Vehicles.
- Increase in Commerce & Trade primarily due to various initiatives in the Department of Housing and Community Development and Department of Small Business and Supplier Diversity.
- Increase in Judicial Department primarily due to the proposed expansion of the Court of Appeals.

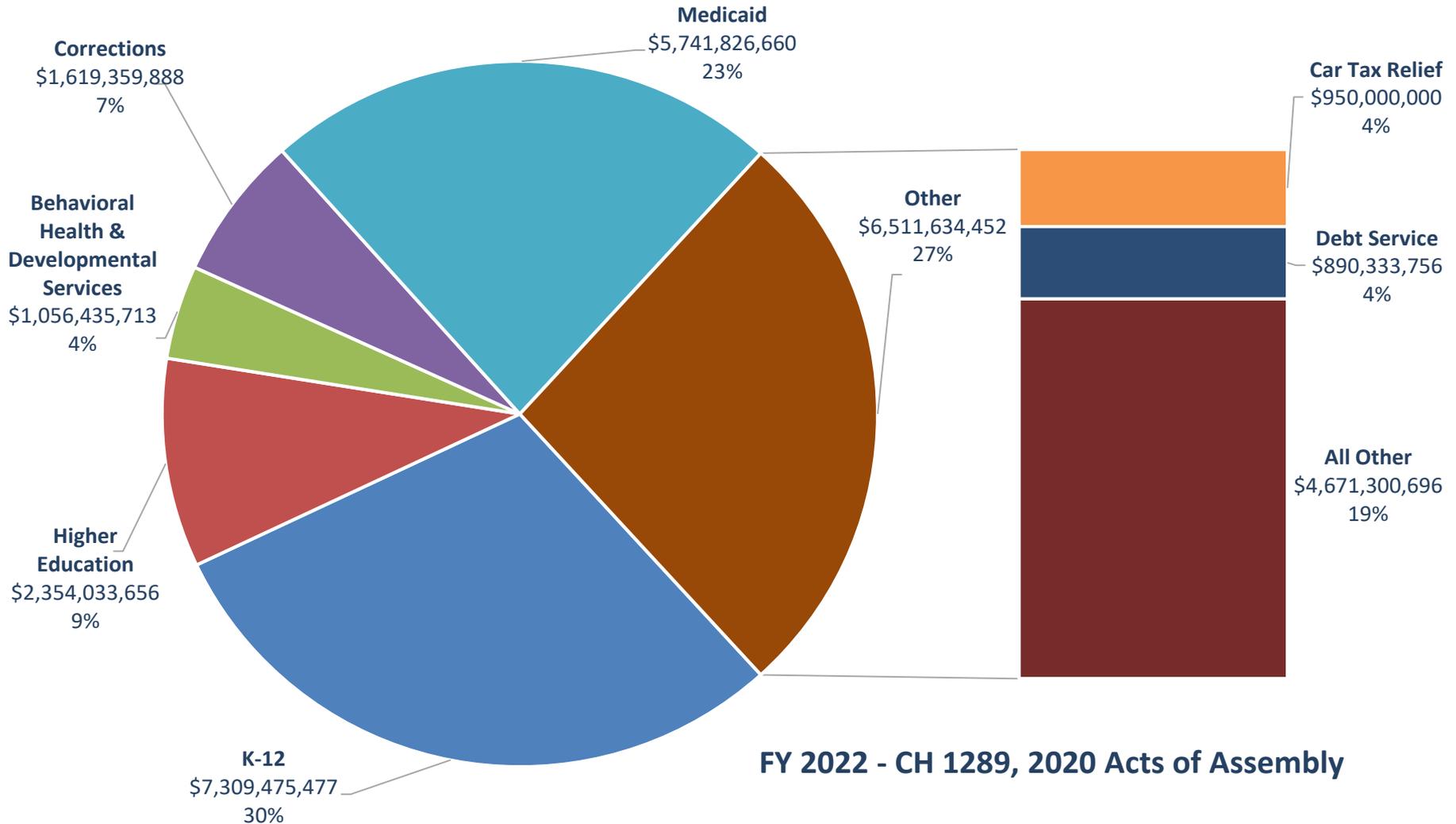
Summary of Changes in Budget Drivers

Five budget drivers made up 71.9 percent of the FY 2020 general fund budget in the last year of the 2018-2020 biennium (CH 1283, 2020 Session)



FY 2020 - CH 1283, 2020 Acts of Assembly

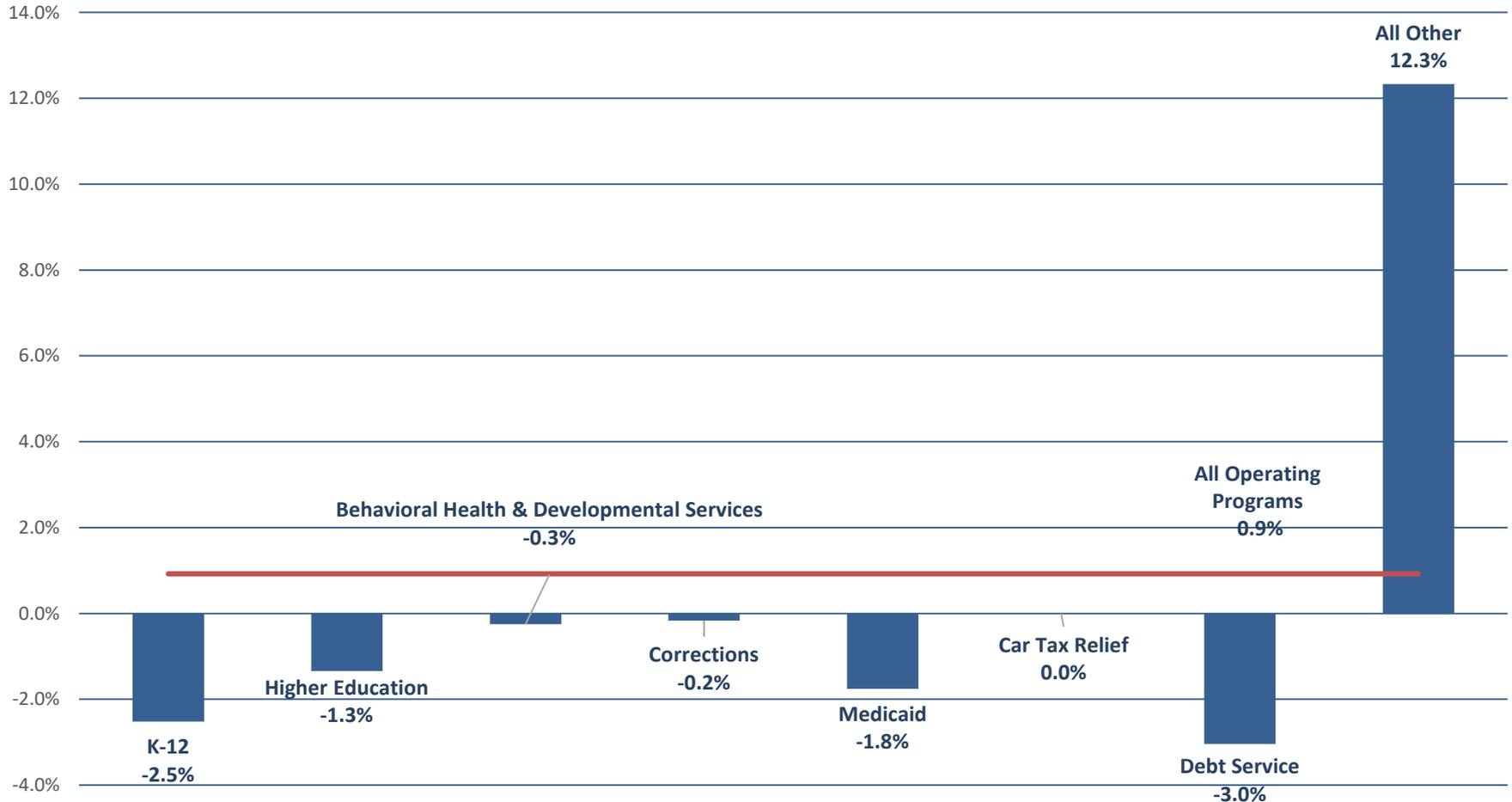
Five budget drivers made up 73.5 percent of the FY 2022 general fund appropriations in the original 2020-2022 budget (CH 1289, 2020 Session)



FY 2022 - CH 1289, 2020 Acts of Assembly

Most budget drivers experienced a reduction in FY 2022 amounts with the enacted CH 56, 2020 Acts of Assembly, Special Session I, compared to the originally planned funding in CH 1289 (2020 Session)

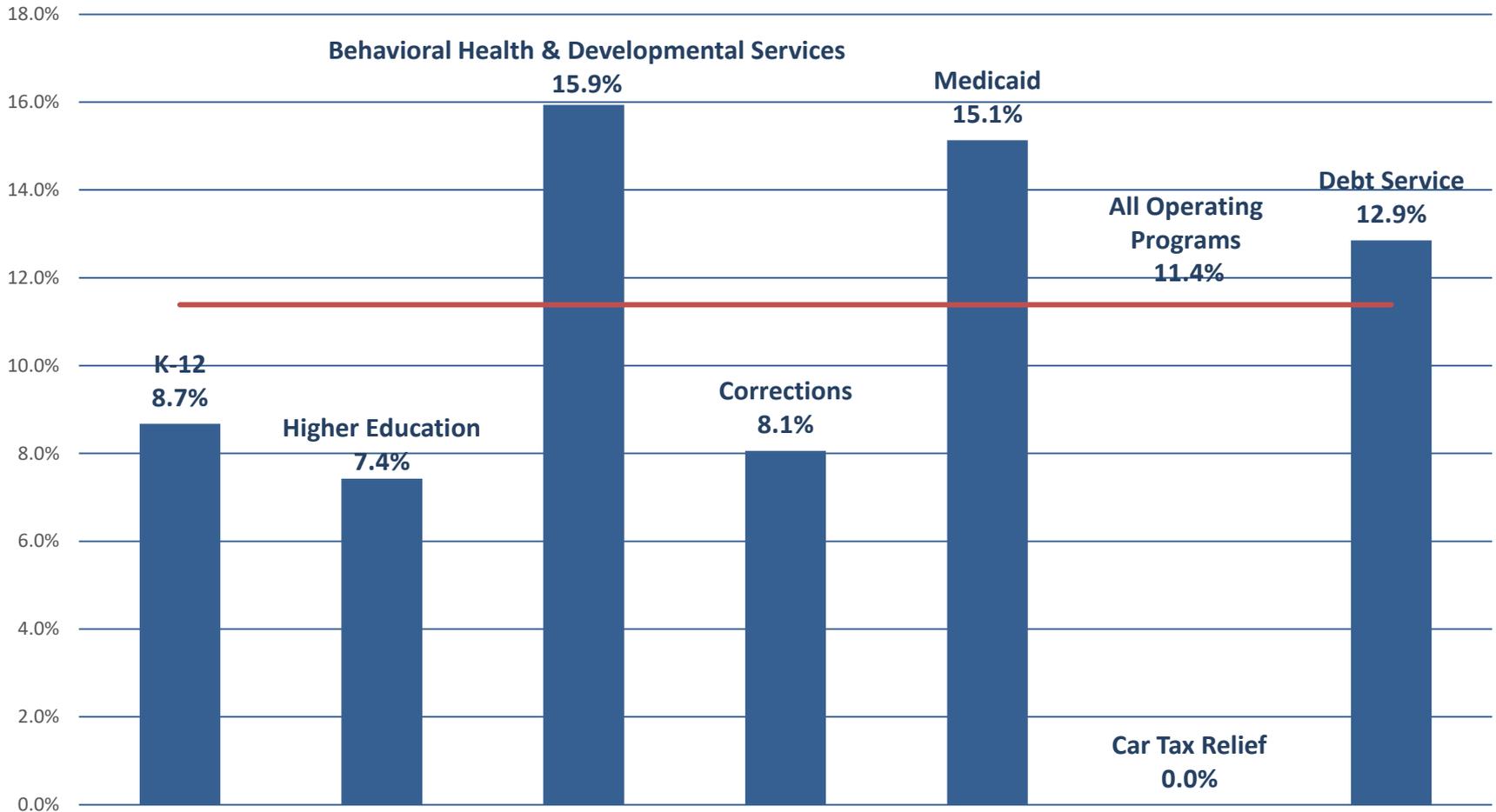
Changes Since the Original 2020-2022 Budget (Chapter 1289)



FY 2022 in CH 1289 (2020 Acts of Assembly) vs FY 2022 in HB 1800 / SB 1100 Introduced (2021 Session)

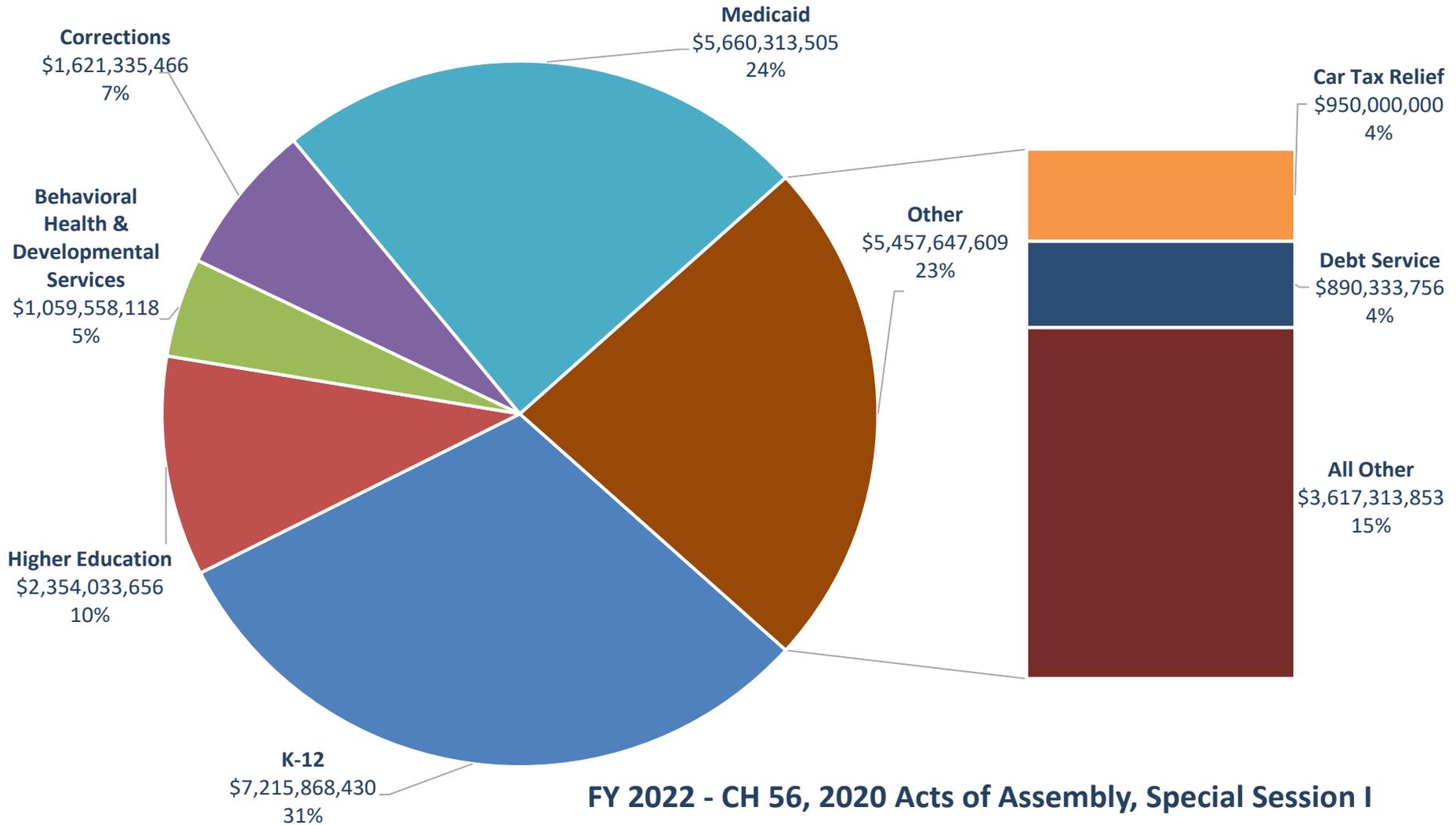
Even with the reductions in CH 56, there is growth in the budget drivers – the percentage growth from FY 2020 to FY 2022 is led by amounts required for Behavioral Health & Developmental Services and Medicaid

Growth Since the 2018-2020 Biennium



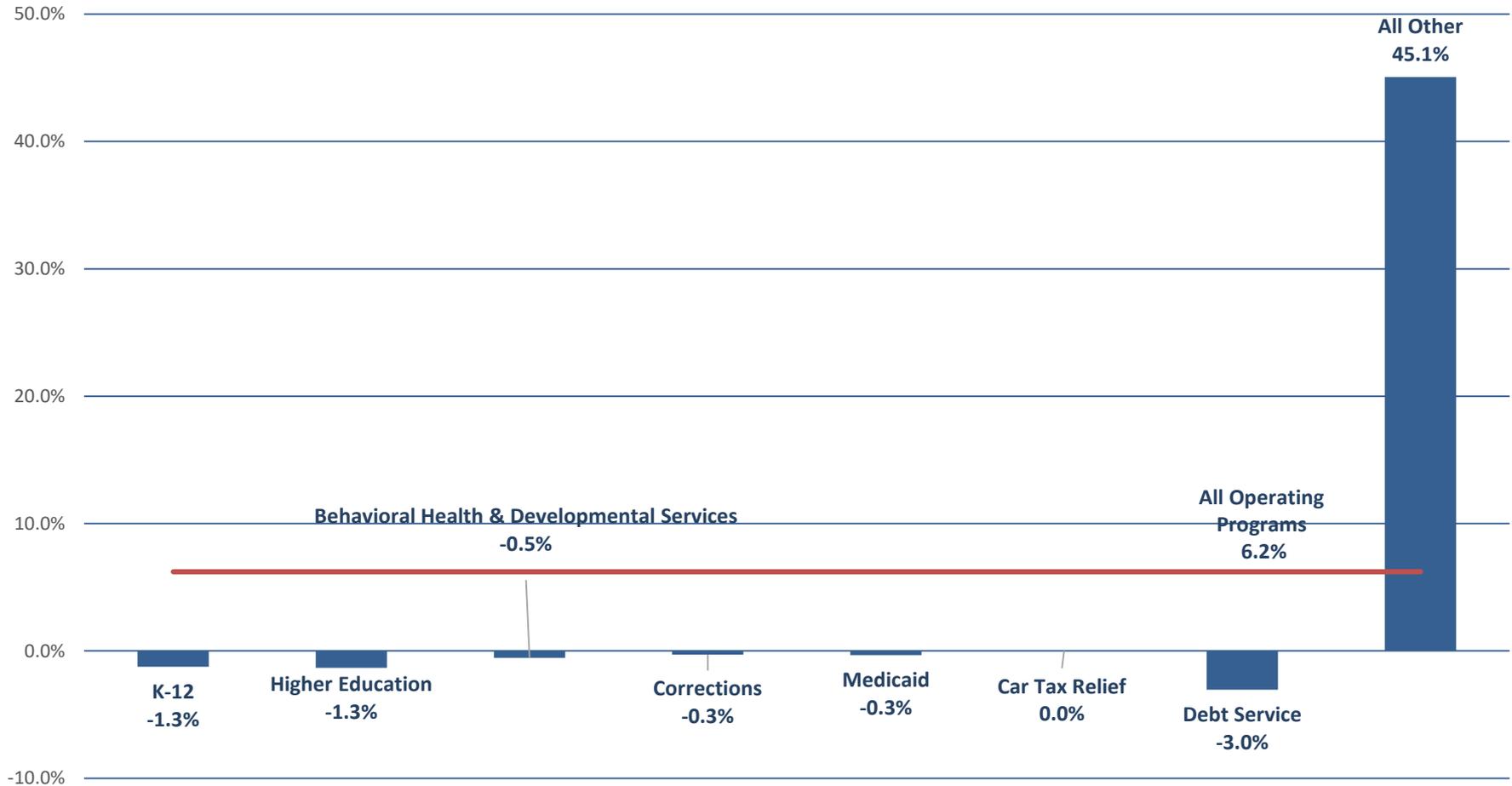
FY 2020 in CH 1283 (2020 Acts of Assembly) vs FY 2022 in HB 1800 / SB 1100 Introduced (2021 Session)

Due to reductions in the rest of the budget, the five budget drivers grew as a percentage of the overall budget making up 76.6 percent of the FY 2022 general fund budget in CH 56 (2020 Special Session I)



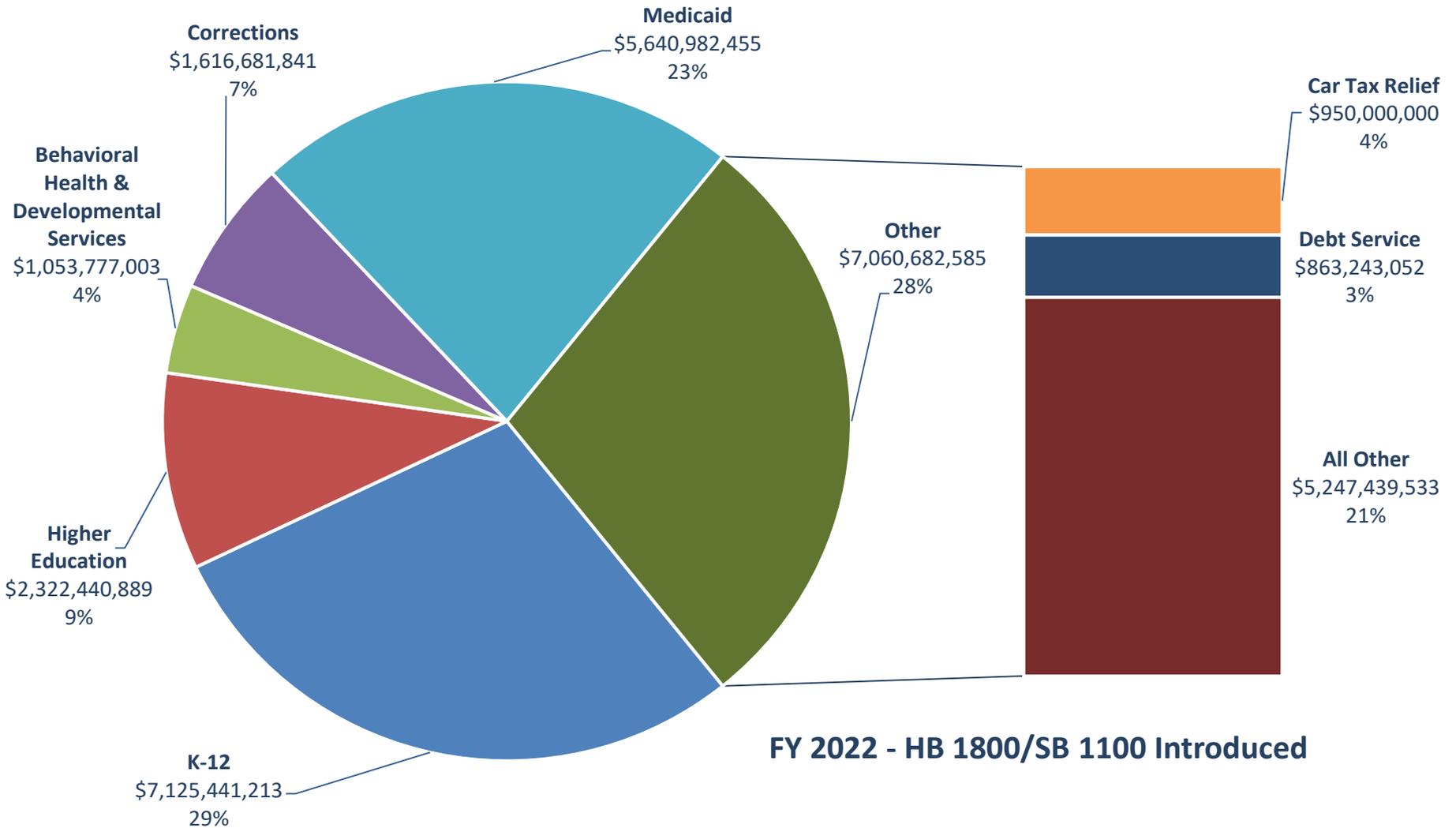
In the introduced budget (HB 1800/SB 1100), most budget drivers experience slight reductions in FY 2022 amounts compared to levels in Chapter 56 (2020 Special Session I)

Changes Since the 2020 Special Session (Chapter 56)



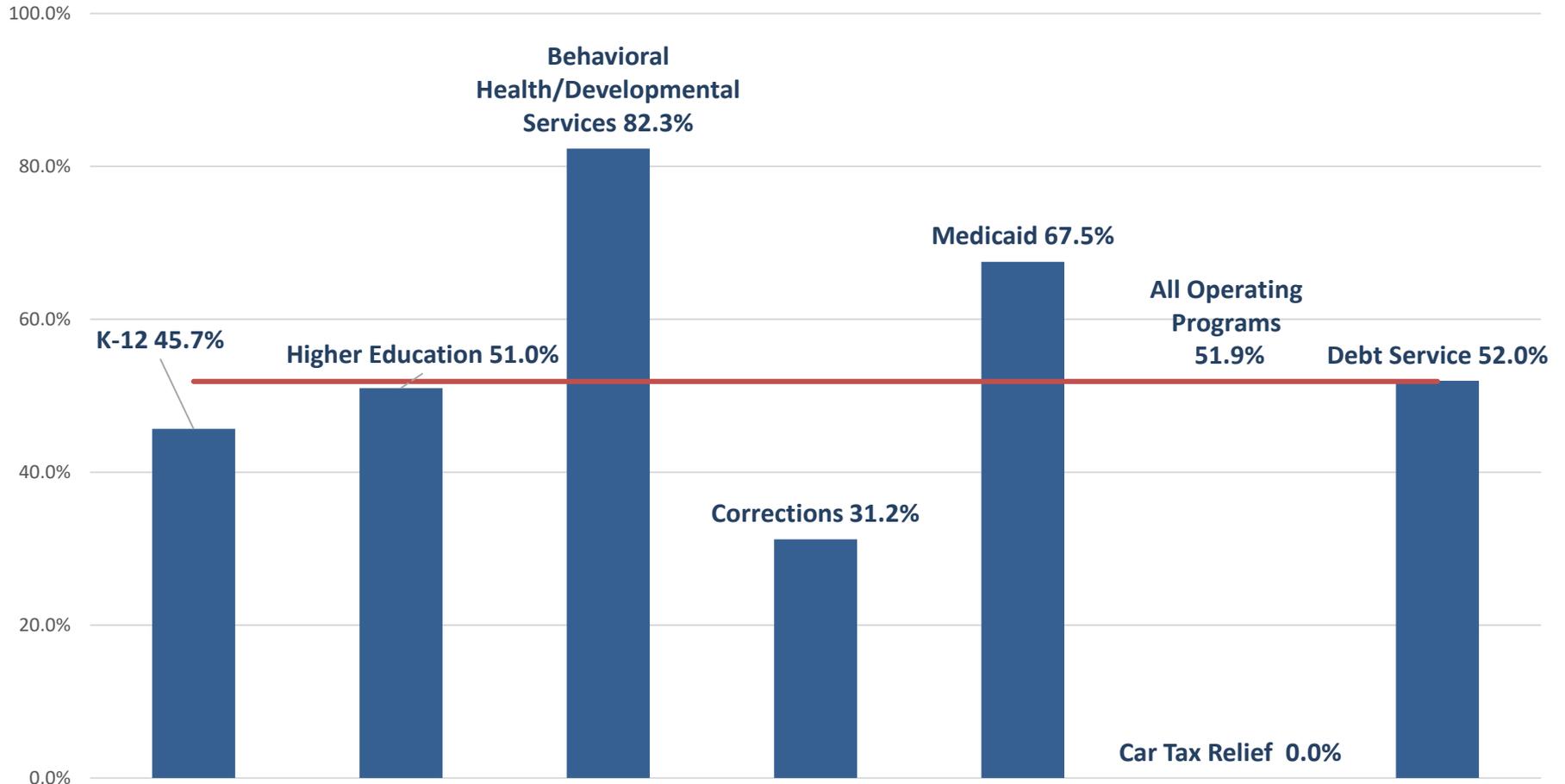
FY 2022 in CH 56 (2020 Acts of Assembly, Special Session I) vs FY 2022 in HB 1800 / SB 1100 Introduced (2021 Session)

In FY 2022, the five budget drivers make up 71.6 percent of the general fund in HB 1800/SB 1100 (introduced)



From FY 2012 to FY 2022, growth in general fund spending on budget drivers ranges from 31.2 percent in Corrections to 82.3 percent in Behavioral Health and Developmental Services

Ten-Year Growth Rates



FY 2012 in CH 2 (2012 Acts of Assembly, Special Session I) vs FY 2022 in HB 1800 / SB 1100 Introduced (2021 Session)