

# Overview of the 2020-22 Biennial Budget Chapter 1289, 2020 Session

The adopted budget for 2020-22 includes a net increase of \$2.7 billion GF operating expenditures above the current base budget. Approximately \$1.5 billion in additional resources in FY 2021 and FY 2022 are available for appropriation, including an assumed carryforward of \$1.2 billion from FY 2020. In addition, adjustments to the FY 2020 base budget provide additional spending capacity of \$650.0 - \$670.0 million each year, respectively, because FY 2020 appropriations in Chapter 854 of the 2019 Acts of Assembly (HB 1700) contained one-time expenditures. The adopted budget assumes an unappropriated balance of \$621.3 million at the close of the biennium.

<b>Adopted General Fund Budget for 2020-22</b>			
(\$ in millions)			
	<u>FY 2021</u>	<u>FY 2022</u>	<u>2020-22</u>
<b>Resources Available for Appropriation</b>	\$24,649.0	\$24,203.9	\$48,853.0
<b>Ch. 854 Base Budget</b>	\$22,747.8	\$22,747.8	\$45,495.6
Operating Spending	870.2	1,845.0	2,715.1
Capital Outlay Spending	<u>21.0</u>	<u>0.0</u>	<u>21.0</u>
<b>Total Appropriations</b>	\$23,638.9	\$24,592.8	\$48,231.7
<b>Unappropriated Balance</b>	\$1,010.1	(\$388.8)	\$621.3

## Revenues

The adopted 2020-22 budget includes \$48.9 billion in general fund resources available for appropriation. The budget, as adopted, includes \$1.2 billion as a projected unspent balance at the end of the 2018-20 biennium, resulting from balance adjustments totaling \$53.7 million, FY 2020 revenue forecast adjustments of \$267.5 million, transfer adjustments of \$22.3 million, and a net spending decrease of \$444.2 million.

The 2020-22 general fund revenue forecast assumes a growth rate of 3.3 percent in FY 2021 and 3.7 percent in FY 2022, after taking into account minor tax policy and interest earnings

assumptions totaling \$49.7 million over the biennium, resulting in projected collections of \$46.2 billion over the biennium. The forecast assumes that growth will remain steady, but Virginia will continue to underperform the nation based primarily on lower employment growth resulting from our historically low unemployment rate and low in-migration.

<b>General Fund Resources Available for Appropriation</b> (2020-22 biennium, \$ in millions)	
Beginning Balance	\$1,185.3
Adjustments to the Balance	119.6
Official GF Revenue Estimate	46,226.1
Transfers	<u>1,321.9</u>
<b>GF Resources Available for Appropriation</b>	<b>\$48,853.0</b>

**Spending Increases**

Major general fund spending initiatives adopted in the 2020-22 biennial budget include:

- \$854.7 million GF for the cost of updating the state’s share of rebenchmarking the Standards of Quality for public schools;
- \$626.3 million GF to address the increased cost of Medicaid utilization and inflation;
- \$300.0 million GF for appropriation to the Revenue Cash Reserve in FY 2022;
- \$287.8 million GF for a 2 percent salary increase for SOQ teacher and support positions each year;
- \$264.8 million GF for state and state-supported salary and bonuses over the biennium;
- \$174.5 million GF to fund various increases in Medicaid provider rates; and
- \$171.7 million GF for additional debt service costs.

**Budget Savings**

Major general fund savings total \$588.1 million and generally result from supplanting nongeneral funds for activities previously financed in part with general fund appropriations

including \$61.0 million annually in recordation taxes previously dedicated to transportation debt service, an assumed increase in the cigarette tax which would offset GF costs in the Medicaid program, and savings associated with VITA's new service provider model.

**Unallotment of Adopted Spending Due to COVID-19 Pandemic**

Out of the new spending adopted in the 2020 Session, \$2.2 billion GF was unallotted at the April 22, 2020 Reconvened Session as a result of the COVID-19 pandemic and the economic impact that is expected to follow due to business and employment disruptions from the public health emergency. Any appropriation that is unallotted cannot be spent by state agencies until the General Assembly reenacts such appropriation in a future session. Such action will be dependent on an updated revenue forecast and any budget shortfall that will need to be addressed.

**Major Spending and Savings in Chapter 1289 (HB 30, as Adopted)**  
(GF \$ in millions)

	<u>FY 2020-22</u>
<b>Major Spending Adopted</b>	
K-12: Rebenchmarking Cost of K-12 Standards of Quality	\$854.7
Medicaid Utilization and Inflation	626.3
Revenue Cash Reserve	300.0
K-12: 2% Salary Increase Each Year for Teachers	287.8
State & State-Supported Local Employees Bonus & Salary Increase	264.8
Medicaid Provider Rate Increases	174.5
Debt Service	171.7
Revenue Stabilization Fund (Mandatory FY 19, Assumed FY 21)	94.9
Pre-Kindergarten for At-Risk 3 & 4 Year Olds, Teacher Retention	83.4
FAMIS Forecast	80.2
Higher Education Tuition Moderation	79.8
State Mental Hospitals Census (DAP, Supportive Hsg., Catawba, etc.)	78.7
Water Quality Improvement Fund	76.3
Community College ("G3" Initiative)	69.0
Medicaid Children's Health Insurance Program Forecast	68.3
Waiver Slots / Compliance Costs Required by DOJ Settlement	61.6
Higher Education Need-Based Financial Aid	60.5
K-12: At-Risk Add On	59.9
K-12: No Loss, School Breakfasts, ESL, Cost of Competing	59.4

## Major Spending and Savings in Chapter 1289 (HB 30, as Adopted)

(GF \$ in millions)

	<u>FY 2020-22</u>
Implementation of STEP-VA	\$52.6
Economic Development Incentive and Grant Programs	48.2
Inmate Medical Care and Hepatitis C Treatment	47.1
Housing Trust Fund	46.0
Family First Prevention Services Act (Local Staffing, Services, etc.)	45.4
Higher Education Enrollment Growth (GMU & ODU)	44.0
Children's Services Act	44.0
State Employee Health Insurance Premiums	40.3
Medicaid: Add Dental Benefit for Adults	34.0
Virginia Retirement System - Employer Contribution Rates	32.2
Virginia Telecommunication Initiative (Broadband)	31.4
Tech Talent Pipeline Fund	30.4
K-12: Lottery Proceeds Forecast	20.3
Fund FY 21 State Aid to Police Departments (599 Funding)	17.3
VA College Affordability Network Initiative (NSU and VSU)	17.1
Medicaid Behavioral Health Redesign	13.5
Dam Safety	15.0
Correctional Officers Salary Adjustment	14.7
General District Court Positions	13.3
Business Ready Sites	12.5
Tuition Assistance Grant	12.0
Medicaid Home Visiting Program	11.8
Local Social Services Minimum Salary Increase	11.2
Virginia Land Conservation Fund	11.0
Massey Cancer Center - Research	10.0
Capital Detailed Planning Funds	10.0
Capital: Virginia Beach Transportation Project for Hurricane Route	10.0
All Other Spending	<u>389.6</u>
<b>Total Spending</b>	<b>\$4,636.7</b>

### Major Savings Adopted

Base Budget Adjustment (Technical Changes)	(1,321.0)
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## Major Spending and Savings in Chapter 1289 (HB 30, as Adopted)

(GF \$ in millions)

	<u>FY 2020-22</u>
Health Care Fund (Net of Tobacco Tax Increase)	(\$231.7)
Transportation (Supplant with NGF Revenue)	(122.0)
VITA IT Savings in State Agencies	(102.9)
Training Center Savings	(48.1)
Capture Pre-K Nonparticipation (20% Rate)	(43.3)
Medicaid Emergency Room and Hospital Readmission Policies	(40.1)
All Other Savings	<u>(12.4)</u>
<b>Total Savings</b>	<b>(\$1,921.5)</b>
 <b>Net Spending Adjustments</b>	 <b>\$2,715.1</b>

*Note: Of the adopted spending, the General Assembly approved in the Reconvened Session unallotting \$2.2 billion of that spending in response to the Coronavirus Pandemic. This spending cannot be expended by agencies until the General Assembly approves such action in a Special Session.*

**Legislative Department.** The adopted budget for the Legislative Department include increases of \$9.0 million GF the first year and \$9.1 million GF the second year.

Significant general fund spending increases include \$2.2 million each year for the general assembly to cover additional costs associated with meetings and legislative operations, and \$2.7 million over the biennium for the Division of Capitol Police to implement increased security measures at the Capitol and Pocahontas Buildings, increased rental costs for Capitol Square facilities, and a new K-9 facility.

**Judicial Department.** The adopted budget for the Judicial Department include increases of \$25.9 million GF the first year and \$28.2 million GF the second year. Of these amounts, \$11.4 million GF the first year and \$9.4 million GF the second year was subsequently unallotted to address anticipated revenue shortfalls from the COVID-19 pandemic.

The largest increases in funding include \$13.3 GF million over the biennium for up to 120 additional district court clerk positions, the cost for which is partially offset by a \$6 increase in civil filing fee revenues, reflected in a separate amendment in Part 4-14. In the Indigent Defense Commission, \$9.5 million GF over the biennium is provided to hire up to 59 additional public defender positions, with language authorizing a portion of the funding to adjust the salaries of

attorneys and staff to address turnover, as well as \$2.7 million GF each year and 35 positions to establish a new public defender office in Prince William County. The cost for the office is partially offset by a reduction of \$3.2 million GF in Criminal Fund appropriation in the courts due to an estimated decline in the need for certain court appointed counsel for cases assumed by the new office. In addition, \$4.6 million GF each year is provided in additional Criminal Fund appropriations to reflect increased general utilization in the both the General and Juvenile & Domestic Relations District Courts.

In the Virginia State Bar, \$1.5 million GF each year is provided to hire additional civil defense attorney positions focusing on housing cases, and to adjust the starting salaries of attorneys.

***Executive Offices.*** The adopted budget for Executive Offices increased by a net \$10.0 million GF, and a net \$5.0 million NGF over the biennium.

Of the total general fund increases, \$599,000 each year and 3.00 FTE positions are provided to establish the Office of the Chief Diversity Officer, within the Office of the Governor, as well as \$599,000 to provide funding for administrative support for the Office of the Chief Workforce Advisor. In addition, \$386,420 is provided for increased staffing in the Office of the Secretary of the Commonwealth.

Funding of \$895,500 GF over the biennium and 4.50 FTE positions each year is provided to establish the Office of the Children's Ombudsman, within the Office of the Governor, pursuant to Chapter 1090 of the 2020 Acts of Assembly (HB 1301), and in the Office of the Attorney General, \$368,332 GF and 3.00 FTE positions each year is provided for the Division of Human Rights, pursuant to legislation that passed during the 2020 General Assembly Session.

Additional adopted nongeneral fund changes are comprised of technical adjustments, including the distribution of centrally appropriated agency funding, such as salary adjustments, and benefits and internal service fund rate changes included in Chapter 854 of the 2019 Acts of Assembly (HB 1700).

***Administration.*** The adopted budget for Administration results in a net increase of \$96.3 million GF for the biennium compared to the base budget. Of these amounts, \$13.8 million the first year and \$15.0 million the second year was subsequently unallotted to address anticipated revenue shortfalls from the COVID-19 pandemic.

Significant general fund increases include \$5.6 million to fund salary increases for regional jail officers to equalize the pay grade for entry level correctional officers in local and regional jails, and \$5.0 million to fully fund the reimbursement to localities for general registrar and electoral board member salaries.

The nongeneral fund appropriations to the Administration agencies are adjusted by \$259.0 million over the biennium, the bulk of which is from increasing appropriations to support claims

and administrative costs benefits programs such as the State Health Benefits Plans and The Local Choice Plan. Increases in nongeneral fund appropriations were partially offset by reductions in projected expenditures in Virginia Information Technologies Agency vendor pass-through payments for state agencies based on utilization estimates and lower rates under the new multi-supplier platform.

***Agriculture and Forestry.*** The adopted budget for the Agriculture and Forestry secretariat include increases totaling \$7.0 million GF the first year and \$5.4 million GF the second year. Of these amounts, \$1.4 million each year was subsequently unallotted to address anticipated revenue shortfalls from the COVID-19 pandemic. After accounting for the distribution of Central Account actions, specific programmatic adjustments includes an increase of approximately \$1.25 million GF over the biennium for establishing the Virginia Food Access Investment program and \$0.6 million NGF from increases of license fees for growers, processors, and dealers participating in Virginia’s expanded Industrial Hemp Research Program.

Additional language requires monthly reporting on the revenues and operational expenses of the historical horse racing industry in Virginia and direct that all year-end balances of the Virginia Racing Commission, in excess of \$500,000, shall revert to the General Fund.

***Commerce and Trade.*** The adopted budget includes a net increase of \$107.6 million GF over the base budget. Major spending increases include \$46.0 million GF in additional deposits to the Housing Trust Fund and \$15.7 million GF each year in additional support for broadband deployment through the Virginia Telecommunication Initiative. In economic development, the adopted budget includes funding to meet the Commonwealth’s commitments to provide incentives to several projects, including \$20.0 million GF for grants through the Semiconductor Manufacturing Grant Fund, \$16.0 million GF for the Advanced Shipbuilding Production Facility Grant Fund, and \$18.9 million GF in new grant funding for projects recently endorsed by the MEI Commission.

The budget also includes \$12.5 million GF for site development and \$4.7 million GF to expand the custom workforce incentive program. The budget also includes \$25.7 million GF the first year and \$39.71 million GF the second year to create the Virginia Innovation Partnership Authority. This includes funding transferred from other entities (including reductions and increases in existing programs) and proposed funding for new initiatives.

***Public Education.*** The adopted budget for Direct Aid to Public Education totals \$14.4 billion. This is a net increase of \$533.5 million GF in FY 2021 and \$792.6 million GF in FY 2022 when compared to FY 2020 in Chapter 854 of the 2019 Acts of Assembly (HB 1700). Of these amounts, \$185.3 million GF in FY 2021 and \$305.0 million GF in FY 2022 was subsequently unallotted to address anticipated revenue shortfalls from COVID-19 pandemic.

The approved budget reflects biennial rebenchmarking of Direct Aid net costs of \$851.7 million GF. Rebenchmarking reflects updated salary and other cost data as of FY 2018. A

projected additional 14,461 students, above the projections in Chapter 854 of the 2019 Acts of Assembly (HB 1700), to 1,262,627 students by FY 2022, which represents an enrollment increase of 1.2 percent over two years and updated Composite Index of Local Ability-to-Pay calculations (Tax Year 2017). The adopted budget also reflects projected increase in Sales Tax revenue for a revised grand total of \$3.1 billion over the biennium. The adopted budget also reflects an increase in Lottery Proceeds by \$66.4 million over the biennium for a revised grand total of \$1.3 billion over the biennium. The adopted budget adds \$27.7 million GF over the biennium to backfill Literary Fund revenue that had previously been used to pay teacher retirement contribution costs. (In addition, Virginia Preschool Initiative non-participation savings of \$43.3 million is reflected, based on a 20 percent non-participation rate, down from the 25.69 percent rate used in Chapter 854 of the 2019 Acts of Assembly (HB 1700) for FY 2020.)

The adopted budget reflects several policy changes including: 1) \$287.8 million GF for the state's share of a 2 percent teacher and support staff salary increase in both fiscal years; 2) \$59.9 million GF to increase the At-Risk Add-On funding increment from 1 to 16 percent instead to 1 to 23 percent the first year and 1 to 26 percent the second year; 3) \$21.0 million GF to fund the state's share of English as Second Language instructors at one instructor per 54 students in FY 2021 and one instructor per 50 students in FY 2022; 4) \$19.6 million GF to increase the cost of competing adjustment rate for support positions from 10.6 to 16.0 percent; 5) \$10.6 million GF to support free school meals; 6) \$4.6 million GF for enrollment loss payments to small divisions losing more than 2 percent of enrollment; 7) \$3.8 million GF for hold harmless funding for school divisions that would have received less state funding than in FY 2020, even after rebenchmarking; and 8) \$1.8 million GF for the state's share of retiree health care credit for non-teachers.

The adopted budget additionally reflects several policy changes to the Virginia Preschool Initiative at a total of \$83.4 million GF over the biennium. The proposed changes include: 1) \$28.7 million GF to increase the VPI per pupil amount by 10 percent each year; 2) \$13.5 million GF to fund increased VPI class sizes and staffing ratios; 3) \$10.0 million GF to incentivize mixed delivery preschool providers with an add-on payment; 4) \$8.9 million GF to support piloted expansion of VPI to at-risk three year-olds; 5) \$8.0 million GF to supplement the Early Childhood Educator Incentive, 6) \$7.3 million GF to reallocate VPI slots to eliminate wait lists; and 7) \$7.0 million GF to expand the Virginia Early Childhood Foundation's Mixed Delivery Preschool Grant program.

Other approved initiatives in K-12 include: \$7.1 million GF to develop and implement the Virginia Learner Equitable Access Platform; \$3.3 million GF to increase the appropriation for Jobs for Virginia Graduates; \$1.6 million GF for increased support of Communities in Schools; \$1.3 million GF to support African American History at the Black History Museum and Cultural Center; \$1.0 million GF to support Civil War history education at the American Civil War Museum; \$1.0 million GF to support Blue Ridge PBS and other individual actions totaling fewer than \$1.0 million GF each.

**Higher Education.** The adopted budget includes a net \$284.4 million GF of new funding for the biennium for colleges and universities and other higher education entities and centers. Of



these amounts which are detailed below, nearly all was subsequently unallotted to address anticipated revenue shortfalls from the COVID-19 pandemic.

Over the biennium, \$69.0 million GF was provided for a new last-dollar community college initiative intended to cover the full cost of tuition, fees, and books for low and middle income students enrolled in select pathways in high demand fields; \$79.8 million GF for a Tuition Moderation Incentive Pool; \$60.6 million GF for undergraduate need-based aid reflecting recommended adjustments to the current methodology; \$22.0 million GF each for Old Dominion University and George Mason University to account for enrollment growth; \$10.0 million GF for Massey Cancer Center at Virginia Commonwealth University; \$10.8 million GF for student success initiatives at Virginia State University (VSU); and, \$9.8 million GF for student success initiatives at Norfolk State University (NSU).

In addition, the budget includes \$12.0 million GF for the tuition assistance grant program, \$5.5 million GF for information technology services at NSU and \$3.0 million GF for state match of VSU-Cooperative Extension.

The budget eliminates the Higher Education Research Initiative under the Secretary of Education and transfers certain amounts to the new entity under the Secretary of Commerce and Trade. Funding of \$4.0 million GF per year for a new Hampton Roads Biomedical Research Consortium is continued under Central Appropriations.

**Finance.** The adopted budget for the Finance Secretariat result in a net decrease of \$629.3 million GF over the biennium. These reductions were partially offset by a general fund increase of \$583.1 million over the biennium. Of the increases, \$100,003 GF the first year and \$300.0 million GF the second year was subsequently unallotted to address anticipated revenue shortfalls from the COVID-19 pandemic.

Of the general fund increases, a \$300.0 million GF deposit to the Revenue Reserve Fund is provided in the second year, as well as \$94.9 million GF in mandatory and voluntary deposits to the Revenue Stabilization Fund, and \$171.7 million GF in increased debt service costs over the biennium. These spending increases were offset by technical changes to remove the one-time appropriations in both the Revenue Reserve Fund and the Revenue Stabilization Fund, totaling \$1.2 billion GF that were included in Chapter 854 of the 2019 Acts of Assembly (HB 1700).

**Health and Human Resources.** The adopted budget includes a net increase of \$1.2 billion GF and \$2.6 billion NGF for the 2020-22 biennial budget. Spending of \$1.6 billion GF is offset by \$382.0 million GF in proposed reductions. However, \$441.9 million GF of new spending has been unallotted (which prevents agencies from expending the funds) as a result of the revenue impact from the COVID-19 pandemic and must be acted upon at a Special Session. Base adjustments make up \$128.2 million GF of the increase, which reflects the annualization of salary increases and other administrative funding adjustments. Similar to biennial budgets for HHR in previous years, the majority (52 percent) of the net general fund increase is driven by mandatory health

and long-term care spending on Medicaid. The unusually high increase in nongeneral funds is primarily due to adjustments to federal appropriation required to fund Medicaid growth along with the expansion of Medicaid coverage to individuals with incomes up to 138 percent of the federal poverty level pursuant to the Patient Protection and Affordable Care Act (ACA). This federal funding adjustment accounts for about \$1.8 billion, or 72 percent, of the net increase in nongeneral funds over the biennium.

Mandatory general fund spending of \$942.2 million GF (61.7 percent of new GF spending in HHR) is primarily related to spending for acute and long-term care services provided through Medicaid, the transition to the lower federal match rate for the Children's Health Insurance Programs, the increasing caseload of special education private day placements in the Children's Services Act, implementation costs of STEP-VA, and funding related to fulfill the U.S. Department of Justice (DOJ) Settlement Agreement. In total, spending on Medicaid requires the addition of \$626.3 million GF for the biennium to pay for health care services for low-income Virginians as well as long-term care costs for the elderly and disabled. The general fund share of the Medicaid forecast is partially offset by \$231.7 million in additional revenue to the Health Care Fund, which is mainly higher due to an increase in the cigarette tax from 30 to 60 cents per pack. Overall growth rates in Medicaid are expected to rise during the biennium at or above the 10-year average growth level for the program.

The adopted budget also includes \$462.9 million GF in discretionary spending in HHR (30 percent of new GF spending). Out of this spending the largest portion, \$187.3 million, is provided for Medicaid rate increases to various providers (personal care, developmental disability waiver, nursing facility, and a variety of other providers). Another major spending initiative of \$75.2 million GF is provided for a variety of initiatives to relieve the census pressure on state mental health hospitals. The next largest spending item is \$45.8 million GF to fund Family First foster care prevention programs. In addition, \$11.2 million GF is provided to increase the minimum salary of local social workers. Other expenditures include: \$34.0 million to add an adult dental benefit to Medicaid, \$13.3 million GF to fund the impact of the redesign of Medicaid behavioral health services, \$11.8 million GF to fund a home visiting benefit for pregnant women through Medicaid, and \$3.2 million GF to support vocational rehabilitation services for the blind and vision impaired.

New spending in HHR is offset by general fund budget reductions of \$382.0 million GF. Over 62 percent of the reductions (\$237.7 million GF) are related to savings due to the increase in cigarette tax revenue (due to the tax increase) to the Health Care Fund, which provides funding for the state match for Medicaid.

*Natural Resources.* The adopted budget for the Natural Resources secretariat includes general fund investments in new or expanded initiatives totaling \$90.0 million GF over the biennium, of which \$88.3 million GF is subsequently unallotted in order to address the unknown fiscal impact of the COVID-19 pandemic. Beyond the allocation of technical adjustments to cover internal service fund changes and salary actions approved by the 2019 General Assembly, the

largest retained general fund action is the appropriation of the statutorily required deposit to the Water Quality Improvement Fund of \$47.0 million GF in the first year for investments in agricultural best management practices in accordance with Virginia's Watershed Implementation Plan.

Capital outlay authorizations supporting investments in water quality programs, land acquisition, and state park operations total more than \$190.5 million in bond proceeds and NGF resources. Of these amounts, the largest authorizations are \$50.0 million in bond proceeds for deposit to the Stormwater Local Assistance Fund and \$50.0 million in bond proceeds provided for improvements to waste water treatment plants. Finally, \$25.0 million of VPBA bonds are authorized in support of the City of Alexandria Combined Sewer Overflow project. At the Department of Conservation and Recreation, approximately \$28.7 million is authorized for improvements across the State Park system and \$10.0 million is provided for installation of artificial oyster reefs managed by the Virginia Marine Resources Commission.

**Public Safety.** The adopted budget for the Public Safety and Homeland Security secretariat provide a total of \$163.8 million GF in increases the first year and \$168.4 million GF in increases the second year.

The budget includes substantial increases for medical care at the Department of Corrections. These include \$12.6 million GF the first year and \$14.9 million GF the second year for the increased Hepatitis C testing and treatment of inmates; \$3.9 million GF the first year and \$5.6 million GF the second year for inflation in the general cost of inmate medical care; a total of \$17.9 million over the biennium in new general fund and nongeneral fund support for the department to procure and implement an electronic health records system (total funding available is \$35.1 million including existing funds, NGF, and carryforwards); and, \$9.2 million GF over the biennium for pilot medical programs to be operated by VCU and UVA at two correctional institutions.

A number of increases are also related to various firearms bills passed during the 2020 Session. For State Police, \$2.1 million GF the first year and \$1.2 million GF the second year and 10 positions are provided to enforce the provisions of various bills, including universal background checks for firearm purchases. The bill also includes \$100,000 GF each year and one position at DCJS to train law enforcement officers on the removal of firearms from persons posing substantial risk, as well as one-time grant funding of \$500,000 GF for the department to make grants to localities for training on enforcement of the substantial risk law.

Other major actions include an increase of \$8.6 million GF per year in the "HB 599" funding that is distributed by DCJS to localities with qualifying police departments; and \$6.0 million GF over the biennium under the Department of State Police for the Community Policing Act, which prohibits bias-based profiling by law enforcement and establishes a collection and reporting protocol for data on law enforcement stops that will be analyzed to understand the occurrence of bias-based profiling in the Commonwealth.

Due to the impact of the COVID-19 pandemic in the Commonwealth, and potential general fund revenue losses, the adopted budget includes unallotment of a total of \$31.5 million GF in the first year and \$43.0 million GF in the second year, adopted during the Reconvened Session, which can be reallotted by future General Assembly action, pending a reforecast of general fund revenues that accounts for the financial impacts of the COVID-19 pandemic.

*Veterans and Defense Affairs.* The adopted budget for the Veterans and Defense Affairs secretariat provide an additional \$6.3 million GF the first year and \$3.5 million the second year. Of these amounts, a total of \$4.4 million GF the first year and \$1.6 million GF the second year was unallotted during the Reconvened Session to address the impact of the COVID-19 pandemic in the Commonwealth and potential anticipated general fund revenue losses. The largest single increase in the secretariat is funding for a payment of \$3.0 million GF to the County of Fairfax in FY 2021 for the construction of the Virginia Veteran's Parade Field. Also included are \$719,000 GF in FY 2021 and \$1.1 million GF in FY 2022 and seven positions for the Department of Veterans Services to increase the level of service being provided to its clients. Finally, an additional \$250,000 GF each year is provided to the Department of Military Affairs to increase the total appropriation for the State Tuition Assistance Program to \$3.25 million GF annually.

*Transportation.* The adopted budget for transportation includes a biennial increase of \$3,833.5 million NGF and 192.00 FTE positions reflecting the estimated revenue impact of multiple transportation revenue bills adopted during the 2020 General Assembly and the December 2019 Commonwealth Transportation Fund Forecast. While neither explicit downward adjustments to assumed transportation revenues or specific unallotment actions are included in response to the coronavirus pandemic, a substantial reduction in revenue is assumed and language is included to authorize the current Six Year Improvement Plan to remain in effect until an official revenue reforecast occurs.

In addition, \$40.0 million GF in annual debt service appropriations for the Route 58 corridor is removed from VDOT and replaced with a like amount of Commonwealth Transportation Fund revenues. Funding to support capital improvements for the Washington Metropolitan Area Transit Authority totaling approximately \$130.0 million in transportation revenues are shifted from the Department of Transportation to the Department of Rail and Public Transportation. At the Department of Motor Vehicles, an additional 140.00 FTEs are authorized for the issuance of federal REAL ID compliant credentials.

*Central Appropriations.* The adopted budget in Central Accounts results in a net decrease of \$180.9 million GF over the biennium compared to the base appropriations in FY 2020. Of the increases, \$126.1 million the first year and \$154.7 million the second year was subsequently unallotted to address anticipated revenue shortfalls from the COVID-19 pandemic.

Significant spending items include \$264.9 million over the biennium for compensation actions for state employees and state-supported local employees; \$41.3 million for the state share of employee health insurance premiums; \$31.4 million for VRS retirement contribution increases

and \$30.4 million for the Tech Talent Investment Fund. These increases were offset by a reduction in Virginia Information Technologies Agency rates due to the full repayment of transition costs from the previous IT vendor, and lower rates under the new multi-supplier platform, as well as the distribution to line agencies for salary actions and benefit programs centrally appropriated in Chapter 854 of the 2019 Acts of Assembly (HB 1700).

***Independent Agencies.*** The adopted budget for the Independent Agencies reflects a general fund increase of \$13.2 million over the biennium, and nongeneral fund increase of \$82.4 million over the biennium. Of these amounts, \$4.7 million each year was subsequently unallotted to address anticipated revenue shortfalls from the COVID-19 pandemic.

Adopted general fund increases reflect a \$3.8 million net-zero transfer of Physical Evidence Recovery Kit appropriations from judicial agencies to the Workers' Compensation Commission, which are derived from a portion of Criminal Fund appropriations in judicial agencies, and \$9.4 million for reimbursements to health care providers for forensic and medical exams through the Workers' Compensation Commission's Sexual Assault Forensic Exam (SAFE) Payment program.

Significant nongeneral fund spending includes \$21.7 million to establish a State Health Benefit Exchange (Exchange), within the State Corporation Commission (SCC), to provide a health insurance marketplace for the purchase and sale of qualified health and dental plans in the individual and small group markets. Language also allows the Secretary of Finance to authorize a treasury loan for the SCC to fund start-up costs associated with the implementation of the Exchange, as well as repayment of the treasury loan through a portion of the user fees collected from insurance carriers participating in the Exchange.

Also included are 96.00 FTE positions each year for to support the Virginia Lottery's regulation and oversight of casino gaming, the costs for which will be supported by gaming licensing and related fee revenues.

***Capital Outlay.*** The adopted budget for the capital outlay program totals \$3,300.3 million from all fund sources. Of this amount, \$21.0 million is general fund cash and \$2,005.6 million is from tax-supported bonds. Of these amounts, the general fund amounts have been subsequently unallotted to address anticipated revenue shortfalls from the COVID-19 pandemic. The budget also includes \$279.5 million in 9(c) revenue bonds and \$388.0 million in 9(d) revenue bonds. The balance of \$606.2 million is nongeneral fund cash from a variety of agency fund sources.

The general fund cash is allocated for the detailed or pre-planning planning of new projects, a Virginia Beach access project, and a regional airport project. The tax-supported bonds include an allocation of \$274.0 million over the biennium for Maintenance Reserve, \$108.6 million in equipment supplements for capital projects coming online within the next 18 months, and \$170.7 million in project supplements.