

Capitol Contact

Virginia General Assembly

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Friday, March 1, 2019

Key Provisions of Budget Conference Report

The General Assembly approved a conference report containing revisions to the 2018-2020 biennium budget on Sunday, February 24. Below is a summary of the key provisions of the budget conference report in areas of importance to county governments.

In addition, a detailed summary of provisions regarding Constitutional officers that was prepared by the Executive Secretary of the Compensation Board is available at [this link](#). The State Superintendent of Public Instruction's Memorandum detailing General Assembly budget actions regarding K-12, including information regarding projected FY 2019 and FY 2020 state payments to school divisions, is available at [this link](#). The Department of Taxation's FY 2020 estimates of local option sales and use tax and recordation and grantor's taxes to be distributed to localities are available at [this link](#).

After the budget is formally enrolled, the Governor will have the opportunity to make amendments or veto line items in the budget. The deadline for gubernatorial action on the budget and on bills that passed the General Assembly in the last week of the session is midnight on March 26. The General Assembly will meet on April 3 at the "reconvened session" to consider gubernatorial amendments and vetoes.

K-12 Education

Salary increases

- Provides \$72.7 million in General Funds in FY 2020 for the state share of a compensation supplement payment up to two percent of base pay effective September 1, 2019, for funded SOQ instructional and support positions. The conference budget continues to include \$131 million in the second year for the state share of a three percent salary incentive pay increase with an effective date of July 1, 2019, to school divisions that certify that salary increases of a minimum

average of three percent have or will have been provided during the 2018-2020 biennium. Any salary increase provided by a school division in the first year that was more than three percent shall not count toward or be applied toward the local requirements for any portion of the additional two percent salary increase provided for in the second year. The state share of the three percent salary increase would be given to school divisions that certify that they will provide at least three percent in either the first or second year or through a combination over both years. ([Item 136 #7c](#)).

Supplemental Lottery Per-Pupil Allocation

- Maintains the approximately \$35 million additional Lottery proposed in the Governor's proposed amended budget. School divisions receive the Lottery PPA with total flexibility as to how the funds may be budgeted and there is no local match requirement. Each division can spend the funding on locally determined initiatives and tailored priorities to support its students' needs.

At-Risk Add-On

- Provides \$10.6 million in General Funds in FY 2019 and \$14.3 million in FY 2020 to increase at-risk add-on percentages to 14.5 percent in FY 2019 and 16 percent in FY 2020. The introduced budget had included approximately \$36 million in additional funding for the At-Risk Add-On, which is targeted to schools with the highest concentrations of students eligible for free lunch to provide specialized support services and instruction. ([Item 136 #5c](#)).
- Adds additional flexibility language for school divisions to hire testing coordinators and licensed behavior analysts with At-Risk Add-on funds, which may help reduce workloads of school counselors and free-up the counselors' time which then can be dedicated to supporting students' non-academic related needs. This is intended as an accompaniment to [HB 1729 \(Landes\)](#). ([Item 136 #4c](#)).

School Counselors

- Provides \$12 million GF in FY 2020 to increase state support for additional school counselors in elementary, middle, and high schools pursuant to the passage of [HB 2053 \(McQuinn\)](#) and [SB 1406 \(Dance\)](#). The legislative intent is to lower the school counselor ratios beginning in fiscal year 2020 as follows: from one school counselor per 500 students to one counselor per 455 students in elementary schools, from one school counselor per 400 students to one counselor per 370 students in middle schools, and from one school counselor per 350 students to one counselor per 325 students in high schools. ([Item 136 #6c](#)).

School Divisions of Innovation

- [HB 2574 \(LaRock\)](#) which would have allowed a school board, when applying for its school division to be designated as a School Division of Innovation, to apply to the Virginia Board of Education (BOE) to replace certain Standards of Learning (SOL) assessments with performance-based assessments, was passed by indefinitely in Senate Education and Health on February 7. Accordingly, funding was not included in the conference report.

Grow Your Own Teacher Pilot

- Provides \$240,000 in General Funds in FY 2020 for the Grow Your Own Teacher pilot program to provide scholarships to low-income high school graduates who are committed to attend a baccalaureate institution of higher education in the Commonwealth and to subsequently teach in high-need public schools in the school divisions in which they graduated from high school. The State Council of Higher Education in Virginia (SCHEV) shall ensure that at least one school division in each of the eight superintendent regions is awarded prior to multiple grants being approved in the same region. ([Item 141 #2c](#)).

Literary Fund

- Provides \$35 million to the Literary Fund, of which \$30 million will be used for Literary Fund loans for projects on the First Priority Waiting List and \$5 million will be used for an interest rate subsidy program based upon the provisions in [SB 1093 \(Ruff\)](#). SB 1093 offers a 100 percent interest rate subsidy for school divisions with a Composite Index of 0.2500 or below, and a 50 percent interest rate subsidy for school divisions with a Composite Index greater than 0.2500 but less than 0.4000. ([Item 136 #12c](#)).

Local Composite Index (LCI) Adjustment for Land Use

- Language that was included in the Senate budget that would have modified the current calculation of the LCI to incorporate land-use assessment value for properties located within a land-use plan was not included in the conference report.

School Safety

- Provides \$3 million in General Funds in FY 2020 for the School Resource Officer Incentive Grant Fund; the amount provided for the fund would increase to a total of \$4.7 million, funding an additional 44 School Resource Officer positions. This is a recommendation of the House Select Committee on School Safety. ([Item 395 #2c](#)).

- Provides that \$280,000 out of the approximately \$3 million in General Funds in FY 2020 proposed by the Governor to the Department of Criminal Justice Services for Training and Standards would be used to provide annual active shooter trainings to school and communities, consistent with the recommendations of the House Select Committee on School Safety. ([Item 392 #1c](#)).
- Provides that \$428,000 out of the approximately \$3 million in General Funds in FY 2020 proposed by the Governor to the Department of Criminal Justice Services for Training and Standards would be used for additional training to school resource officers and school security officers, consistent with the recommendations of the House Select Committee on School Safety. ([Item 392 #2c](#)).
- Provides that \$721,000 out of the approximately \$3 million in General Funds in FY 2020 proposed by the Governor to the Department of Criminal Justice Services for Training and Standards would be used to expand training provided to local threat assessment team members, consistent with the recommendations of the House Select Committee on School Safety. The amendment also provides for the development of a threat assessment team case management system, consistent with the provisions of [HB 1734 \(Marshall\)](#). ([Item 392 #3c](#)).
- Provides \$872,000 million out of the approximately \$3 million in General Funds in FY 2020 proposed by the Governor to the Department of Criminal Justice Services for Training and Standards to enhance and expand the school safety training provided by the Department of Criminal Justice Services to Virginia school personnel, consistent with the recommendations of the House Select Committee on School Safety. ([Item 392 #4c](#)).
- Increases the School Security Equipment Grant annual allocation from \$6 million to \$12 million beginning in FY 2020. This is a recommendation of the House Select Committee on School Safety. ([Item 136 #13c](#)).

Communications Sales and Use Tax Trust Fund

The 2018 Appropriations Act diverted \$2 million per year from the Communications Sales and Use Tax Trust Fund, representing savings in the telecommunications relay contract that is paid for out of the Fund, to the state General Fund. VACo opposed this action, as these dollars would otherwise remain in the trust fund for distribution to localities. The revenues in the Fund are to be held in trust for localities, not used for general state purposes. The introduced budget eliminated the diversion in FY 2020.

- The conference report restores the transfer in FY 2020; funds would appear to be swept into the General Fund. ([Item 3-1.01 #6c](#))

Next Generation 9-1-1 (NG9-1-1)

- Provides a \$15 million line of credit to the 911 Services Board for capital costs to accelerate implementation of next generation 911 service across the Commonwealth. ([Item 84.20 #1c](#))

Machinery and Tools Taxes

- Language included in the Senate budget that would have directed the Secretary of Finance to convene a workgroup of stakeholders to develop a proposal for elimination of machinery and tools taxes on new equipment for its first five years and reimbursement of localities for foregone revenues, up to \$50 million per year, was removed in the conference report.

Compensation

- Removes the proposal in the introduced budget to increase the retiree health insurance credit for members of the State Police Officers' Retirement System (SPORS), the Virginia Law Officers' Retirement System (VaLORS), and sheriffs and deputy sheriffs. ([Item 474 #5c](#))
- Eliminates the proposed one percent bonus for state employees and state-supported local employees included in the introduced budget and redirects the funding to enhance the across-the-board salary increases included in the 2018 Appropriations Act from 2 percent to 2.75 percent for state employees, and from 2 percent to 3 percent for Constitutional officers and state-supported local employees. Increases the merit-based salary increases for state employees in the 2018 Appropriations Act from 2 percent to 2.25 percent. These salary increases take effect July 1, 2019. ([Item 474 #4c](#))
- Provides \$139,611 GF in FY 2020 for an additional three percent salary increase for general registrars, effective July 1, 2019, and directs the Department of Elections to study registrars' salaries relative to Constitutional officers' salaries. ([Item 474 #6c](#), [Item 83 #1c](#))
- Provides \$31,250 GF in FY 2020 to adjust the salary increase of those Commissioners of the Revenue participating in the Career Development Program from 7 percent to 9.3 percent, effective July 1, 2019, to be consistent with career development increases provided to other Constitutional officers. ([Item 69 #1c](#))

Workers' Compensation

- Provides \$300,000 GF in FY 2019 for JLARC's review of the Workers' Compensation program. ([Item 31 #2c](#)).

Body-Worn Cameras and Commonwealth's Attorneys' Offices

- Provides an additional \$747,808 GF in FY 2020; this funding, added to the \$723,420 included in the introduced budget, funds approximately 20 percent of the unfunded positions in Commonwealth's Attorneys' offices, based on the Compensation Board's FY 2019 staffing standards. ([Item 70#1c](#))
- Includes language from the Compensation Board's 2018 workgroup report providing that localities using body-worn cameras will be able to negotiate the issue of additional staffing associated with use of the cameras with their Commonwealth's Attorneys; if an agreement cannot be reached, the locality would be required to provide funding for additional positions at a ratio of 1 position for 75 cameras in use. ([Item 70 #2c](#))
- Directs the Secretary of Public Safety and Homeland Security to convene the workgroup examining workload effects on Commonwealth's Attorneys' offices that was established in budget language in 2018 (which was convened by the Compensation Board in fall 2018) and expand its scope to examine workload effects and other fiscal and policy impacts on the state's public safety and judicial agencies. ([Item 381 #1c](#))

Procurement

- Directs the Department of General Services to evaluate current law and best practices on the statute of limitations on state contracts for construction services. ([Item 80 #1c](#))

Economic Development

- Increases funding for the Enterprise Zone Grant Fund by \$1 million GF in FY 2020 to reduce pro-ration of the Real Property Improvement Grant. ([Item 107 #1c](#))
- Clarifies that the installation of solar panels is an eligible expense for the Enterprise Zone Real Property Grant Program, beginning on January 1, 2019, provided the investment is at least \$50,000. Language spells out calculation of grants based on levels of investment and provides that awards based solely on

solar installation investments of at least \$50,000 but not more than \$100,000 will be subject to an annual aggregate cap of \$1 million. ([Item 107 #2c](#))

- Removes \$18 million in FY 2019 included in the introduced budget for the Virginia Business Ready Sites program; provides \$1 million each year for identification, assessment, and development of industrial sites. ([Item 122 #1c](#))
- Directs that \$137,000 GF in FY 2020 be provided to support one position within the Department of Mines, Minerals, and Energy “to assist localities with siting, procurement, land use concerns, and other solar energy-related issues.” ([Item 117 #3c](#))
- Provides a funding increase of \$100,000 GF in FY 2020 to Virginia's Heritage Music Trail: The Crooked Road, to serve its expanded region (nine additional counties and one city), to build sustainability through leveraging of the requested funding, and to increase the economic impact beyond the current \$9.1 million per year. ([Item 106 #2c](#))
- Embeds language implementing the *Wayfair* decision regarding collection of sales and use taxes from remote sellers; captures the first \$40 million collected annually from online retailers with a physical nexus in Virginia for the Major Headquarters Workforce Grant Fund established as part of the Amazon HQ2 project. ([Item 4-14 #1c](#), [Item 4-14 #2c](#))

Broadband

- Reduces proposed additional allocation for the Virginia Telecommunication Initiative by \$31 million GF in FY 2020 (for an increase of \$15 million GF in FY 2020 and total funding of \$23 million over the biennium, when added to amounts included in the 2018 Appropriations Act). ([Item 106 #4c](#))

Housing Trust Fund

- The introduced budget provided an increase of \$14.5 million in FY 2019 and \$4.5 million in FY 2020, for a total increase of \$19 million over the biennium. The conference report reduces the proposed additional deposit by \$13 million in FY 2019 and \$3 million in FY 2020, for a total increase of \$3 million over the biennium. ([Item 105 #1c](#))

Elections

- Provides \$261,265 GF in FY 2020 for the Department of Elections to implement legislation passed during the session that would assist localities with review of GIS maps used when redrawing boundaries, and to provide localities with GIS maps upon request. ([Item 83 #4c](#))
- Removes \$5.9 million GF for FY 2020 that was included in the introduced budget to fund local costs associated with the 2020 Presidential primary; provides \$147,308 GF in FY 2020 for costs expected to be incurred by the Department of Elections associated with the primary. ([Item 475 #1c](#); [Item 83 #5c](#))

Children's Services Act

- Delays the final report of the study of private day special education rates directed in the 2018 Appropriations Act from July until October 2019. Private providers had requested additional time in order to provide the consultants conducting the study with the detailed information requested. Language requires the final report to include a list of special education private day programs that did not respond to the provider survey. ([Item 282 #2c](#))
- Requires the Department of Education (VDOE) to serve as the lead agency to collect and report data measuring the progress of students in private special education day placements, in keeping with the recommendations of the workgroup convened in 2018 to develop potential outcome measures for progress in these placements. Directs VDOE and the Office of Children's Services to establish a workgroup to further refine the private day outcome measures recommended in the 2018 workgroup. The department is directed to begin collecting outcome data in the 2019-2020 school year if possible, and no later than the 2020-2021 school year. ([Item 129 #1c](#))

Mental Health

- Includes language requested by VACo, VML, and the Virginia Association of Community Services Boards to allow the Department of Behavioral Health and Developmental Services (DBHDS) to make funds available prior to the end of the fiscal year to Community Services Boards (CSBs) whose Medicaid billings for previously-uninsured clients have fallen more than 10 percent short of their General Fund reductions incorporated in the 2018 Appropriations Act, and to require reporting on how the expected general fund savings compare to actual Medicaid payments for FY 2019 and in FY 2020, so that adjustments may be made for FY 2020 during the 2020 General Assembly session, if necessary. ([Item 310 #9c](#))

- Redirects proposed \$9 million in funding for general crisis stabilization services included in the introduced budget and directs that \$7.8 million of these funds be used instead for crisis services pursuant to the STEP-VA plan adopted in 2017. ([Item 312 #1c](#) and [Item 312 #2c](#))
- Provides an additional \$2 million GF in FY 2020 for permanent supportive housing, as well as reallocating \$1 million from funding designated for crisis services in the introduced budget. Language requires DBHDS to report on usage of permanent supportive housing. ([Item 312 #5c](#))
- Includes several recommendations of the Joint Subcommittee Studying Mental Health Services in the Commonwealth in the 21st century: allowing unspent funds allocated to the Appalachian Telemental Health Initiative to be carried forward rather than reverting to the General Fund ([Item 312 #6c](#)); requiring DBHDS to prepare a plan to “right-size” the state hospital system ([Item 310 #4c](#)); and increasing the telehealth originating site facility fee in the Medicaid program to 100 percent of the Medicare rate. ([Item 303 #1c](#))
- Requires DBHDS to report on the allocation and funding for Programs of Assertive Community Treatment. ([Item 310 #3c](#))

Foster Care

- Provides \$1.6 million GF and \$1.2 million NGF in FY 2020 to implement several recommendations from the recent Joint Legislative Audit and Review Commission study of the state’s foster care system, which were incorporated in legislation passed by the General Assembly. These recommendations include establishing a state director of foster care health and safety, funding 10 additional regional foster care staff, funding a regional project manager, funding a compliance dashboard, funding a caseload standard of 15 cases per worker, and funding five positions for monitoring foster care services. ([Item 339 #1c](#))
- Provides \$851,000 GF in FY 2020 for training, technical support, and other costs associated with establishing evidence-based programming that will qualify for federal funding under the Family First Prevention Services Act. ([Item 344 #3c](#))
- Language directs the Virginia Department of Social Services to review all cases of children in congregate care without a clinical need for this level of care and assist local departments to find family placements. ([Item 344 #4c](#))

Human Trafficking

- Provides \$14,091 GF in FY 2020 to fund state foster care maintenance payments through the Children’s Services Act for child victims of trafficking who are placed

in the temporary custody of local departments of social services. Provides approximately \$86,000 in FY 2020 for assessments and other activities required of local departments of social services in suspected cases of child trafficking in accordance with legislation under consideration by the General Assembly. ([Item 282 #1c](#), [Item 344 #1c](#))

- Provides \$145,000 GF in FY 2020 for the Department of Criminal Justice Services to develop a statewide response plan to address sex trafficking in Virginia. ([Item 393 #2c](#))

Water Quality

The introduced budget included a mandatory \$73.8 million deposit in FY 2020 to the Water Quality Improvement Fund (WQIF) from the FY 2018 surplus, as well as a supplemental deposit of \$20 million in FY 2019 and \$15 million in FY 2020, for a total deposit of \$108.8 million over the biennium. It also included \$50 million for the Stormwater Local Assistance Fund (SLAF) in FY 2020.

- The conference report retains the mandatory \$73.8 million deposit to the WQIF in FY 2020 but eliminates the proposed supplemental deposits in the introduced budget. Provides a one-time deposit of \$5.9 million GF in FY 2019 to the WQIF for livestock stream exclusion practices. Authorizes \$10 million in bond proceeds for SLAF. ([Item 362 #3c](#), [Item 362 #4c](#), [Item C-48.10 #1c](#))

Jails

- Retains \$2.5 million in the introduced budget in FY 2020 to extend jail mental health pilot programs for an additional 12 months; removes language in the introduced budget authorizing the Department of Criminal Justice Services (DCJS) to expand the pilot programs to additional sites. Directs DCJS to collect data from the pilot sites regarding the services provided to inmates while in jail and after release, as well as numbers of jail safety incidents and inmates re-arrested or re-incarcerated. DCJS, the Compensation Board, and the Board of Corrections are directed to evaluate resources needed to comply with the behavioral health standards to be developed in accordance with legislation that passed in 2019, to include considering appropriate shares of funding from the state and localities and the appropriate mechanism by which state funding could be provided. ([Item 395 #3c](#))

Transportation

- Language directs the establishment of a working group to evaluate the effect of increased fuel efficiency and increasing use of hybrid and electric vehicles on

transportation revenues and options to develop a sustainable funding source for transportation infrastructure. The working group shall include, at a minimum, representatives of local government associations, the regional transportation authorities, the trucking industry, the motor dealer industry and the motor fuels industries. ([Item 433 #1c](#))

- Allows the Commonwealth Transportation Board to allocate supplemental operating funds in FY 2020, not to exceed \$3 million NGF, to transit operators that may otherwise lose operating funds as a result of the new performance-based allocation process developed in 2018. ([Item 445 #1c](#))
- Removes proposed deposit in the introduced budget of \$75 million GF in FY 2019 to the Virginia Transportation Infrastructure Bank. ([Item 450 #1c](#))

Reserves

The introduced budget included the mandatory deposit of \$262.9 million GF to the Revenue Stabilization Fund (“Rainy Day Fund”) in FY 2020, based on the FY 2018 surplus. It also proposed to deposit \$235.2 million in the new Revenue Reserve Fund based on the FY 2018 surplus, plus an additional \$554.1 million over the biennium, for a total of \$789.3 million in new deposits to the Revenue Reserve Fund over the biennium, over the amounts included in the 2018 Appropriations Act.

- The conference report retains the Revenue Stabilization Fund deposit in FY 2020. Sets aside \$97.5 million in FY 2020 for an anticipated mandatory deposit to the Revenue Stabilization Fund in FY 2022. Reduces proposed deposit to the Revenue Cash Reserve by approximately \$311 million, for a total deposit of \$564.7 million over the biennium (\$473.7 million more than amounts included in the 2018 Appropriations Act). Language requires the revenues associated with deconforming from the federal Tax Cuts and Jobs Act’s suspension of the overall limitation on itemized deductions to be deposited into the Revenue Reserve Fund; these revenues may be used for “future tax reform options.” ([Item 265 #1c](#), [Item 266 #1c](#))

Other studies of interest

- Language directs the Department of Human Resource Management to convene a workgroup to develop a methodology to be used to determine the amount of funding to be appropriated for state employee salary increases each year and how that funding should be distributed. ([Item 81 #2c](#))
- Language directs the Board of Pharmacy to report to the Joint Commission on Health Care on state and local efforts to promote proper drug disposal, including community-based collection and disposal efforts. ([Item 299 #1c](#))

- Language directs the Commissioner of Social Services to develop a comprehensive plan for use of the Temporary Assistance to Needy Families (TANF) block grant. ([Item 340 #4c](#))
- Language directs the State Corporation Commission to convene a workgroup to develop a reimbursement methodology for out-of-network health care providers for emergency services, to be part of future consideration by the General Assembly to address balance billing. ([Item 477 #1c](#))
- Extends a study by the Joint Subcommittee to Evaluate Tax Preferences on options for modernizing cigarette taxes by one year. ([Item 3-5.17 #1c](#))

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