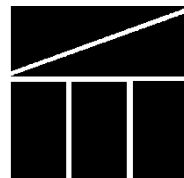


**Governor Northam's Proposed Amendments
to the 2020-2022 Biennial Budget
HB 5005/SB 5015
2020 General Assembly, Special Session I**

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

August 18, 2020



Daniel S. Timberlake
Director

Virginia Department of Planning and Budget

Establishing the Starting Point

and

Changes in the Starting Balance

The current budget, Chapter 1289, is the starting point for the Governor's introduced budget

Chapter 1289, 2020 Acts of Assembly
General Fund Only

	<u>FY 2021</u>	<u>FY 2022</u>	<u>Biennium</u>
General Fund Resources			
Prior Year Balance	\$1,185.3		\$1,185.3
Additions to Balance	120.1	(0.5)	119.6
Revenue Forecast	22,687.8	23,538.3	46,226.1
Revenue Stabilization Fund	0.0	0.0	0.0
Transfers	655.8	666.2	1,321.9
Total GF Resources	<u>\$24,649.0</u>	<u>\$24,203.9</u>	<u>\$48,853.0</u>
General Fund Appropriations			
Operating	\$23,618.0	\$24,592.8	\$48,210.7
Capital	21.0	0.0	21.0
Total GF Appropriations	<u>\$23,638.9</u>	<u>\$24,592.8</u>	<u>\$48,231.7</u>
General Fund Balance at Year-End	\$1,010.1	(\$388.8)	\$621.3

*Amounts shown in millions

The balance sheet from FY 2020 reflects strong balances even after the revenue shortfall of \$234.2 million

Preliminary Balance Sheet - June 30, 2020
General Fund - Cash Basis (Unaudited)
(Dollars in Thousands)

Assets		
Cash, Cash Equivalents, and Investments	\$	3,653,405
Cash and Travel Advances		494
Other Assets		367
Due From Other Funds		125
		<u>125</u>
	Total Assets	<u>\$ 3,654,391</u>
Liabilities and Fund Equity		
Liabilities:		
Payments Awaiting Disbursement		122,724
Deposits Pending Distribution		5,953
Due To Other Funds		1,115
		<u>1,115</u>
	Total Liabilities	\$ 129,792
Fund Equity:		
Restricted Fund Balance:		
Revenue Stabilization Fund		558,432
Revenue Stabilization Reserve 2021		77,410
Lottery Proceeds Fund		12,930
Water Supply Assistance Grant Fund		1,768
		<u>1,768</u>
	Total Restricted Fund Balance	<u>650,540</u>
Committed Fund Balance:		
Amount Required for Reappropriation of 2020 Unexpended Balances for Capital Outlay and Restoration Projects		7,839
Virginia Health Care Fund		44,891
Central Capital Planning Fund		5,421
Communication Sales and Use Tax		32,886
Commonwealth's Development Opportunity Fund		40,310
Natural Disaster Sum Sufficient		54,754
Amount Required for Mandatory Reappropriation		298,025
Virginia Water Quality Improvement Fund		64,978
Virginia Water Quality Improvement Fund - Part A 2019		32,386
Virginia Water Quality Improvement Fund - Part B 2019		14,640
Virginia Water Quality Improvement Fund - Part B 2020		30,350
Revenue Reserve Fund		513,245
Taxpayer Relief Fund		175
COVID-19 General Fund		3,307
Local Government Fiscal Distress		750
Amount Required by Chapter 1289		1,185,284
Amount Required for Discretionary Reappropriations		273,146
Other Nongeneral Fund Balances Reported in the General Fund		271,672
		<u>271,672</u>
	Total Commitments and Assignments	<u>2,874,059</u>
Total Unassigned Fund Balance		<u>-</u>
Total Fund Equity	\$	<u>3,524,599</u>
Total Liabilities and Fund Balance	\$	<u>3,654,391</u>

FY 2020 concluded with an unrestricted year-end balance of \$2.9 billion

- The unrestricted 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 includes:
 - *balances in the Revenue Reserve Fund;*
 - *unexpended general fund operating appropriations – mandatory and discretionary;*
 - *unexpended general fund capital appropriations;*
 - *other funds on deposit in the Treasury that is counted as general fund cash according to GASB standards.*
- This unrestricted general fund balance as of June 30, 2020, replaces the \$1.2 billion beginning balance previously anticipated in Chapter 1289 for an increase of approximately \$1.7 billion.

The FY 2021 beginning balance must be adjusted before determining the amounts available for appropriation

	<u>FY2021</u>	<u>FY2022</u>
Adjustments to Balance		
<u>Adjustments to Balance - CH 1289</u>		
Intergovernmental Cash Management Act	(\$0.5)	(\$0.5)
Appropriate Revenue Stabilization Fund	73.6	
Appropriate Water Quality	47.0	
Adjustments per CH 1289	\$120.1	(\$0.5)
<u>Adjustments to Balance - from balance sheet</u>		
Committed Fund Balance:		
Reappropriation of 2020 Unexpended Balances for Capital		
Outlay and Restoration of Projects	(\$7.8)	
Virginia Health Care Fund	(44.9)	
Central Capital Planning Fund	(5.4)	
Communication Sales and Use Tax	(32.9)	
Commonwealth's Development Opportunity Fund	(40.3)	
Natural Disaster Sum Sufficient	(54.8)	
Amount Required for Mandatory Reappropriation	(298.0)	
Virginia Water Quality Improvement Fund	(65.0)	
Virginia Water Quality Improvement Fund - prior year reserves	(47.0)	
Virginia Water Quality Improvement Fund - Part A	0.0	
Virginia Water Quality Improvement Fund - Part B	(30.4)	
Revenue Reserve Fund	(513.2)	
Taxpayer Relief Fund	(0.2)	
COVID-19 General Fund	(3.3)	
Local Government Fiscal Distress	(0.8)	
Other Nongeneral Fund Commitments	(211.2)	
Assigned Fund Balance:		
Amount Available for Discretionary Reappropriations	(273.1)	
Other Nongeneral Fund Assignments	(60.4)	
<u>Additional Adjustments</u>		
Revert Unexpended Prior Year Balances	273.1	0.0
Reserve funds for reappropriation	(25.0)	0.0
Adjust balance for Water Quality B Appropriation	0.0	30.4
Adjust balance for EO 69 - Hurricane Isaias	(1.0)	0.0
Subtotal of New Adjustments	(\$1,441.6)	\$30.4
TOTAL Adjustments to Balance	(\$1,321.5)	\$29.9

*Amounts shown in millions

Summary of Available Resources

HB 5005/SB 5015

In summary, six adjustments account for the change in general fund resources

	<u>FY 2021</u>	<u>FY 2022</u>	<u>Biennium</u>
Resource Adjustments			
GACRE Revisions - revenue	(1,334.7)	(1,352.8)	(2,687.5)
GACRE Revisions - transfers	(61.2)	(57.8)	(119.0)
Adjustments to Balance			
Revert Unexpended Prior Year Balances	273.1	0.0	273.1
Reserve funds for reappropriation	(25.0)	0.0	(25.0)
Adjust for Water Quality B Appropriation	0.0	30.4	30.4
Adjust for EO 69 - Hurricane Isaias	(1.0)	0.0	(1.0)
Total Resource Adjustments	(1,148.8)	(1,380.3)	(2,529.0)

Reductions in revenue and transfers result in a net decrease of \$2.5 billion in funds available for spending

	<u>FY 2021</u>	<u>FY 2022</u>	<u>Biennium</u>
<u>BASE RESOURCES - CH 1289</u>			
Prior Year Balance	\$1,185.3	\$0.0	\$1,185.3
Additions to Balance	120.1	(0.5)	119.6
Revenue Forecast	22,687.8	23,538.3	46,226.1
Revenue Stabilization Fund	0.0	0.0	0.0
Transfers	655.8	666.2	1,321.9
Total GF Resources	<u>\$24,649.0</u>	<u>\$24,203.9</u>	<u>\$48,853.0</u>
Revisions			
Prior Year Balance	\$1,688.8	\$0.0	\$1,688.8
Additions to Balance	(1,441.6)	30.4	(1,411.3)
Revenue Forecast - GACRE	(1,334.7)	(1,352.8)	(2,687.5)
Revenue Stabilization Fund	0.0	0.0	0.0
Transfers - GACRE	(61.2)	(57.8)	(119.0)
Total Revisions	<u>(\$1,148.8)</u>	<u>(\$1,380.3)</u>	<u>(\$2,529.0)</u>
<u>Revised Resource Forecast</u>			
Prior Year Balance	\$2,874.1	\$0.0	\$2,874.1
Additions to Balance	(1,321.5)	29.9	(1,291.6)
Revenue Forecast	21,353.1	22,185.5	43,538.6
Revenue Stabilization Fund	0.0	0.0	0.0
Transfers	594.6	608.4	1,202.9
Total GF Resources	<u>\$23,500.3</u>	<u>\$22,823.7</u>	<u>\$46,324.0</u>

*Amounts shown in millions

Summary of Proposed Spending Changes

HB 5005/SB 5015

Guideposts of the Governor's budget

- “Cash is king.” Preserve liquidity to operate government, deliver services, and pay the bills
- Don't use one-time money to fund recurring expenses
- Use one-time funds for one-time investments
- Preserve financial options

The Governor's proposed budget reduces total appropriations by \$2.4 billion

Changes in General Fund Appropriations

	<u>FY 2021</u>	<u>FY 2022</u>	<u>Biennium</u>
Current General Fund Appropriations – CH 1289			
Operating	\$23,618.0	\$24,592.8	\$48,210.7
Capital	21.0	0.0	21.0
Total GF Appropriations	<u>\$23,638.9</u>	<u>\$24,592.8</u>	<u>\$48,231.7</u>

Proposed Changes in Appropriations

Operating

Savings	(\$1,186.0)	(\$1,429.1)	(\$2,615.2)
Technical Adjustments	89.1	101.9	191.0
Policy-Based	45.9	1.0	47.0
Total Operating	<u>(\$1,051.0)</u>	<u>(\$1,326.3)</u>	<u>(\$2,377.2)</u>

Capital	(21.0)	0.0	(21.0)
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Total Change in Appropriations	(1,071.9)	(1,326.3)	(2,398.2)
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Revised General Fund Appropriations

Operating	\$22,567.0	\$23,266.5	\$45,833.5
Capital	0.0	0.0	0.0
Total Revised GF Appropriations	<u>22,567.0</u>	<u>23,266.5</u>	<u>\$45,833.5</u>

*Amounts shown in millions

Savings from the enhanced federal match for Medicaid combined with converting unallotments to reductions produce \$2.6 billion in savings

<u>Savings</u>	<u>FY 2021</u>	<u>FY 2022</u>
Capture eFMAP savings - DMAS	\$331.0	\$0.0
Capture eFMAP savings - DSS	5.8	0.0
Capture savings from K12 sales tax reduction	95.2	93.6
Convert Unallotments to Reductions - operating	853.6	1,380.3
add removal of funding for confederate graves	0.0	0.1
less restoration of one-time spending	(74.6)	(44.9)
less restoration of cultural investments	(9.6)	0.0
less restoration of VSU specific assistance	(6.5)	0.0
less restoration of VSU Extension state matching funds	(1.5)	0.0
less restoration of NSU specific assistance	(7.5)	0.0
Subtotal of Reductions	754.0	1,335.5
Convert Unallotments to Reductions - capital	21.0	0.0
Total Savings	\$1,207.0	\$1,429.1

*Amounts shown in millions

New spending totals \$237.9 million – driven largely by technical spending requirements, which total \$191 million

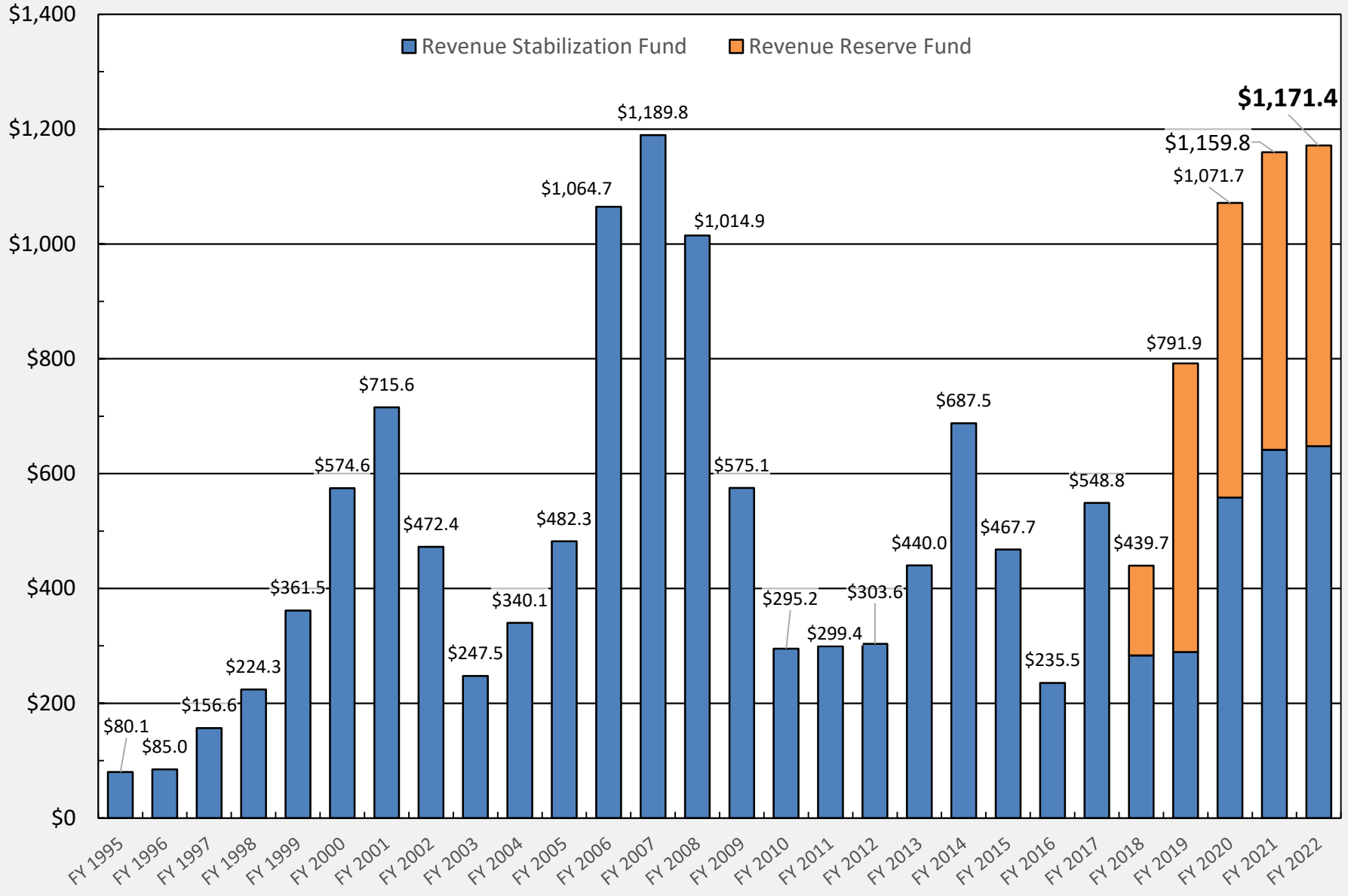
<u>Technical Spending Adjustments</u>	<u>FY 2021</u>	<u>FY 2022</u>
Medicaid - continuation of coverage	(89.1)	0.0
Adjust Revenue Stabilization Fund deposit	0.0	(71.5)
Appropriate required Water Quality B deposit from FY 2020 year-end-close	0.0	(30.4)
Subtotal Technical Adjustments	<u>(89.1)</u>	<u>(101.9)</u>
 <u>Policy Spending</u>		
Pre-paid postage for absentee ballots	(2.0)	0.0
New equity and diversity initiatives	(0.3)	0.0
Adjust base funding for early childhood - transfer of GF	0.0	0.0
Statue removal	(1.1)	0.0
Criminal justice reform initiatives	(2.6)	(1.0)
Broadband	(15.0)	0.0
Housing Trust Fund	(25.0)	0.0
Subtotal Policy Spending	<u>(45.9)</u>	<u>(1.0)</u>
 Total Technical and Policy Spending	 (135.0)	 (102.9)

The introduced budget reduces revenues and spending – leaving an unappropriated general fund balance of \$490.5 million

General Fund (GF) Only

	<u>FY 2021</u>	<u>FY 2022</u>	<u>Biennial Total</u>
Revised GF Resources			
Prior Year Balance	\$2,874.1	\$0.0	\$2,874.1
Additions to Balance	(1,321.5)	29.9	(1,291.6)
Revenue Forecast	21,353.1	22,185.5	43,538.6
Revenue Stabilization Fund	0.0	0.0	0.0
Transfers	594.6	608.4	1,202.9
Total GF Resources	<u>\$23,500.3</u>	<u>\$22,823.7</u>	<u>\$46,324.0</u>
Proposed Appropriations			
Operating	\$22,567.0	\$23,266.5	\$45,833.5
Capital	\$0.0	\$0.0	\$0.0
Total GF Spending	<u>\$22,567.0</u>	<u>\$23,266.5</u>	<u>\$45,833.5</u>
Unappropriated Balance	\$933.3	(\$442.8)	\$490.5

Total of All Reserves



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

One-time Only Initiatives - Restored

Agency	Description	FY 2021	FY 2022
165: Department of Housing and Community Development	Increase funding for the Virginia Housing Trust Fund	\$23,000,000	\$23,000,000
165: Department of Housing and Community Development	Increase support for the Virginia Telecommunication Initiative (VATI) for broadband deployment	\$16,000,000	\$16,000,000
199: Department of Conservation and Recreation	Supplemental Water Quality Improvement Fund amount	\$3,840,000	
199: Department of Conservation and Recreation	Increase funding for dam rehabilitation projects	\$15,000,000	
199: Department of Conservation and Recreation	Increase funding for the Virginia Land Conservation Fund	\$5,500,000	\$5,500,000
156: Department of State Police	Fund record sealing reform legislation	\$108,800	
194: Department of General Services	DGS review of DBHDS capital outlay operations (DGS)	\$350,000	
312: Economic Development Incentive Payments	Support the Virginia Jobs Investment Program	\$2,000,000	
165: Department of Housing and Community Development	Establish an Eviction Prevention and Diversion Pilot Program	\$3,300,000	
409: Department of Mines, Minerals and Energy	Establish office of offshore wind	\$387,500	\$387,500
197: Direct Aid to Public Education	Increase support for Jobs for Virginia Graduates	\$1,670,000	
197: Direct Aid to Public Education	Recruit and retain early childhood educators	\$3,000,000	
202: The Library Of Virginia	Provide funding to expedite release of gubernatorial records	\$400,000	
262: Department for Aging and Rehabilitative Services	Jewish Social Services Agency	\$50,000	
TOTALS		74,606,300	44,887,500

Cultural Investments - Restored

Agency	Description	FY 2021	FY 2022
197: Direct Aid to Public Education	Support African American history education	1,300,000	-
197: Direct Aid to Public Education	Support history education through the American Civil War Museum	1,000,000	-
423: Department of Historic Resources	Provide additional funding to support the Historical Highway Marker program	200,000	-
423: Department of Historic Resources	Provide additional funding for Montpelier	1,000,000	-
423: Department of Historic Resources	Provide funding to the County of Brunswick (St. Paul's College Museum)	50,000	-
423: Department of Historic Resources	Provide funding for the Center for African-American History and Culture at Virginia Union University	1,000,000	-
423: Department of Historic Resources	Provide funding to digitize highway markers for the Virginia African American History Trail	100,000	-
423: Department of Historic Resources	Provides funding to the City of Alexandria to support cultural initiatives	2,443,000	-
423: Department of Historic Resources	Provides funding to the City of Charlottesville for cultural initiatives	500,000	-
423: Department of Historic Resources	Provides funding to the City of Richmond for cultural initiatives	1,000,000	-
995: Central Appropriations	Provide funding for Slavery and Freedom Heritage Site in Richmond	1,000,000	-

TOTAL 9,593,000 -

University Specific Initiatives for Historically Black Colleges and Universities - Restored

Virginia State University (212)

Agency	Description	FY 2021	FY 2022
Virginia State University (212)	Expand Supplemental Instructional program	320,000	
Virginia State University (212)	Implement Summer Bridge program	319,900	
Virginia State University (212)	Implement UTeach program	250,000	
Virginia State University (212)	Launch Virginia College Affordability Network	3,773,490	
Virginia State University (212)	Provide funding for data center modernization	1,644,000	
Virginia State University (212)	Support Intrusive Advising Early Warning System	150,000	

Virginia State University (212) Total **6,457,390** **-**

VSU - Cooperative Extension and Agricultural Research Services (234)

Agency	Description	FY 2021	FY 2022
Cooperative Extension and Agricultural Research Services (234)	Increase funding for state match	1,461,956	

University Specific Initiatives for Historically Black Colleges and Universities - Restored

Norfolk State University (213)

Agency	Description	FY 2021	FY 2022
Norfolk State University (213)	Ensure continuation of Spartan Pathways	150,000	
Norfolk State University (213)	Implement academic advising model	300,000	
Norfolk State University (213)	Implement UTeach program	250,000	
Norfolk State University (213)	Increase storage and expand information technology services	3,000,000	
Norfolk State University (213)	Launch Virginia College Affordability Network initiative	3,459,590	
Norfolk State University (213)	NSU - Center for African American Policy	250,000	
Norfolk State University (213)	Support First-Day Success program	75,000	
Norfolk State University (213) Total		7,484,590	-

Criminal Justice Reform Initiatives

Agency	Description	FY 2021	FY 2022	Positions	
				FY 2021	FY 2022
DCJS	Expand Decertification	94,825	113,790	1.00	1.00
DCJS	Standards of Conduct - Decertification	208,079	249,695	2.00	2.00
DCJS	Civilian Review Boards	200,000	-	-	-
DCJS	Mandatory Curriculum	1,504,321	605,185	5.00	5.00
DCJS	Information Sharing about LEOs	50,000	50,000	-	-
VSP	Mandatory Curriculum	500,000	-	-	-
Total		2,557,225	1,018,670	8.00	8.00