

Capitol Contact

Virginia General Assembly

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Key Elements of the 2018-2020 Biennium Budget

Governor Northam signed the FY 2018 “caboose” and 2018-2020 biennium budgets on June 7, marking the resolution of a months-long impasse. The following is an analysis of key elements of the biennium budget, which makes investments in county priorities such as K-12 education, mental health, early childhood, and public safety.

2018 Session Adopted State GF Budget (\$ Million)

	GF Budget Accounting (\$ Mil.)						
	2018 Caboose	FY 2019	Change from FY18		FY 2020	Change from FY19	
			\$	%		\$	%
Legislative and Executive	\$119.4	\$129.5	\$10.1	8.5%	\$129.4	-\$0.1	-0.1%
Judicial Dept.	485.6	495.7	\$10.1	2.1%	505.1	\$9.4	1.9%
Administration/Comp Board	714.3	738.0	\$23.7	3.3%	740.2	\$2.2	0.3%
Treasury Board Debt Service	739.5	759.1	\$19.6	2.7%	807.6	\$48.5	6.4%
Other Finance	187.5	184.2	-\$3.3	-1.8%	179.4	-\$4.8	-2.6%
Rainy Day Fund Deposit	-	-	-	-	-	-	-
Car Tax Reimbursement	950.0	950.0	\$0.0	0.0%	950.0	\$0.0	0.0%
Commerce and Trade	203.5	225.7	\$22.2	10.9%	230.1	\$4.4	1.9%
Agriculture / Nat. Resources	163.7	213.4	\$49.7	30.4%	173.8	-\$39.6	-18.6%
K-12 Education/Central Office	6,021.5	6,334.4	\$312.9	5.2%	6,512.6	\$178.2	2.8%
Higher & Other Education	2,015.2	2,109.2	\$94.0	4.7%	2,176.8	\$67.6	3.2%
DMAS Medicaid	4,651.4	4,693.0	\$41.6	0.9%	4,775.5	\$82.5	1.8%
Other Health & Human Services	1,850.6	1,954.7	\$104.1	5.6%	2,046.0	\$91.3	4.7%
Public Safety & Veterans/HS	1,938.0	2,035.8	\$97.8	5.0%	2,041.0	\$5.2	0.3%
Transportation	41.0	41.0	\$0.0	0.0%	41.0	\$0.0	0.0%
Central Appropriations	212.0	81.3	-\$130.7	-61.7%	288.8	\$207.5	255.2%
Cash Reserve	156.4	45.0	-\$111.4	-71.2%	45.0	\$0.0	0.0%
Independent Agencies/Capital	0.3	0.3	\$0.0	NM	0.2	-\$0.1	-33.3%
Total GF Appropriations	\$20,449.9	\$20,990.3	\$540.4	2.6%	\$21,642.5	\$652.2	3.1%
GF Revenues	19,328.2	20,173.7	\$845.5	4.4%	20,976.2	\$802.5	4.0%
Transfers	625.3	621.0	-\$4.3	-0.7%	631.0	\$10.0	1.6%
Rainy Day Fund Withdrawal	272.5	-			-		
Balances for Appropriation	212.2	22.0			(0.5)		
Unappropriated Balance		38.6			2.8		

GF State Aid to Localities (\$ Mil.)					
	FY 2009	FY 2014	FY 2018	FY 2019	FY 2020
Direct Aid to K-12	\$5,607.6	\$5,240.3	\$5,963.0	\$6,273.1	\$6,451.3
K-12 % of Total GF Appropriations	35.2%	29.6%	29.2%	29.9%	29.8%
Health and Human Services	888.4	791.7	951.0	1,003.4	1,034.4
CSA	299.7	217.2	279.9	298.6	308.5
Community MH/SA Services	249.4	269.3	350.4	371.0	392.7
Local Social Services Staff	117.4	115.3	122.1	126.8	128.2
Community Health Programs	117.6	107.2	117.9	125.5	123.5
Welfare Services and Programs	104.3	82.7	80.7	81.5	81.5
Public Safety	734.3	687.9	738.8	758.4	768.2
Local Sheriffs Offices	406.1	411.3	452.4	464.5	466.1
Local Police Depts HB 599	197.3	172.4	178.0	184.5	191.7
Local Jail Per diem	80.1	59.4	61.3	61.7	62.7
Assistance for Juvenile Justice	50.8	44.8	47.1	47.7	47.7
Constitutional Officers	155.3	145.8	158.0	161.5	161.5
Dept. of Accounts Transfers	49.3	49.3	49.6	48.9	48.9
Car Tax	950.0	950.0	950.0	950.0	950.0
Aid-to-Locality Reduction	(50.0)	-	-	-	-
Total Local GF Aid	\$8,334.9	\$7,865.0	\$8,810.4	\$9,195.3	\$9,414.3
Total GF Appropriations	\$15,943.0	\$17,705.2	\$20,449.9	\$20,990.3	\$21,642.5
Local Aid % of Total GF	52.0%	44.1%	43.1%	43.8%	43.5%

(Charts courtesy of Jim Regimbal, Fiscal Analytics, Ltd.)

K-12 Education

- Provides \$481 million General Funds (GF) over the biennium to fund costs of biennial rebenchmarking of the Standards of Quality (SOQ).
- Includes an increase in the Supplemental Lottery Per Pupil Amount of \$43.4 million in FY 2019 and \$48.1 million in FY 2020 (funds represent a combination of additional lottery revenue, additional General Funds, and funding redirected from several proposals in the introduced budget, including “no loss” funding for schools that would otherwise lose state funding in FY 2019 relative to FY 2018 and funds to provide a full-time principal in each elementary school).
- Provides \$6.1 million GF in FY 2019 for small school divisions experiencing enrollment declines in enrollment.
- Increases the maximum “At-Risk Add-On” payment to 14 percent in the second year (currently the additional per-pupil support for schools educating low-income students ranges from one to 13 percent, depending on schools’ percentages of students eligible for free lunch) and expands options for use of these funds to include teacher recruitment programs and incentives.
- Adds reviewing savings opportunities from jointly operating or merging small school divisions to the duties of the Joint Subcommittee on Local Government Fiscal Stress.
- Provides an additional \$1.3 million GF in FY 2019 for School Resource Officer Incentive Grants.
- Detailed information about estimated allocations for each school division may be found in the [June 8, 2018, Superintendent’s Memorandum](#).

Other Education

- Language directs the President of the University of Virginia to lead a collaborative evaluation among the University of Virginia, Virginia Tech, and Virginia State University, to “analyze the problems facing rural Virginia and develop strategic recommendations for improvement.” Recommendations are due to the Governor and the Chairmen of the Senate Finance and House Appropriations Committees by October 1, 2018.
- Provides \$250,000 GF in FY 2019 and \$500,000 GF in FY 2020 for aid to libraries for summer reading materials and programs or instructional materials related to science, technology, engineering, the arts, or mathematics.
- Provides an additional \$2 million GF per year for the New Economy Workforce Credential Grant Program.

Compensation

- Provides \$131.4 million for the state’s share of a three percent salary increase for SOQ-recognized instructional and support positions, effective July 1, 2019, contingent on revenue projections for FY 2019 and FY 2020 remaining consistent with revenues assumed in the 2018 Appropriations Act when the 2019 budget is developed.
- Provides funding for a two percent salary increase for state-supported local employees, effective July 1, 2019, also contingent on stable revenue projections.
- Provides funding to support the cost of increasing the entry-level pay for sworn deputy sheriffs (grades 7 and 8) by \$871, effective February 1, 2019, also contingent on stable revenue projections.

Constitutional Officers

- Language directs the Compensation Board to review the feasibility and benefits of allocating positions to be shared between offices in multiple localities or multiple offices within one locality for small localities which currently have minimal staffing.
- Directs the Executive Secretary of the Compensation Board to convene a working group to investigate the effect of body worn cameras on the workloads of Commonwealth's Attorneys' offices.
- Directs the Compensation Board, in consultation with the Executive Secretary of the Supreme Court, to conduct a study of circuit court clerk salaries in relation to district court clerk salaries, with specific emphasis in jurisdictions where locally-funded supplements are not provided.

Judiciary

- Provides funding in FY 2020 to fill all Circuit Court, General District Court, and Juvenile and Domestic Relations District Court judgeships authorized in statute.
- Provides \$400,000 GF per year to be allocated by the State Drug Treatment Court Advisory Committee for the establishment of drug courts in jurisdictions with high drug-related caseloads, or to increase funding provided to existing drug court programs experiencing high caseload growth.
- Provides \$500,000 GF per year to support the creation and expansion of mental health court dockets in jurisdictions with high caseloads, to be allocated by the Virginia Supreme Court. The

Executive Secretary of the Supreme Court is to report on the results of the expansion, as well as recommendations for expansion of mental health dockets to other courts, by October 1, 2018.

Economic Development

- Provides an additional \$15 million for the Virginia Growth and Opportunity Fund over the biennium. Language allows for the Virginia Growth and Opportunity Board to grant waivers for the matching funds requirement and raises the eligible minimum amount a region may receive based on its share of the state population to \$1 million. Language directs the Chairman of the Virginia Growth and Opportunity Board to convene a workgroup to develop a framework for broadband policies, to include facilitating “deployment-friendly policies at the regional and local level to expedite implementation of plans and projects, as well as mitigate costs.”
- Provides \$4 million per year for the Virginia Telecommunication Initiative and directs the Department of Housing and Community Development to develop criteria and guidelines for use of the funding, to include encouraging local governments to assist in the timely completion of projects, such as through assistance with permitting or easement issues.
- Increases Enterprise Zone funding by approximately \$686,000 GF each year.

Virginia Grocery Investment Fund

- Final budget does not include authorizing language or funding for the Virginia Grocery Investment Fund, which had been slated to receive \$3.75 million GF per year under the introduced budget.

Children’s Services Act (CSA)

- Provides \$250,000 GF in FY 2019 for the Office of Children's Services to contract for a study on the current rates paid by localities to special education private day programs licensed by the Virginia Department of Education, to include recommendations for implementing a rate-setting structure for educational services reimbursed through the Children's Services Act.
- Imposes a two percent cap on rate increases for private day special education services in FY 2020 (rates paid in FY 2020 may not increase more than two percent over the rates paid in FY 2019). Requires localities to submit their contracted rates for private day educational services to the Office of Children’s Services by August 1 each year.
- Directs the Office of Children’s Services and the Department of Education to facilitate a workgroup to identify and define outcome measures to assess students' progress in private day placements; a report is due by November 1, 2018.

Mental Health

- Directs the Department of Medical Assistance Services and the Department of Behavioral Health and Developmental Services to examine options for increasing the participation of community hospitals in the provision of services for individuals subject to Temporary Detention Orders (TDOs).
- Provides \$2.5 million GF in FY 2019 and \$4.5 million GF in FY 2020 for the provision of alternative transportation for adults and children subject to TDOs, with services to be phased in over a three-year period.

- Provides \$1.6 million GF each year for discharge planning at jails for individuals with serious mental illness; funding is to be used to create staff positions at Community Services Boards and be implemented at two jails with a high percentage of inmates with serious mental illness.
- Provides \$708,663 GF per year for diversion programs in up to three rural communities.
- Provides \$657,648 GF each year to establish Crisis Intervention Team training programs in six rural communities.
- Provides \$1.1 million GF per year to establish the Appalachian Telemental Health Initiative, a telemental health pilot program.
- Provides \$5.9 million GF per year to complete the phase-in of same-day access to assessment at CSBs, in accordance with the STEP-VA plan (also provides \$3.2 million GF over the biennium for the state's share of these services that are partially funded through Medicaid).
- Provides \$3.7 million GF in FY 2019 and \$7.4 million GF in FY 2020 for primary care outpatient screening at CSBs, in accordance with the STEP-VA plan.
- Provides \$15 million GF in FY 2020 to begin phasing in outpatient mental health and substance abuse treatment at CSBs, in accordance with the STEP-VA plan.
- Provides \$2 million GF in FY 2020 to begin phasing in statewide expansion of detoxification services at CSBs, in accordance with the STEP-VA plan.
- Provides \$900,000 GF in FY 2019 and \$1.8 million GF in FY 2020 for grants to establish crisis intervention assessment centers in six unserved rural communities.
- Provides \$7 million GF over the biennium for permanent supportive housing for individuals with serious mental illness and pregnant or parenting women with substance use disorders.

Medicaid Expansion

- Authorizes the Department of Medical Assistance Services (DMAS) to submit an application to amend Virginia's State Plan for Medical Assistance to expand Medicaid eligibility to uninsured Virginians with incomes up to 138 percent of the federal poverty level, in accordance with the Affordable Care Act. Directs DMAS to submit an application for a federal waiver to implement the Training, Education, Employment, and Opportunity (TEEOP) program, which requires work or other community engagement activities for able-bodied adults of working age and includes "lock-out" provisions for failure to comply for three months out of a year. Language directs workforce development programs under the Virginia Employment Commission to give priority to TEEOP enrollees to the extent allowed by federal law. DMAS is directed to develop a supportive employment and housing benefit targeted to high-risk Medicaid beneficiaries with mental illness, substance use disorder, or other complex conditions.
- The state's share of the funding for the expansion population is to be covered by an assessment on private acute care hospital net patient revenue. Language in the budget provides for a separate assessment on private acute care hospitals that would be used to increase Medicaid payment rates for inpatient and outpatient services.
- Directs the Joint Subcommittee on Health and Human Resources Oversight to monitor implementation of Medicaid expansion and to develop an annual Medicaid state spending target.
- Provides an additional \$2.2 million GF in FY 2019 and \$3.6 million GF in FY 2020, with associated matching federal funds, to assist local departments of social services with implementation of Medicaid expansion. The Virginia Department of Social Services has informed local departments

that no local match will be required for these funds in FY 2019, though the standard match will be required in FY 2020.

- Directs the Secretary of Health and Human Resources to convene a work group to examine recent trends in the individual insurance market and state options for stabilizing the market; authorizes the Secretary of Health and Human Resources to apply for a state innovation waiver under the Affordable Care Act to implement innovative solutions to help stabilize the individual insurance market.

Other Health and Human Resources Issues

- Provides \$1.8 million GF in FY 2019 and \$2.8 million GF in FY 2020 to address projected growth in Early Intervention/Part C caseloads.
- Directs the Secretary of Health and Human Resources to create a trauma-informed care workgroup to develop strategies to build a trauma-informed system of care for agencies within the Secretariat.
- Directs the Virginia Department of Health to design and conduct a pilot epidemiological study of the human health effects of the land application of biosolids.
- Directs the Virginia Department of Agriculture and Consumer Services and the Virginia Department of Health to develop a long-term plan to fund the food safety and restaurant inspection programs.
- Establishes fees for certain permits and authorizations from the Virginia Department of Health related to onsite sewage system construction permits, repairs, and voluntary upgrades.
- Funds an additional 384 Community Living waiver slots over the biennium (of which 120 are expected to be used for individuals transitioning from facility care), an additional 895 Family and Individual Supports waiver slots over the biennium, and an additional 40 Building Independence slots in FY 2020. Also provides 25 Community Living waiver slots each year as reserve capacity to address emergency situations. Provides an additional 326 Family and Individual Supports waivers in FY 2020 to address the Priority One waiting list. Directs the Department of Behavioral Health and Developmental Services to report annually on the allocation of waiver slots.
- Authorizes the Department of Behavioral Health and Developmental Services to receive proposals under the Public-Private Education Facilities and Infrastructure Act to partner with private not-for-profit entities to provide care for residents at the Central Virginia Training Center.
- Increases the Auxiliary Grant rate for adult foster care, assisted living facilities, and supportive housing by \$35 per month in FY 2019 and \$25 per month in FY 2020.
- Provides an additional \$2 million per year from the Temporary Assistance to Needy Families (TANF) block grant for Community Action Agencies to provide services to meet the needs of low-income individuals.
- Provides an additional \$3 million per year from the TANF block grant for a second round of grants to community employment and training programs designed to move low-income individuals out of poverty.
- Provides an additional \$500,000 per year to address the waiting list for services available through local Area Agencies on Aging.

Early Childhood

- Adds several areas of study to the Joint Subcommittee on the Virginia Preschool Initiative (VPI), to include an integrated early childhood fund. Directs the Virginia Department of Education (VDOE) to convene a workgroup of state agencies, facilitated by the Virginia Early Childhood Foundation, to identify strategies for developing an Integrated Early Childhood Fund; the workgroup's findings are to be reported to the Joint Subcommittee by October 15, 2018.
- Provides \$275,000 GF per year for the University of Virginia's Center for Advanced Study of Teaching and Learning (CASTL) to work with VDOE to implement a statewide assessment of all kindergarten students using the Virginia Kindergarten Readiness Program (VKRP) and train school division staff on how to use VKRP data to improve instructional practices. CASTL and VDOE are directed to use the VKRP data to determine how well the Virginia Preschool Initiative promotes school readiness.
- Provides \$2.3 million GF per year for VDOE to support school divisions to provide grants to local school divisions to provide financial incentives for provisionally-licensed VPI teachers to attain full licensure, with priority to be given to hard-to-staff schools and schools with the highest number of provisionally-licensed VPI teachers.
- Provides \$300,000 GF in FY 2019 and \$700,000 GF in FY 2020 for CASTL to provide professional development for VPI teachers.
- Provides \$75,000 GF in FY 2019 for VDOE to develop a plan to ensure that high-quality instruction is provided in VPI classrooms.
- Provides \$350,000 GF per year for the University of Virginia to plan and implement assessments for VPI classrooms.
- Sets out a process by which additional one-time VPI slots may be allocated to school divisions that have used their calculated slots and have waiting lists for unserved eligible children.
- Includes language clarifying that philanthropic or other private support may be used as the required local match for VPI.
- Directs the Virginia Department of Health to assess the feasibility of developing a home visiting "Pay for Success" pilot program.
- Provides \$925,000 in FY 2019 and \$325,000 in FY 2020 from federal Child Care and Development Funds to implement a pilot program with CASTL to improve early childhood classrooms in faith-based and private day care centers.
- Directs the Virginia Department of Social Services to develop and publish curricula and professional development materials as a resource for child care professionals participating in the child care subsidy program.
- Provides \$250,000 in FY 2019 and \$600,000 in FY 2020 from the TANF block grant to contract with Early Impact Virginia to coordinate voluntary home visiting programs.

Water Quality

- Deposits \$22.5 million GF in FY 2019 into the Water Quality Improvement Fund.
- Increases the amount of un-refunded marine fuel sales tax revenues transferred to the Water Quality Improvement Fund by \$2.6 million per year.
- Provides \$20 million GF in FY 2019 for the Stormwater Local Assistance Fund.

- Transfers \$1.35 million per year from the Department of Game and Inland Fisheries to the Virginia Port Authority to fund dredging projects through the Virginia Waterway Maintenance Grant Program and Fund, which was established in statute during the 2018 Session.
- Provides \$100,000 GF in FY 2019 and \$200,000 GF in FY 2020 to fund additional engineering staff to support Soil and Water Conservation Districts.
- Authorizes the Department of Environmental Quality to charge a voluntary fee of \$30,000 for an expedited stormwater review of sites within a common plan of development with land-disturbance acreage equal to or greater than 100 acres.

Environment and Natural Resources

- Removes funding included in the introduced budget for two positions supporting an initiative for environmental education.
- Directs the Board of Conservation and Recreation to develop a prioritization process to evaluate the relative priority of improvements for all properties that have not yet been fully developed as state parks or natural area preserves.
- Provides \$1.6 million GF over the biennium for start-up and operational costs at Widewater State Park and approximately \$366,000 GF over the biennium for operation of Seven Bends State Park. Provides \$50,000 GF in the first year to develop a plan to expand bike facilities at First Landing State Park. Authorizes acquisition of land by donation for expansion of Middle Peninsula State Park. Provides \$112,500 GF in FY 2019 for emergency repairs at the Breaks Interstate Park dam.

Jails

- Adds the Henry County jail to projects authorized for reimbursement from the Commonwealth.
- Provides funding to the Compensation Board, DMAS, Department of Corrections, and Department of Juvenile Justice to implement recommendations of a 2017 workgroup on streamlining eligibility determination and enrollment of inmates in Medicaid.
- Directs the Department of Corrections to evaluate options to reduce the number of state-responsible inmates with serious mental illness who serve the entirety of their state-responsible sentences in local and regional jails.
- Provides funding to extend the jail mental health pilot program authorized by the 2016 General Assembly through the first year of the biennium (but not the second year, as proposed in the introduced budget).
- Provides an additional \$374,114 GF in FY 2019 and \$1.4 million GF in FY 2020 to cover anticipated increases in jail per diem payments due to projected inmate population growth.

HB 599

- Provides \$6.6 million in FY 2019 and \$13.8 million in FY 2020 for aid to localities with police departments.

Juvenile Justice

- Authorizes one 60-bed juvenile correctional center in Isle of Wight County and directs the Department of General Services (DGS) to determine options for a second juvenile correctional

center, to be located in Central Virginia, and report on location options to the Chairman of the “money committees” and the Governor by October 31, 2018. Language excludes the current Bon Air property from consideration as the second location. DGS is directed to work with Chesterfield County to determine a fair market value and the highest and best use of the Bon Air site and report its preliminary findings by December 1, 2018. In addition, DGS is to determine the highest and best use of the Beaumont site, to include viability of potential use by the Department of Corrections, Department of Conservation and Recreation, and/or the Department of Juvenile Justice.

Transportation

- Eliminates proposed transit capital bond authorization that was included in the introduced budget and directs the Department of Rail and Public Transportation and the Department of General Services to investigate options to develop a program for the financing of statewide transit capital needs using the Master Equipment Leasing Program operated through the Department of the Treasury as a model to facilitate group purchases of mass transit equipment.
- Directs the Commonwealth Transportation Board to review and report on the overall condition and funding needs of large and unique bridge and tunnel structures in the Commonwealth, to include recommendations addressing funding of such projects within the State of Good Repair program.

Revenue Reserve Fund

- Deposits \$45 million each year of the biennium into the newly-created Revenue Reserve Fund, in addition to a deposit of \$156.4 in FY 2018 based on FY 2017 revenues, and an additional expected deposit of 100 percent of FY 2018 surplus revenues, after any required deposits to the Revenue Stabilization Fund (“Rainy Day Fund”) and Water Quality Improvement Fund.

Communications Sales and Use Tax

- Diverts \$2 million per year in expected savings from the telecommunications relay contract (which is funded by Communications Sales and Use Tax Trust Fund revenues) to the General Fund. VACo has requested that the Governor commit to removing this proposed transfer, the first installment of which is scheduled to take effect June 30, 2019, in his proposed budget for the 2019 Session.

Tobacco Taxes

- Directs the Joint Subcommittee to Evaluate Tax Preferences to study options for the modernization of tobacco taxation, to include products that produce vapor or aerosol from heating tobacco or liquid nicotine. The Joint Subcommittee is directed to study “possible reforms to the taxation of tobacco products that will provide fairness and equity for all local governments and also ensure stable tax revenues for the Commonwealth.” A report is due November 1, 2018.

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