

2020 Special Session I: Senate Bill 5015  
Overview of SFAC Amendments to the  
Governor's Proposed Amendments to  
2020-2022 Biennial Budget

September 25, 2020

# Reminder: Regular Session Senate Budget Priorities

---

- Investments in the people of Virginia:
  - **In Education:** SOQ rebenchmarking, early childhood, community college high demand workforce programs, undergraduate need-based aid.
  - **In Health and Human Resources:** Fully funding the Medicaid forecast. Enhancing provider rates, adding waiver slots, and expanding permanent supportive housing.
  - **In Employee Compensation:** For state, state-supported-locals, teachers, state police, personal care workers, and other targeted increases.
  - **In Transportation Infrastructure:** More than \$1.0 billion in new revenue to transportation agencies related to funding legislations.
  - **In Natural Resources:** Including the Water Quality Improvement Fund and Land Conservation.
- While also prioritizing structural balance:
  - Including initially cash to maintenance reserve, RDF & reserve deposits, funding one-time items in FY 2020 or the first year of the biennium, and a partial early repayment to VRS teacher plan related to deferred past payment.

# Current Economic Environment

---

- Financial impacts of COVID-19 are not fully known at this time and continue to evolve.
  - In April, the Administration anticipated that revenues would decline by approximately \$1 billion in each fiscal year.
  - Revenue collections for FY 2020 ended the year \$234.2 million behind the forecast.
  - Through August, fiscal year-to-date revenues are better than expected. Much of the increase is due to the timing of late individual and corporate estimated or final payments due June 1.
    - Over \$250 million in July payments were due June 1.
  - The reforecast process was conducted with the Joint Advisory Board of Economists (JABE) and Governor's Advisory Council on Revenue Estimates (GACRE) with meetings in late July and early August.
- **The Governor's introduced amended budget reduces GF resources by \$2.5 billion over the biennium.**

# Reminder: GF Appropriation Actions at Reconvened Session

<b>Operating:</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Remove planned voluntary Revenue Reserve deposits	(\$601,845,675)	\$0	\$0
COVID-19 response authority and match appropriation (Central Appropriations)	\$50,000,000	\$0	\$0
Reduce general fund support in the first year and expand uses of nongeneral funds (Virginia Innovation Partnership Authority)	\$0	(\$6,100,000)	\$0
Maintain existing school counselor ratios (Direct Aid to Public Education)	\$0	(\$21,681,426)	(\$28,395,270)
Fund initial cost of COVID-19 response (DMAS)	\$308,239	\$1,032,955	\$0
Adjust Funding for Legislation Projected to Increase the Need for Prison Beds (Dept. of Corrections)	\$0	(\$50,000)	\$0
	<b>(\$551,537,436)</b>	<b>(\$26,798,471)</b>	<b>(\$28,395,270)</b>
<b>Capital:</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Replace GF maintenance reserve amounts with bond proceeds (Central Capital Outlay)	\$0	(\$65,000,000)	\$0
	<b>\$0</b>	<b>(\$65,000,000)</b>	<b>\$0</b>
<b>Total, Direct GF Spending Change:</b>	<b>(\$551,537,436)</b>	<b>(\$91,798,471)</b>	<b>(\$28,395,270)</b>

# SB 5015, as Introduced Spending and Savings

(\$ in millions)	FY 2021	FY 2022
<b>Savings</b>		
Reflect Enhanced Federal Match Rate for Medicaid and Foster Care	(\$336.8)	(\$0.0)
K-12 Sales Tax (Technical)	(95.2)	(93.6)
Convert Unallotments to Reductions – Net Restorations	(775.0)	(1,335.5)
<b>Total Savings</b>	<b>(\$1,207.0)</b>	<b>(\$1,429.1)</b>
<b>Technical Spending</b>		
Medicaid Enrollment Increase	\$89.1	\$0.0
Revenue Stabilization Fund Deposit	0.0	71.5
WQIF Part B Deposit	0.0	34.2*
<b>Policy Spending</b>		
Supplemental Broadband Funding	\$15.0	\$0.0
Supplemental Housing Trust Fund	25.0	0.0
Criminal Justice Reform and Policy Initiatives	2.6	1.0
Pre-Paid Postage for Absentee Ballots (now Ch. 1)	2.0	0.0
Removal of Robert E. Lee Monument	1.1	0.0
Office of Diversity, Equity, and Inclusion	0.3	0.0
<b>Total Spending</b>	<b>135.1</b>	<b>106.7</b>
<b>NET SAVINGS AND SPENDING ADJUSTMENTS</b>	<b>(\$1,071.9)</b>	<b>(\$1,322.4)</b>

\*Note: Differs from DPB's presentation to SFAC, and does not reflect technical balance sheet amendments necessary to the Healthcare Fund and WQIF Part B Deposit.

# Summary of Governor's Proposed Actions - One-Time Unallotment Restorations and Limited New Funding

- Restoration of one-time only initiatives that had been unallotted (some have spending in both years) a total amount of \$74.6 million GF in FY 2021 and \$44.9 million GF in FY 2022.
- Restoration of cultural initiatives that had been unallotted of \$9.6 million GF in FY 2021.
- Restoration of funding for Historically Black Colleges and Universities that had been unallotted: \$6.5 million GF for Virginia State University; \$1.5 million GF for Virginia State University Extension; and \$7.5 million GF for Norfolk State University all in FY 2021.
- Criminal Justice Reform and Policing Initiatives funding of \$2.6 million GF in FY 2021 and \$1.0 million GF in FY 2022. Funding is for mandatory curriculum, decertification, civilian review boards, and information sharing about law enforcement officers. Funding is included for eight positions at the Department of Criminal Justice Services.
- \$2.0 million GF for pre-paid postage for absentee ballots in FY 2021 (now in Ch. 1).
- \$8.5 million NGF (TANF or CRF funds) for various food security actions.
- Language amendments related to eviction and utility disconnection moratoriums, elections policy changes, and other specific language changes in the areas of natural resources and transportation.

# Governor's Proposed Actions – Tax Policy – Language

---

- Includes language to enact a tax on heated tobacco products at \$0.45 per pack (2.25 cents per stick), beginning January 1, 2021.
- Includes language applying the Wayfair nexus standard for purposes of the Tobacco Products Tax.
- A technical amendment extends the sunset date on the limit an individual taxpayer may claim under the Land Preservation Tax Credit.
  - Chapter 1289 assumed the continuation of the limit in the official revenue forecast.

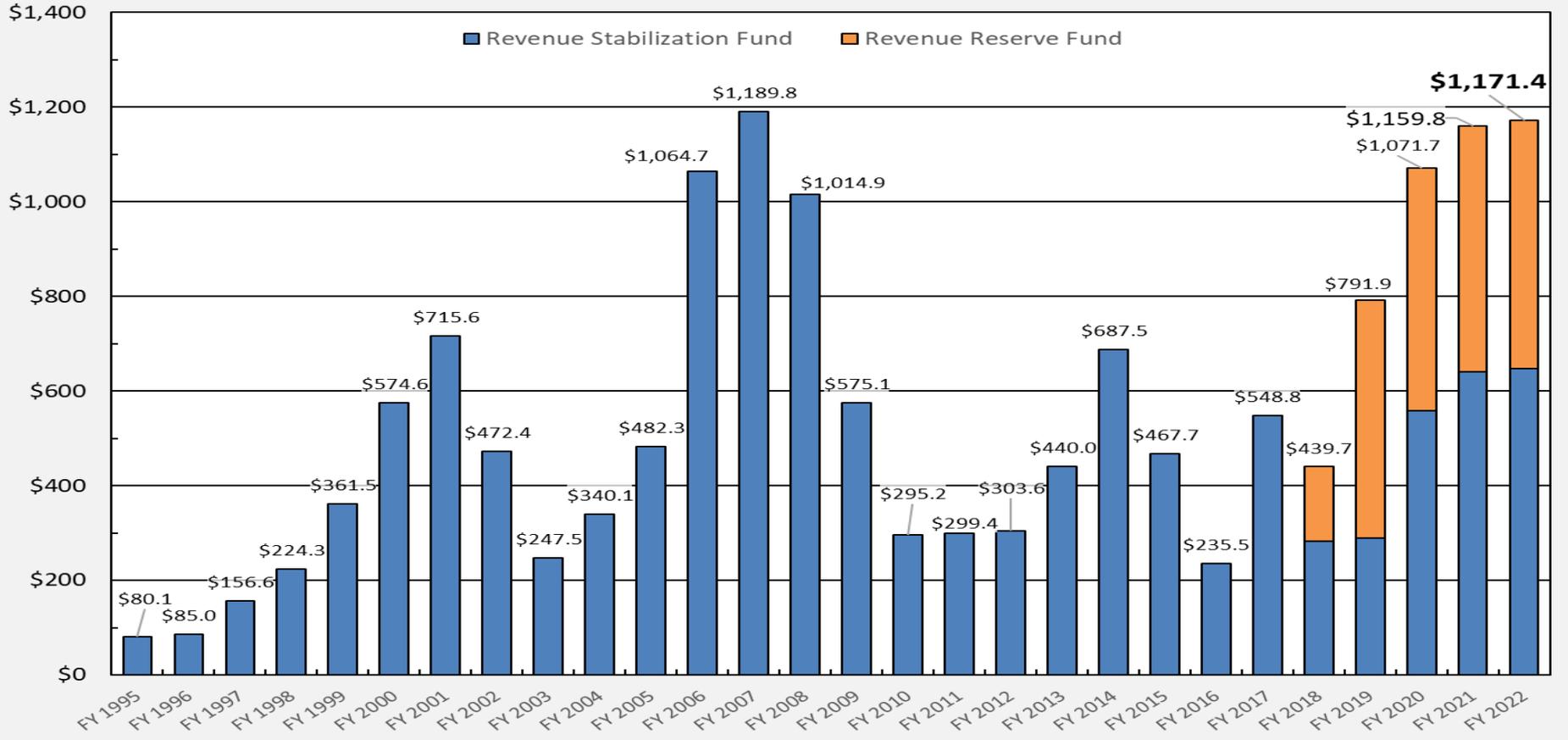
# Governor's Proposed Actions - One-Time Initiatives – Restoration of Unallotments

Agency	Initiative Description	(\$ in millions)	FY 2021	FY 2022
DHCD	Increase funding for the Virginia Housing Trust Fund (plus \$25.0 million in FY 2021)		\$23.0	\$23.0
DHCD	Broadband deployment/VA Telecommunications Initiative (plus \$15.0 million in FY 2021)		16.0	16.0
DCR	Supplemental Water Quality Improvement Fund		3.8	0
DCR	Dam Rehabilitation Projects		15.0	0
DCR	Virginia Land Conservation Fund		5.5	5.5
VSP	Record Sealing Reform Legislation		0.1	0
DGS	DGS review of DBHDS capital outlay		0.4	0
Ec. Dev. Incent. Pmts.	Support the Virginia Jobs Investment Program		2.0	0
DHCD	Establish an Eviction Prevention and Diversion Pilot Program		3.3	0
DMME	Establish Office of Offshore Wind		0.4	0.4
Direct Aid	Increase support for Jobs for Virginia Graduates		1.7	0
Direct Aid	Recruit and retain early childhood educators		3.0	0
Library of Virginia	Expedite release of gubernatorial records		0.4	0
DARS	Jewish Social Services Agency		0.05	0
<b>TOTAL</b>			<b>\$74.6</b>	<b>\$44.9</b>

## Governor's Proposed Actions - Cultural Initiatives – Restoration of Unallotments

Agency	Initiative Description	(\$ in millions)	FY 2021	FY 2022
Direct Aid	African American history education		\$1.3	\$0
Direct Aid	History education through the American Civil War Museum		1.0	0
DHR	Historical Highway Marker Program		0.2	0
DHR	Montpelier		1.0	0
DHR	County of Brunswick – St. Paul's College Museum		0.05	0
DHR	Center for African-American History & Culture at Virginia Union Univ.		1.0	0
DHR	Digitize Highway Markers for the VA African American History Trail		0.1	0
DHR	City of Alexandria to support cultural initiatives		2.4	0
DHR	City of Charlottesville to support cultural initiatives		0.5	0
DHR	City of Richmond to support cultural initiatives		1.0	0
Cen.App.	Slavery and Freedom Heritage Site in Richmond		1.0	0
<b>TOTAL</b>			<b>\$9.6</b>	<b>\$0</b>

## Total of All Reserves



Source: DPB Director's Presentation, 8-18-2020.

# Coronavirus Relief Fund Commitments

*\$1.9 billion committed, remaining balance of \$1.1 billion (as of Sept. 14); \$153 million under review*

Agency	Commitment	FY 2020	FY 2021
N/A	Locality Allocations	\$644,573,383	\$644,573,383
VDEM	Testing	42,338,400	-
VDEM	Personal Protective Equipment	97,000,000	-
VDEM	Other	33,722,001	-
VDH	Replace Deficit Authorization	3,291,300	-
VDH	Contact Tracing / UVA Equipment	59,157,614	-
DGS	Consolidated Labs	6,052,673	-
DHCD	Emergency Housing for the Homeless	5,528,998	3,300,000
Various	Agency-Based Requests for FY 2020	80,480,698	-
DHCD	Rent and Mortgage Relief Program	10,000,000	40,000,000
SBSD	Small Business Grant Program (“Rebuild VA”)	-	70,000,000
DMAS	Long-Term Care Facilities Support	-	55,640,872
DMAS	Personal Protective Equipment for Personal Care Attendants	-	9,256,178
VDEM, VDACS, DSS	Food Insecurity Program	-	3,861,953
VDEM	4 Priority PPE Projects	-	42,112,285
<b>TOTAL</b>		<b>\$982,145,067</b>	<b>\$826,632,386</b>
<b>Under Review</b>	<b><i>Serology Study, Testing and Contact Tracing, Environmental Health Specialists, State Hospital Census, VDEM, POC Antigen Testing</i></b>		<b><i>\$152,987,063</i></b>

# Economic Situation Remains Unclear

---

- General fund revenue uncertainty due to the pandemic continues.
- Medicaid spending may add additional pressure on the state budget as caseload is higher due to the required federal maintenance of eligibility requirement to receive the federal enhanced match rate. The effect of unemployment has not yet shown up in caseload and while utilization of certain services declined due to COVID-19, those declines have reversed and may return to normal.
- Requests related to testing, PPE, childcare, and housing.
- Unemployment Insurance Trust Fund is estimated to be at a record deficit.
- Question as to whether additional federal stimulus funding or flexibility will be provided.

# SB 5015 Changes to GF Resources

(\$ in millions)	Ch. 1289	SB 5015, as Introduced*	SB 5015 + SFAC Amend.
Beginning Balance	\$1,185.3	\$2,874.1	\$2,874.1
Balance Adjustments	119.6	(1,253.4)	(1,263.6)
GF Revenue Estimate	46,226.1	43,538.6	43,538.6
Transfers	<u>1,321.9</u>	<u>1,202.9</u>	<u>1,210.8</u>
<b>GF Resources Available for Appropriation</b>	<b>\$48,853.0</b>	<b>\$46,362.2</b>	<b>\$46,359.9</b>
<b>Net Change to GF Resources:</b>			
<b>Compared to Ch. 1289</b>			<b>(\$2,493.1)</b>
<b>Compared to SB 5015, as Introduced</b>			<b>(\$2.4)</b>
<b>Unappropriated Balance</b>	<b>\$621.3</b>	<b>\$524.9*</b>	<b>\$481.7</b>

\*Does not reflect \$38.3 million technical balance sheet and WQIF Part B corrections which are included in SFAC amendments.

# SFAC Amendments to the Introduced Budget

---

- SFAC amendments make a limited number of changes to those included in the introduced budget in the following categories:
  - Additional General Fund spending (mostly restorations of funding in Chapter 1289), totaling \$222.2 million;
    - Includes fiscal impact of bills passed by the Committee
  - Additional offsetting savings of \$217.2 million;
  - Allocation of remaining Federal Coronavirus Relief Fund items;
  - Items contingent on additional revenue; and
  - Language only amendments and technical amendments.
- *For additional detail on the proposed actions included in the introduced budget, see August 24, 2020 staff presentation.*

# SFAC Amendments – GF Spending in HHR

Agency	Description	FY 2021	FY 2022
CSA	Finalize rate study for private day special education programs	\$250,000	\$0
DMAS	Add Medicaid Adult Dental Benefits (Start 7/1/2021; Agency to absorb admin costs)	0	17,486,839
DMAS	Allow Overtime for Personal Care Attendants (Start 1/1/2021 with 8 Hours)	3,209,470	6,418,940
DMAS	Eliminate 40 quarter work requirement for legal permanent residents (7/1/2021 Start)	0	3,289,890
DMAS	Extend FAMIS MOMS' postpartum coverage to 12 months (Start Date 1/1/2021)	557,468	2,116,376
DMAS	Adjust medical residency award language	1,350,000	2,600,000
DMAS	Increase DD Waiver Provider Rates (Start July 1, 2021 @ 50%)	0	11,018,539
DMAS	Increase Developmental Disability (DD) waiver rates (Start July 1, 2021 @ 50%)	0	1,874,427
DMAS	Medicaid MCO Reimbursement for Durable Medical Equipment (7/1/21 Start)	0	352,534
DMAS	Increase Medicaid Rates for Anesthesiologists (7/1/2021 Start)	0	262,491
DMAS	Medicaid Rate Setting Analysis	300,000	0
DMAS	Increase rates for skilled and private duty nursing services (75% of Benchmark)	0	2,578,387
DMAS	Extend \$20 a day nursing home payment	11,152,785	0
DBHDS	Funding for statewide discharge assistance plans (Reduced from Chapter 1289)	7,500,000	10,000,000
DBHDS	Pilot Programs for facility census reduction (Reduced from Chapter 1289)	2,500,000	5,000,000
DBHDS	Provide funds for partial implementation of STEP-VA (Crisis Services Only)	0	11,544,000
DBHDS	Virginia Mental Health Access Program (Start 1/1/2021)	2,112,194	4,224,388
DBHDS	Increase permanent supportive housing capacity	3,000,000	12,000,000
DSS	Increase TANF cash assistance benefits by 15 percent (1/1/2021 Start)	579,951	1,159,901
<b>Subtotal</b>	<b>(for this page)</b>	<b>\$32,511,868</b>	<b>\$91,926,712</b>

## SFAC Amendments – Other GF Spending

Agency	Description	FY 2021	FY 2022
Direct Aid	Restore Emil and Grace Shihadeh Innovation Center	\$250,000	\$0
SCHEV	Restore first year funding for VIVA	400,000	0
GMU/ ODU	Partial restore of enrollment funding included in the Conference Report	10,000,000	24,000,000
DCJS	Restore expansion funding for local pretrial and probation services	1,150,000	2,300,000
DCJS	Restore increase for pre-release and post-incarceration services	500,000	1,000,000
DCJS	Restore increase for Post Critical Incident Support Grants for Law Enforcement	200,000	200,000
DOC	Restore electronic healthcare records system funding (men's and women's facilities)	3,000,000	3,000,000
Gen. Dist. Courts	Clerk positions	5,732,280	7,596,300
Gen. Dist. Courts	Fund additional judgeship for 19th Judicial District	161,719	323,437
Ind. Def. Comm.	Provide funding for additional public defenders	3,798,726	5,698,089
VEC	Additional staffing	325,000	325,000
DCR	Partial restore preventative maintenance needs at state parks	0	500,000
DCR	Restore support to State Parks (Douthat / Green Pastures)	342,678	209,509
DCR	Restore support to State Parks (Natural Bridge)	376,364	376,364
DHR	Restore Woodville School	100,000	0
DHR	Restore Turning Point Suffragist Memorial	250,000	0
DCR	Technical correction to WQIF Part B to reflect balance changes	0	(3,825,400)
Cent. App.	\$500 Bonus for State and State-supported Local Sworn Law Enforcement	18,432,910	0
<b>GRAND TOTAL</b>	<b>(including previous page)</b>	<b>\$77,331,545</b>	<b>\$133,630,011</b>

## SFAC Amendments – Fiscal Impact of Legislation

Agency	Description	FY 2021	FY 2022
Legislative	SB 5003: Commission on Civil Rights on Policing	\$19,544	\$39,088
DBHDS	SB 5038: MH Awareness Response System (Includes Crisis Dispatch in STEP-VA)	116,612	233,224
DCJS	SB 5038: MH Awareness Response System	61,203	122,405
VPB	SB 5012 & SB 5050: Freedom of Information Act; Parole Bd. votes	33,993	67,986
DOC	SB 5017: Correctional facility, local; clarifies definition	20,767	41,534
VPB	SB 5018 & SB 5034: DOC Compassionate Medical Release	19,512	39,023
OAG	SB 5024: Attorney General authorized for patterns and practices investigations	114,709	229,418
OAG, VSP, DCJS, DOC	SB 5030: Policing Reform	89,422	671,765
DOC	SB 5034: DOC Compassionate Release and Earned Sentence Credits	1,152,377	411,084
OAG, VSP	SB 5043: Expungement bill	0	1,174,644
DCJS	SB 5052: Body-worn Camera Fund; first year includes one-time grant funding (50% local match) + 1 FTE ongoing	6,459,095	113,790
<b>TOTAL</b>		<b>\$8,087,233</b>	<b>\$3,143,961</b>

## SFAC Amendments – Additional Savings

Agency	Description	FY 2021	FY 2022
DMAS	Capture Medicaid MCO Rate Change for FY 2021	\$56,144,433	\$73,451,682
DMAS	Capture FAMIS Children's Health Insurance MCO Rate Change for FY 2021	3,111,848	4,210,186
DMAS	Capture Medicaid Children's Health Insurance MCO Rate Change for FY 2021	2,322,022	3,252,087
DMAS	Redirect Funding for 350 Waiver Slots in FY 2022 to DD Provider Rates	0	7,093,377
ABC	Capture net profits from above-target revenues	3,300,000	3,400,000
EDIP	Aerospace Manufacturing Performance Grant Fund (Rolls-Royce plant closing)	3,000,000	3,000,000
Transfers	Transfer NGF balances related to RR incentive packages to GF	1,202,300	0
Central Approps.	Reduce second year estimated increase of 6.7% by half	0	20,613,821
Central Approps.	Revert \$30 million provided for COVID-19 matching funds	30,000,000	0
Health Care Fund	Nexus standards on OTP dealers language and Tax on Heated Tobacco	625,000	2,500,000
<b>TOTAL</b>		<b>\$99,706,303</b>	<b>\$117,521,153</b>

## SFAC Amendments – NGF Only Spending Items

Agency	Description	FY 2021	FY 2022
Direct Aid	COVID-19 Relief Payments for Local SOQ Costs	\$95,300,000	\$0
DSS	Portsmouth Volunteers for the Homeless (TANF)	250,000	250,000
DSS	Menchville House (TANF)	125,000	125,000
DSS	Family Restoration Services Hampton (TANF)	125,000	125,000
DSS	Cornerstones (TANF)	750,000	750,000
<b>TOTAL</b>		<b>\$96,550,000</b>	<b>\$1,250,000</b>

## SFAC Amendments – Federal Coronavirus Relief Fund Items

Agency	Description	FY 2021	FY 2022
Various	Add FY 20 and FY21 Governor Allocated Items in a Table	Language	
Higher Education	FY 21 CRF Requests	\$65,000,000	\$0
K-12	K-12 Public Schools (\$195 Per pupil)	200,000,000	0
DMAS	Modify Nursing Home / Assisted Living Facility CRF Allocations	Language	
DMAS	Provide Assistance to Developmental Disability Waiver Providers	40,000,000	0
DSS	Child Care Stabilization Grants	20,000,000	0
DMAS	Hazard Pay for Personal Care Workers (Up to 3 Months)	34,000,000	0
DSBSD	Support for Tourism and Recreation Industries	15,000,000	0
State Agencies	Funding for PPE and Other Related COVID-19 Expenses	25,500,000	0
VEC	Repayment to Unemployment Trust Fund	Language	
<b>TOTAL</b>		<b>\$399,500,000</b>	

## SFAC Amendments – Items Contingent on Additional Revenue

Agency	Description (in order of priority)	FY 2021	FY 2022
DBHDS	Increase permanent supportive housing capacity	\$0	\$5,000,000
DBHDS	Provide funds for partial implementation of STEP-VA	0	18,607,414
DMAS	Increase mental health provider rates	0	2,458,479
DMAS	Enhance behavioral health services	0	10,273,553
Direct Aid	Increase support for at-risk students	0	35,173,962
Direct Aid	Maximize pre-kindergarten access for at-risk three- and four-year-old children	0	48,436,297
DMAS	Increase DD Waiver Provider Rates Based on Updated Data	0	11,018,539
DMAS	Increase Developmental Disability (DD) waiver rates	0	1,874,427
DMAS	Increase rates for skilled and private duty nursing services (80% of Benchmark)	0	3,666,899
DMAS	Additional 8 Hours of Overtime for Personal Care Attendants	0	3,190,283
DMAS	Increase Rates for Psychiatric Residential Treatment Facilities	0	7,599,696
DMAS	Restore 550 Developmental Disability Waiver Slots	0	11,595,774
DMAS	Fund home visiting services	0	11,750,159
DSS	Fund local departments of social services prevention services	0	17,437,461
DOC	Fund Electronic Health Records	0	8,935,649
DMAS	Increase Medicaid Nursing Facility Reimbursement	0	6,984,788
Central Approp.	Two Percent Bonus for State Employees, Teachers and State-supported locals	0	169,473,233
<b>TOTAL</b>		<b>\$0</b>	<b>\$373,476,613</b>

# SFAC Amendments – Selected Language

Agency	Description
DMV	Online Driver Training Schools
DMV	Restricted Driver's License
Nat. Resources	Remove Tipping Fee
DCR	Rail to Trail Authorization
DEQ	HFC carve-out for existing mfg.
DEQ	Nutrient Credit Study
DGIF	Remove Certain Regulatory provisions
General Provisions	Section 2.2-1510 on budget public hearings - allow a virtual hearing
CSA	Private Day Special Education Language
VDH	Nursing Home Testing Priority Language
DBHDS	Restore language overriding statutory date for STEP-VA
DMAS	Telehealth/Virtual Language for Waiver Providers
7th enact.	Utilities Disconnection Moratorium Revised Language
8th enact.	Eviction Moratorium Revised Language
9th enact.	Redistricting Commission Implementation Language
Central Appropriations	COVID-19 Relief Fund Authority
Auxiliary Enterprises	Higher Education - Temporary Flexibility to Support Auxiliary Programs
Capital Outlay	STARS Procurement Report and Restrictions

## SFAC Amendments – Technical

Agency	Description	FY 2021	FY 2022
C-69	Previously Approved Capital Project Construction Pools	Language	
DBHDS	Add Language to Allow Payment for Autism Passthrough	Language	Language
DGS	Special Conditions and Restrictions on Expenditures	Language	
Direct Aid	Clarify Language on Dual Enrollment Tuition Scholarships Grant	Language	Language