



Virginia Association of Counties

VACo Annual Conference

Virginia Budget Considerations Moving Forward



Fiscal Analytics, LTD
James J. Regimbal Jr.
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The Economic Bottom Appears to Have Occurred



- Although a nasty economic reversal from last year, the U.S. and Virginia are recovering. Leading economic indicators are improving, such as housing starts and building permits, auto registrations and initial unemployment claims.
- Virginia payroll employment in August was still 5.2% below last year – about half the deepest level in the spring. Unemployment was 6.1% in August versus 2.7% last year. Continuing unemployment claims have dropped from 400,000 in May to 127,621 for the week of Oct. 24 (16,889 one year ago).
- GF revenues are holding up pretty well due to Virginia's stable economic mix of industries and tax profile. **The August 2020-22 GF forecast reduction of \$2,806.5 million will likely be upgraded in December.**
- The August **state transportation revenue 2020-22 forecast reduction of \$750 million will also likely improve in December** due to better retail and auto sales than previously assumed, even though motor fuel sales still down 20%.

Current Economic Situation



- First service sector recession. Job losses recovering, but labor force participation is declining, particularly among women with children.
- Week-to-week patterns point to continued growth. Manufacturing is recovering. Sales of goods are fairly strong.
- Department store sales recovering – but still depressed.
- Grocery, discount, variety and general-merchandise store sales are recording sales above year-ago levels.
- Internet sales are surging.
- Auto sales are improving, motor fuel taxes still down 20%.
- Restaurants and hotels are still down significantly from a year ago, but not by nearly as much as in April.
- Movie theaters, airlines and amusement parks are still deeply depressed.
- Income tax withholding from large businesses holding up pretty well, small business still down.
- State revenues holding up better than expected so far.

Long-Term Economic Changes Will Occur



- The longer the pandemic continues, the more entrenched teleworking/home-based businesses become, and the less entrenched commuting and business travel become. This will have long-term impacts on public transportation, airlines and commercial real estate, particularly retail. Residential housing prices seem to have held up well.
- Virtual K-12 education is impacting working females the hardest, due to greater childcare responsibilities falling on them. One potential consequence - some parents may continue to use alternative methods of teaching children after the pandemic is over rather than enroll in public schools.
- On a more positive note, more innovation and entrepreneurship occurs during recessions. According to a *Wall Street Journal* analysis of government data in late September, “Americans are starting new businesses at the fastest rate in more than a decade.” Problems create opportunities, and 2020 is not lacking in problems. For example, this pandemic has propelled collaboration in service of society. Companies with extensive libraries of drugs are rapidly innovating, scientists who haven’t historically worked together are collaborating on research efforts, and thought leaders are sharing ideas across fields.

Local Budgets May Be Hit the Hardest



- A greater revenue reliance on restaurants, entertainment venues, hotels, and other commercial real estate hit harder by mandated business closures or restrictions. Residential real estate holding up well.
- Sales tax revenue impacts will vary significantly by locality due to changes in consumption patterns – particularly online vs. brick and mortar. Online sales are recorded where the sale was initiated.
- Local governments usually respond to revenue declines by improving operational efficiencies, cutting social services and canceling or postponing capital projects. Austerity measures often involve payroll reductions through hiring freezes, furloughs, and layoffs.
- Evidence from the previous recession also suggests that overall education funding will decline sharply due to COVID-19 recession. Based on the experiences of the 2009 recession and its aftermath, the impact of economic downturns on school budgets may be long-lasting. Spending per student in elementary and secondary schools started to decline in 2009 and did not fully recover to pre-recession nominal levels until 2017.

Counties Took Three Years To Exceed Lost Local Revenue After Last Recession



Revenue Growth Comparison (\$ Mil.)				
<u>Fiscal Year</u>	<u>State GF</u>	<u>% Growth</u>	<u>County Local Revenue</u>	<u>% Growth</u>
2009	\$14,315.1		\$11,269.9	
2010	\$14,219.5	-0.7%	\$10,962.5	-2.7%
2011	\$15,040.2	5.8%	\$11,152.6	1.7%
2012	\$15,846.7	5.4%	\$11,450.7	2.7%
2013	\$16,684.6	5.3%	\$11,846.8	3.5%
2014	\$16,411.4	-1.6%	\$12,255.5	3.4%
2015	\$17,735.6	8.1%	\$12,815.1	4.6%
2016	\$18,040.1	1.7%	\$13,273.6	3.6%
2017	\$18,695.1	3.6%	\$13,959.8	5.2%
2018	\$19,880.8	6.3%	\$14,452.6	3.5%
2019	\$21,307.5	7.2%	\$15,266.7	5.6%
2020	\$21,737.8	2.0%	N/A	N/A

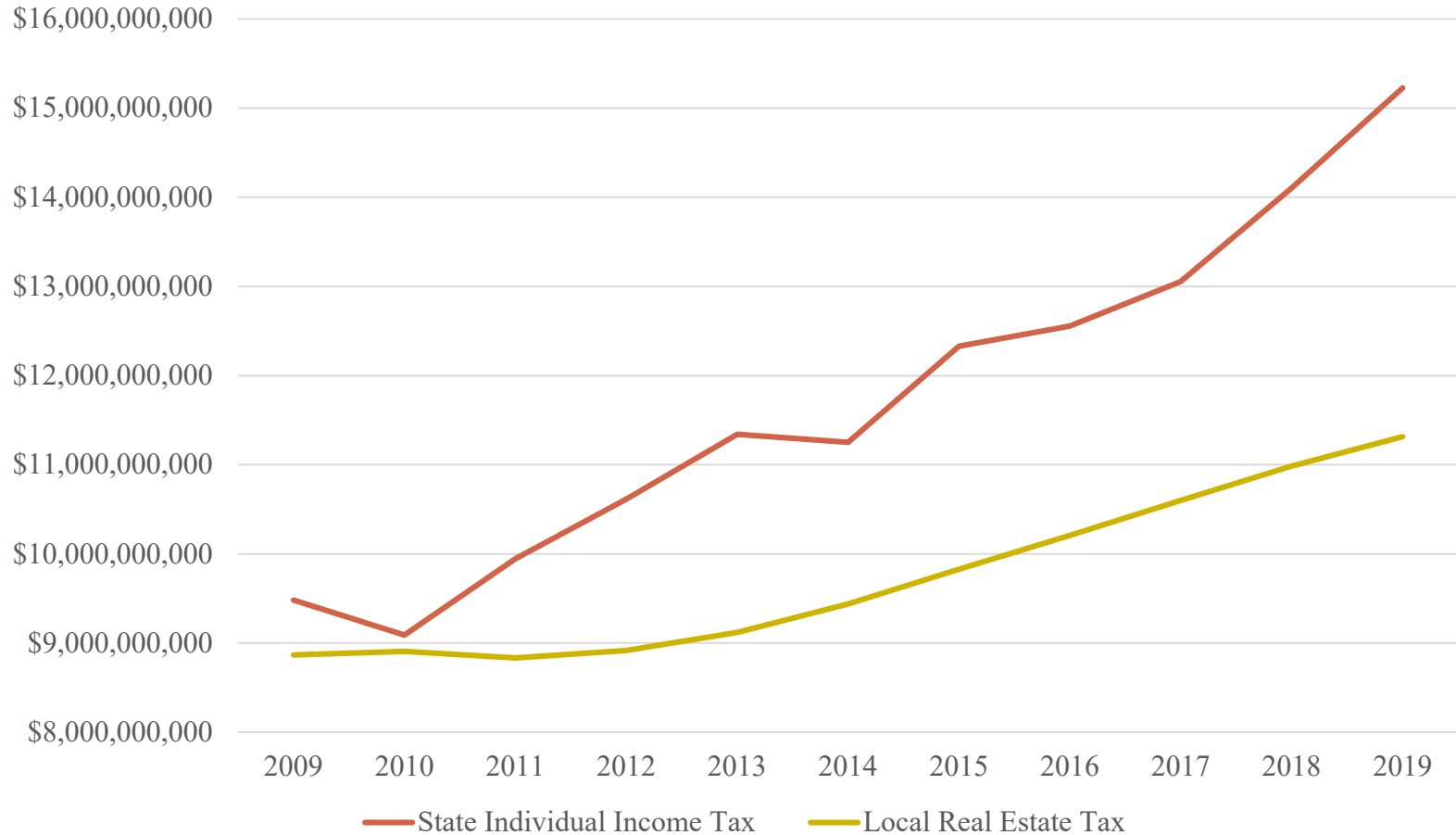
A Look at Local Revenue Reliance



Reliance on Local Source Tax Revenue

	<u>Cities</u>	<u>Counties</u>	<u>Large Towns</u>
Real Property	45.1%	54.8%	23.3%
Personal Property	8.8%	12.4%	3.6%
Local Sales Tax	6.6%	5.5%	7.4%
BPOL	4.9%	2.9%	9.5%
Transient Occupancy	1.8%	0.8%	4.5%
Meals	6.1%	1.0%	18.8%
All Other	26.6%	22.7%	32.8%

State Income Tax Growth Has Significantly Exceeded Local Real Estate Tax Growth Since 2009 Recession



Almost All Virginia Income Tax Liability Is From Taxpayers Over \$50,000 in Income

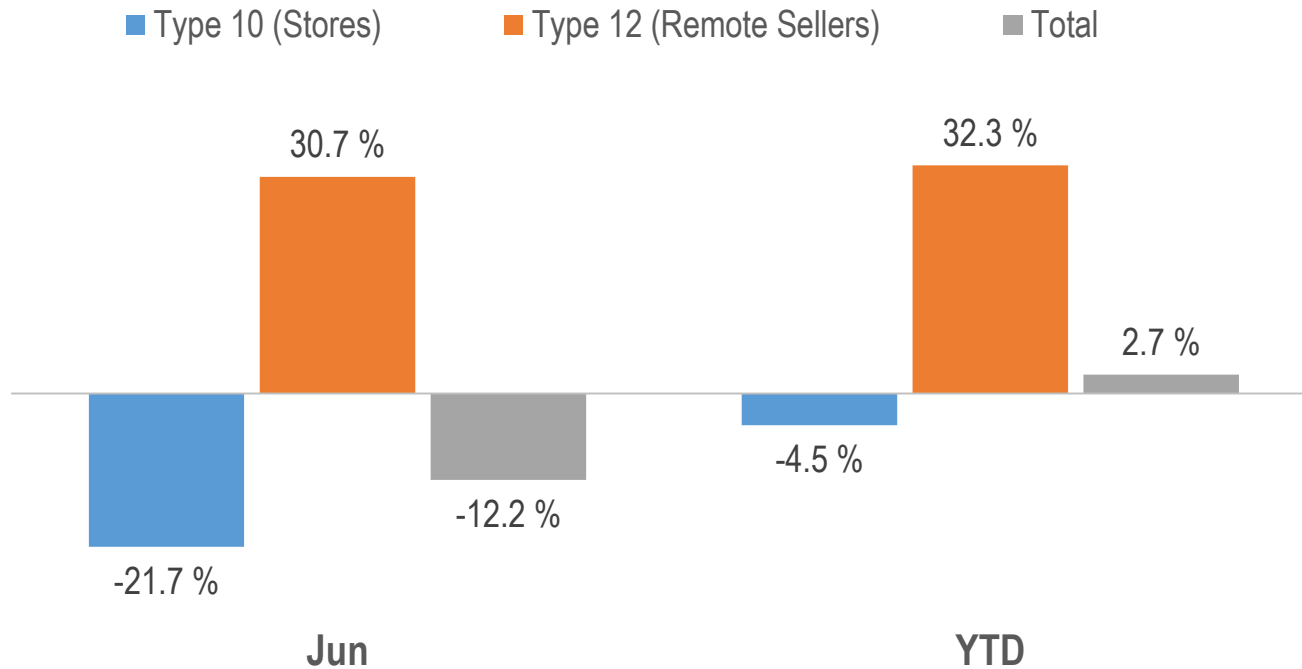


	% of Tax Returns	% of Total Tax Liability
Under \$25,000	30.5%	1.4%
\$25,000-50,000	21.5%	7.2%
\$50,000-150,000	35.2%	36.8%
\$150,000-500,000	11.7%	36.7%
Over \$500,000	<u>1.0%</u>	<u>17.9%</u>
Totals	100.0%	100.0%

On-Line Sales Have Soared Along With Sales Tax Credited to Place of Residence



VA Sales Tax Collections by Type - % Chg



Federal Covid-19 Aid-to-Date

- To date, the federal government has enacted four separate stimulus bills.
- While the *Coronavirus Relief Fund* has gotten most of the attention, there are more than sixty other pots of federal dollars expected to flow to Virginia. The \$7.1 billion in direct federal grants allocated to Virginia include:
 - \$4.6 billion provided directly to the state or state agencies (includes the \$3.3 billion CARES Act State Assistance),
 - \$305.4 million K-12/Gov's Fund for Education, \$456.4 million for Transit, and numerous other grants or supplemental funding;
 - \$1.7 billion provided to health care providers;
 - \$343.9 million to higher education institutions;
 - \$135.4 million to local government and community organizations; and
 - \$309.7 million to airports.
- About \$800 million in additional Federal Medicaid matching funds is projected through March 2021. This is currently the only federal funding that can help offset Virginia's revenue loss.
- • \$14.4 billion has been provided to small businesses in the Commonwealth.

Authorized Use of Coronavirus Relief Fund

As of 10/28/2020

Total Allocation to Virginia	\$3,309,738,321
<i>Less Fairfax County</i>	<i>(\$200,235,485)</i>
Balance for Rest of State	\$3,109,502,836

Current Commitments Approved:

	Obligated in FY 2020	Obligated in FY 2021	Total Obligated
Local Government Allocation - Round 1	\$644,573,383	-	\$644,573,383
Local Government Allocation - Round 2	-	\$644,573,383	\$644,573,383
VDEM - testing (\$21.5M was transferred to VDH by subsequent decision brief approved 7-27-2020)	\$42,338,400	-	\$42,338,400
VDEM - PPE	\$97,000,000	-	\$97,000,000
VDEM - other	\$33,722,001	-	\$33,722,001
VDH - replace deficit authorization	\$3,291,300	-	\$3,291,300
VDH - contact tracing/UVA equipment	\$59,157,614	-	\$59,157,614
DGS - consolidated labs testing	\$6,052,673	-	\$6,052,673
DHCD - emergency housing for homeless	\$5,528,998	\$3,300,000	\$8,828,998
FY 2020 agency-based requests (does not include \$10M for DHCD mortgage and rental assistance)	\$80,480,698	-	\$80,480,698
DHCD - mortgage and rental assistance (includes \$10M in FY 2020 portion originally approved as part of agency-based requests)	\$10,000,000	\$40,000,000	\$50,000,000
DSBSD - small business assistance grants	-	\$70,000,000	\$70,000,000
DMAS - long-term care facilities	-	\$55,640,872	\$55,640,872
DMAS - PPE for personal care attendants	-	\$9,256,178	\$9,256,178
VDEM, VDACS, & DSS - Food Insecurity	-	\$3,861,953	\$3,861,953
VDEM - 4 Priority PPE projects {(1) federally-funded health care facilities, 2) congregate care facilities, 3) local health district offices, and 4) adult and childcare facilities across the Commonwealth}	-	\$42,112,285	\$42,112,285
VDH - Carillion serology study	-	\$566,309	\$566,309
VDH - testing and contact tracing	-	\$71,829,059	\$71,829,059
VDH - Environmental Health Specialists for Executive Order enforcement	-	\$1,298,038	\$1,298,038
DBHDS - state hospital census support	-	\$2,853,215	\$2,853,215
VDH - point-of-care antigen testing	-	\$16,010,500	\$16,010,500
DHCD - broadband/internet access	-	\$30,000,000	\$30,000,000
DHCD - additional mortgage/rental assistance	-	\$12,000,000	\$12,000,000

Current Commitments Approved - continued:	Obligated in FY 2020	Obligated in FY 2021	Total Obligated
DOE - distribution to schools for reopening	-	\$220,798,208	\$220,798,208
VDH - vaccination program	-	\$22,052,445	\$22,052,445
DMAS - hazard pay for personal care attendants - \$1,500 payment to PCAs who worked between March 12, 2020, and June 30, 2020.	-	\$73,056,734	\$73,056,734
DBHDS - hazard pay	-	\$669,312	\$669,312
DSS - child care for a recovering economy (incl. local capacity and childcare provider stabilization funds)	-	\$58,341,000	\$58,341,000
VDH - additional testing needs - One Lab	-	\$9,929,838	\$9,929,838
VDH - agreement with Unite Us	-	\$10,000,000	\$10,000,000
VDH - DocuSign subscription	-	\$192,250	\$192,250
VDH - COVID-19 communications strategy	-	\$3,450,000	\$3,450,000
VDH - sample testing costs, staffing, overtime	-	\$6,632,255	\$6,632,255
VDH - Virginia Association of Free and Charitable Clinics (VAFCC)	-	\$3,000,000	\$3,000,000
VDH - community mitigation efforts	-	\$41,019	\$41,019
Higher Ed Inst - reimburse COVID-19 expenses for PPE, sanitization, virtual education, etc.	-	\$116,261,410	\$116,261,410
Museums - reimburse COVID-19 expenses for PPE, sanitization, virtual education, etc.	-	\$834,013	\$834,013
VCCS - training vouchers for unemployed	-	\$30,000,000	\$30,000,000
UVA Medical Center – reimbursement for COVID-19 response to expand bed and treatment capacity	-	\$3,442,283	\$3,442,283
VCU Hospital – reimbursement for COVID-19 response to expand bed and treatment capacity	-	\$11,333,374	\$11,333,374
DSBSD - small business assistance grants - additional funds for Rebuild Virginia	-	\$30,000,000	\$30,000,000
Subtotal, Current Commitments Approved	\$982,145,067	\$1,603,335,933	\$2,585,481,000

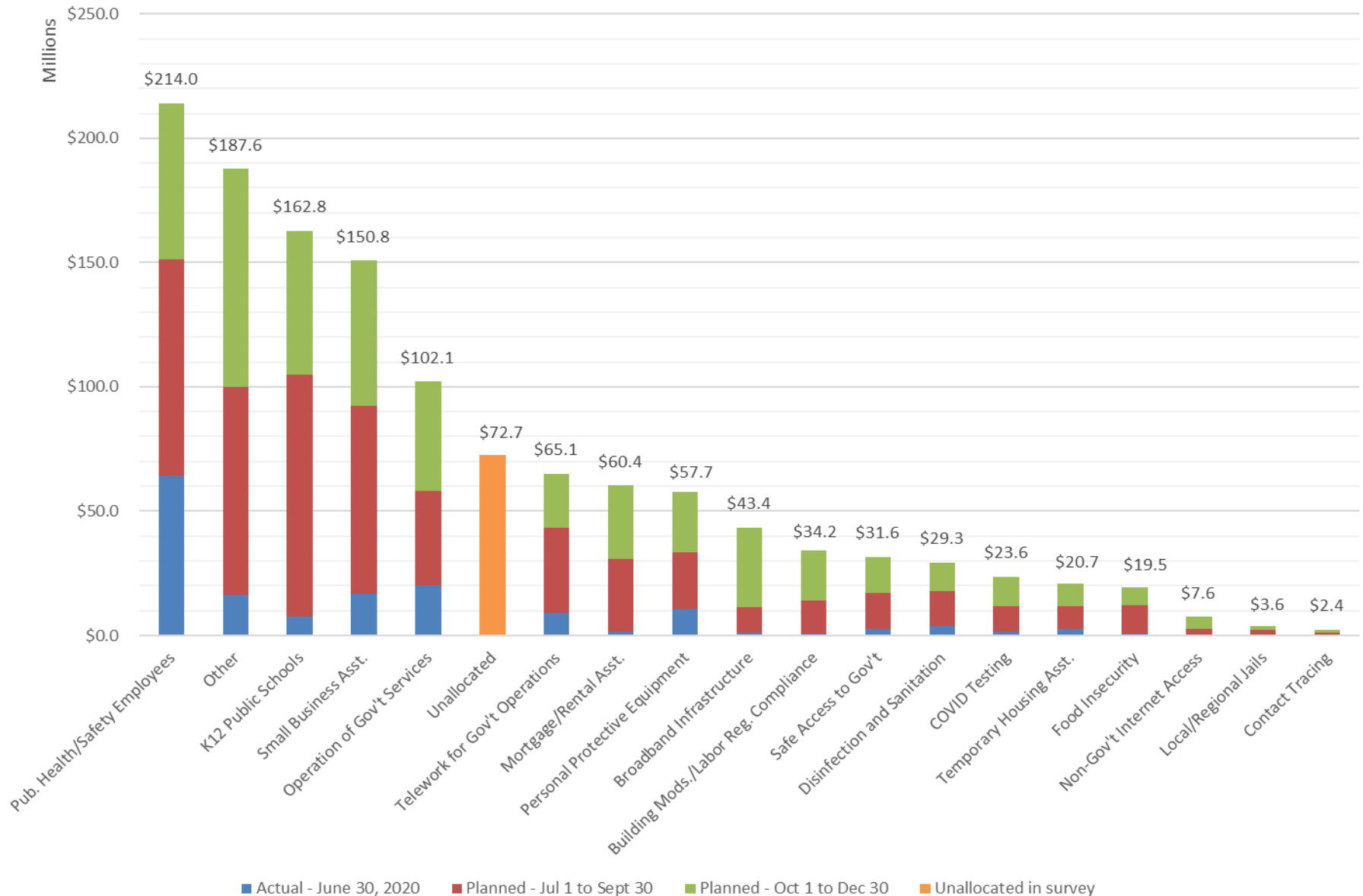
Commitments Currently Under Review:	Potential FY 2020 Obligation	Potential FY 2021 Obligation	Potential Total Obligated
VDEM - COVID-19 pandemic response	-	\$51,905,902	\$51,905,902
SCC / DHCD - payments to utilities for customer debt relief from conference report		\$120,000,000	\$120,000,000
DJJ - reimburse COVID-19 expenses for PPE, sanitization, medical overtime	-	\$322,427	\$322,427
DOC - reimburse COVID-19 expenses for PPE, sanitization, medical overtime	-	\$6,309,925	\$6,309,925
DVS - reimburse COVID-19 expenses for PPE, sanitization, medical overtime	-	\$59,719	\$59,719
VEC - unemployment assistance from conference report	-	\$210,000,000	\$210,000,000
DSBSD - small business assistance grants supplement from conference report	-	\$5,000,000	\$5,000,000
Elections - voter safety for November election - cleaning, personal protective equipment, additional pay for election day workers, drop boxes from conference report	-	\$10,000,000	\$10,000,000
DMAS - hospitals/health care providers from conference report	-	\$60,000,000	\$60,000,000
DMAS - retainer payments for Medicaid DD waiver day support providers from conference report	-	\$25,000,000	\$25,000,000
DSS - Virginia Federation of Food Banks - \$1.0 million per region from conference report	-	\$7,000,000	\$7,000,000
Statewide - state agencies telework, PPE/sanitizing, DOLI regulation compliance and other eligible operational cost increases from conference report	-	\$60,000,000	\$60,000,000
VDH - reimburse salaries for "public health employees"	-	\$7,948,800	\$7,948,800
DHCD - supplemental emergency housing for homeless from conference report	-	\$3,000,000	\$3,000,000
DBHDS - support for state facilities, central office, and CSBs	-	\$1,904,989	\$1,904,989
Subtotal, Commitments Under Review	-	\$568,451,762	\$568,451,762
Grand Total, Approved and Under Review Commitments	\$982,145,067	\$2,171,787,695	\$3,153,932,762
Balance Remaining To Commit			(\$44,429,926)

DPB Survey asked local governments 3 questions across 18 topics

- Actual spending as of June 30, 2020
- Planned spending from July 1, 2020, through September 30, 2020
- Planned spending from October 1, 2020, through December 30, 2020

Topics		
K12 Public Schools	Food Insecurity	Mortgage and Rental Assistance
Temporary Housing Assistance	Small Business Assistance	COVID Testing
Contact Tracing	Telework for Government Operations	Broadband Infrastructure
Non-Governmental Internet Access	Disinfection/Sanitation	Personal Protective Equipment
Safe Access to Government	Building Modifications/ Compliance with DOLI Regulations	Expenses for Public Health/Safety Employees – Presumption Clause
Local/Regional Jails	Operation of Government Services	Other

Actual and Planned CRF Spending Reported by Localities, by Time Period



101 localities allocated a total of \$187.6 million to 42 “Other” spending areas identified as:

SUMMARY OF CATEGORIES LOCALITIES INCLUDED UNDER “OTHER”		
<i>Substantially dedicated employee salaries/payroll costs</i>	<i>Public Health Leave costs</i>	<i>Not yet programmed/planned or approved by governing body</i>
<i>Contingency</i>	<i>Community/public awareness/education and signs</i>	<i>Unemployment payments/expenses</i>
<i>Public health measures</i>	<i>Funds for towns/911 centers/ service authorities/landfill</i>	<i>Equipment</i>
<i>Hiring temporary employees</i>	<i>Child care programs</i>	<i>Coronavirus tracking project</i>
<i>Utilities assistance programs</i>	<i>Community assistance</i>	<i>Workforce training</i>
<i>Nonprofit support</i>	<i>Redeployed employees</i>	<i>Tourism marketing/EDA</i>
<i>Miscellaneous</i>	<i>Medical supplies</i>	<i>Tourism safety</i>
<i>FEMA public assistance match</i>	<i>Audit costs/administration of the funds</i>	<i>Courts/Court proceedings</i>
<i>Elections support</i>	<i>Economic recovery</i>	<i>Workers compensation claims</i>
<i>Construction/renovation related costs</i>	<i>Legal, banking, and other related fees</i>	<i>Misc. public safety costs/ volunteer fire and EMS</i>
<i>Detention center</i>	<i>IT equipment and software</i>	<i>Regionally owned nursing facility</i>
<i>Tuition assistance</i>	<i>Living expense assistance through Social Services</i>	<i>EMS vehicle purchase</i>
<i>Uniforms</i>	<i>Supplies for pet center</i>	<i>Mental health trauma center assistance</i>
<i>Community assistance</i>	<i>Contractual fuel penalty</i>	<i>Promoting social distancing/ compliance with guidelines</i>

General Fund

Special Session Introduced Budget Changes (\$ Mil.)

	<u>FY 2021</u>	<u>FY 2022</u>
Prior Year and Additions to Balances	\$1,552.6	\$29.9
<i>Revised GF Forecast</i>	<i>(\$1,395.9)</i>	<i>(\$1,410.6)</i>
<i>Revert FY 2020 Unspent Agency Balances</i>	<i>\$247.1</i>	<i>\$30.4</i>
Proposed GF Resources	\$23,500.3	\$22,823.7
Savings Proposals		
Enhanced FMAP (DMAS and DSS)	\$336.8	\$0.0
K-12 Net Sales Tax Reduction	\$95.2	\$93.6
Convert Unallotments to Reductions	\$754.0	\$1,335.5
Spending Proposals		
Medicaid Continuation of Care	<i>(\$89.1)</i>	\$0.0
Mandatory Rainy Day Fund Deposit for FY 22	\$0.0	<i>(\$71.5)</i>
WQIF Part B Based on FY20 Agency Balances	\$0.0	<i>(\$30.4)</i>
New Policy Proposals	<i>(\$45.9)</i>	<i>(\$1.0)</i>
Total Savings and Spending Proposals	\$1,071.9	\$1,326.3
Proposed Appropriations	\$22,567.0	\$23,266.5
Ending Unappropriated Balance	\$933.3	\$490.5

Conference Committee Report

- **Additional GF biennial savings of about \$280 million**, primarily from reductions in Medicaid, FAMIS, and Children's Health Insurance rates, state health insurance premium holiday and reduced rates, and increased ABC profits.
- **Increased GF spending of about \$470 million**, including numerous health, human and mental health service initiatives, criminal justice reform related spending, and restoring an expansion of early childhood initiatives and the K12 at-risk add-on increase in the second year. The \$500 law enforcement bonus does not include police officers. Additional \$7.5 mil for HB 599 localities.
- **Leaves an unappropriated balance of \$303 mil**, but relies on previous year carryforwards and has a structural imbalance in spending above FY 2022 revenues.
- Authorizes \$97.8 mil from the GF for a bonus for state employees and state-supported local employees contingent on available final FY 2021 revenues. Also directs the Governor include a salary increase in his December introduced budget for K-12 instructional and support positions during the second year if sufficient revenue is projected.
- Provides \$95.2 million the first year from the COVID-19 Relief Fund (gray machine revenue), distributed to school divisions based on the net reduction of state funds in the introduced budget, and counted as local match payments for the SOQ.
- An increased revenue forecast for FY 2021 is likely for the 2021 Session, Medicaid spending seems stable, and \$1.1 billion in reserves are still available.

Examples of Unallotted State GF Spending Versus Special Session Re-allotments Important to Localities

	April Unallotments		Special Session Re-allotments	
	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2022</u>
K12 teacher and support staff salary increase (2% per year)	\$94,700,000	\$192,500,000	\$0	\$0
Maximize pre-kindergarten access for at-risk three- and four-year- old children	\$35,000,000	\$48,400,000	\$0	\$37,313,648
Increase support for at-risk students from 16% to 26% of Basic Aid	\$26,200,000	\$35,200,000	\$0	\$35,173,962
Cost of Competing Adjustment	\$9,600,000	\$10,000,000	\$0	\$0
Increased funding for the Virginia Housing Trust Fund	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000
Increase support for broadband deployment (VATI)	\$16,000,000	\$16,000,000	\$16,000,000	\$16,000,000
Provide funding for additional public defenders	\$3,798,726	\$5,698,089	\$949,682	\$5,698,089
Various Compensation Board staffing, salaries, technology	\$10,929,053	\$12,493,747	\$0	\$0
State Aid to Localities with Police Departments (HB599)	\$8,628,574	\$8,628,574	\$0	\$0
Continued implementation of STEP-VA behavioral health initiative	\$19,704,173	\$30,151,414	\$0	\$30,151,414
Increase permanent supportive housing capacity	\$8,500,000	\$17,000,000	\$3,000,000	\$17,000,000
Fund local Departments of Social Services prevention services	\$12,455,329	\$17,437,461	\$0	\$8,718,731
Adjust local DSS staff salaries to stabilize workforce	\$5,592,707	\$5,592,707	\$0	\$0
WQIF Supplemental deposits	\$3,800,000	\$25,400,000	\$3,840,000	\$0
Virginia Land Conservation Fund	\$5,500,000	\$5,500,000	\$5,500,000	\$5,500,000

Non-Criminal Justice/Non-HHS Special Session Amendments Adopted



	<u>FY 21</u>	<u>FY 22</u>	<u>Biennium</u>
Maintain Affordable Access to Higher Education	80,000,000	0	\$80,000,000
Restore Early Childhood Expansion	0	37,313,648	\$37,313,648
Restore At-Risk Add-On	0	35,173,962	\$35,173,962
Restore Funds for GMU and ODU Enrollment	0	14,000,000	\$14,000,000
Restore Funding for District Court Clerk Positions	1,424,522	7,596,300	\$9,020,822
Restore Expanded Access to School Meals	2,500,000	4,100,000	\$6,600,000
VCCS - Workforce Credential VAREady	2,000,000	0	\$2,000,000
Restore Online Virginia Network Funding	1,000,000	1,000,000	\$2,000,000
Aid to Local Libraries	1,000,000	0	\$1,000,000
Natural Bridge State Park	376,364	376,364	\$752,728
Green Pastures Recreation Area	342,678	209,509	\$552,187
Restore Funding for 19th District Judicial Position	161,719	323,437	\$485,156
SCHEV-Restore VIVA Funds	400,000	0	\$400,000
Restore Funding for Blue Ridge PBS	350,000	0	\$350,000
Mason Neck State Park	160,800	160,800	\$321,600
Finalize rate study for private day special education programs	250,000	0	\$250,000
Restore Funding for Emil and Grace Shihadeh Innovation Center	250,000	0	\$250,000
Women's Suffrage Memorial	250,000	0	\$250,000
Woodville School	<u>100,000</u>	<u>0</u>	<u>\$100,000</u>
Non-Criminal Justice or Health and Human Service Amendments	90,566,083	100,254,020	190,820,103

Health and Human Resource Amendments

	<u>FY 21</u>	<u>FY 22</u>	<u>Biennium</u>
Restore DD Waiver Provider Rates for Group Homes	\$10,697,611	\$22,037,077	\$32,734,688
Restore Funds for STEP-VA	\$0	\$30,151,414	\$30,151,414
Restore Funds for Permanent Supportive Housing	\$3,000,000	\$17,000,000	\$20,000,000
Restore Funds for Statewide Discharge Assistance Plans	\$7,500,000	\$10,000,000	\$17,500,000
Restore Funding for Medicaid Adult Dental Benefit	\$0	\$17,486,839	\$17,486,839
Restore Funding for Overtime for Personal Care Attendants	\$3,209,470	\$9,609,223	\$12,818,693
Extend \$20 a day nursing home payment	\$11,152,785	\$0	\$11,152,785
Restore Funds for Medicaid Behavioral Health Redesign	\$0	\$10,273,553	\$10,273,553
Restore Funds for Local Department of Social Services Prevention Services	\$0	\$8,718,731	\$8,718,731
Restore Funding for Psychiatric Residential Treatment Facility Rates	\$0	\$7,599,696	\$7,599,696
Restore Funding for Census Reduction Programs at State Psychiatric Hospitals	\$3,750,000	\$3,750,000	\$7,500,000
Restore Funding for Medicaid Nursing Facility Reimbursement	\$0	\$6,984,788	\$6,984,788
Restore Funds for the Virginia Mental Health Access Program	\$2,112,194	\$4,224,388	\$6,336,582
Restore Medicaid Rate Increase for Skilled and Private Duty Nursing	\$0	\$6,245,286	\$6,245,286
Restore Electronic Health Records System Funding	\$3,000,000	\$3,000,000	\$6,000,000
Restore Funding for 250 DD Waiver Slots	\$0	\$4,133,500	\$4,133,500
Restore Full Funding for Medicaid Graduate Medical Education Residency Slots	\$1,350,000	\$2,600,000	\$3,950,000
Restore DD Waiver Rates for Community Integration Services	\$0	\$3,748,853	\$3,748,853
Restore Funds to Eliminate 40 Qtr. Medicaid Eligibility Rule for Legal Immigrants	\$293,023	\$3,289,890	\$3,582,913
Restore Mental Health Provider Rates	\$0	\$2,458,279	\$2,458,279
Restore Funding for FAMIS MOMS' Postpartum Coverage to 12 months	\$278,734	\$2,116,376	\$2,395,110
Restore Funds for Increase in TANF Cash Assistance Payments	\$579,951	\$1,159,901	\$1,739,852
Restore Increase to PAPIS	\$500,000	\$1,000,000	\$1,500,000
Restore Funding for Grants to Recovery Residences	\$250,000	\$250,000	\$500,000
Restore Funds for Medicaid MCO Reimbursement Requirement for DME	\$0	\$352,534	\$352,534
Restore Funds for Medicaid Rate Setting Analysis	\$300,000	\$0	\$300,000
Restore Medicaid Rate Increase for Anesthesiologists	\$0	\$262,491	\$262,491
Subtotal Health and Human Service Amendments	\$47,973,768	\$178,452,819	\$226,426,587

Criminal Justice Reform-Related Budget Amendments

	<u>FY 21</u>	<u>FY 22</u>	<u>Biennium</u>
One-time \$500 Bonus for Law Enforcement Personnel	10,949,082	0	\$10,949,082
Local Police Department Funding	7,483,828	0	\$7,483,828
Restore Funding for Public Defender Positions	949,682	5,698,089	\$6,647,771
Body Worn Camera Grant Fund	6,459,095	113,790	\$6,572,885
Criminal justice reform legislation contingency	3,000,000	3,000,000	\$6,000,000
DOC Earned Sentence Credits	1,304,753	4,486,555	\$5,791,308
Restore Increase to Local Pretrial and Probation Funding	1,150,000	2,300,000	\$3,450,000
HB 5043/SB 5038: Grants to Establish Mental Health Alert Systems and Community Care Teams	0	3,000,000	\$3,000,000
HB 5148/SB 5034 - OAG Costs for Additional Positions	0	479,423	\$479,423
Fund Positions Related to Policing Reform Legislation	165,917	278,976	\$444,893
Restore Increase for Post Critical Incident Law Enforcement Grants	200,000	200,000	\$400,000
Restore Board of Local and Regional Jails Funding	170,125	226,832	\$396,957
SB 5024/HB 5072 - OAG Patterns and Practices Investigative Authority	114,709	229,418	\$344,127
Fund Positions Related to HB 5109, HB 5051, and SB 5030	0	254,191	\$254,191
HB 5051/SB 5030 - OAG Costs for DCJS Decertification Hearings	69,299	138,599	\$207,898
Fund Coordinator Position for HB 5043/SB 5038	61,203	122,405	\$183,608
HB 5043 / SB 5038: Staffing Costs for Mental Health Awareness Alert System	61,203	122,405	\$183,608
Fund Correctional Bed Space Impacts Related to Legislation	150,000		\$150,000
SB 5018 - Compassionate Release Position	<u>19,512</u>	<u>39,023</u>	<u>\$58,535</u>
Total Criminal Justice Reform Changes	32,308,408	20,689,706	52,998,114

Significant K12 Education Language Changes in the Conference Budget



- Language giving **time to assess impact of K-12 ADM losses** on school division budgets. Language will direct DOE to not adjust payments in January, allowing General Assembly to review scope of ADM changes during 2021 Session.
- Language permitting school divisions **more flexibility for textbook funding** during the current fiscal year funds to be used for remote learning or reopening costs incurred due to COVID-19 and removes local match requirement for FY 2021.
- Language requiring continued payment for services of private day schools provided to students with disabilities if such services are still required by the student's individualized education plans and the private school provides remote learning or telehealth services during the 2020-21 school year, **however the rates may be adjusted commensurate with the level of services being provided.**
- Redirects \$8.9 million in federal Governor's Education Emergency Relief funds to shorter term virtual learning needs that had previously been announced to be used to support longer-term internet access initiatives.

Other Significant Language Changes



- Language **extending the utility disconnection moratorium until 60 days after the end of declared state of emergency** or improved health situation. It also creates a **repayment plan for customers with accounts in arrears** and provides an “off-ramp” from the moratorium for utilities should accounts receivable arrearages exceed 1% - 2% of the utilities operating revenues in Virginia. Also, an allocation of \$120 million (Special Session appropriated \$100 mil.) of CRF funding is dedicated to pay down customer accounts in arrears.
- Language **outlining terms by which a landlord may evict a tenant for nonpayment**. There is also language using \$12.5 million in Housing Trust Fund dollars to extend Rent and Mortgage Relief program after the expiration of CRF.
- Language requiring the Governor to propose a plan for expenditure of any additional federal coronavirus aid funds made available in his December budget submission.
- **Strikes any solid waste tipping fee language.**

“Wild Cards” Will Continue to Drive Budget Uncertainty



- Continued high level of general fund revenue uncertainty, but **expect significantly improved general fund and transportation revenue forecasts in December** compared to August. It will be May/June tax filing before the full extent of the impact on state revenues is known. Full economic recovery depends on the end of the pandemic.
 - Current data indicates sales tax won't decline by 10% as forecast in August, an improvement for K-12 distributions, transportation, and local budgets.
- Additional needs related to COVID-19: testing, PPE, childcare, housing, broadband, utility disconnections, and K-12 reopening funds.
- Medicaid spending forecast not due until mid-November.
 - Additional budget pressure from higher caseloads are expected at some point because higher unemployment could be factored in caseload growth.
 - Unclear when utilization declines in medical services due to COVID-19 restrictions eventually reverse and return to normal levels.
- VEC projects by end of the year a record \$750.0 million deficit for Unemployment Insurance Trust Fund.
- Future congressional actions to provide additional federal stimulus funding or spending flexibility are unclear.

August 2020 General Fund Revenue Re-Forecast

		FY 20 Actual v. Forecast % GF ((\$M))	Ch. 1289 FY21 Growth	Revised FY21 Growth	Revised FY21 \$	Ch. 1289 FY22 Growth	Revised FY22 Growth	Revised FY22 \$
<i>Withholding</i>	59.6%	(\$213.8)	3.9%	2.4%	(\$413.8)	4.0%	4.6%	(\$335.4)
<i>Estimated Pay/Tax Dues</i>	17.0%	\$0.4	7.8%	-3.6%	(\$432.1)	5.0%	3.2%	(\$521.6)
<i>Refunds</i>	<u>-8.2%</u>	<u>\$145.7</u>	<u>4.2%</u>	<u>5.2%</u>	<u>\$135.0</u>	<u>3.8%</u>	<u>7.1%</u>	<u>\$75.0</u>
Net Individual Income	68.4%	(\$67.8)	4.8%	0.6%	(\$710.9)	4.2%	4.0%	(\$782.0)
Sales Taxes	16.5%	(\$137.7)	1.3%	-9.7%	(\$546.5)	1.6%	2.8%	(\$516.9)
Corporate Income	4.5%	(\$19.9)	-1.2%	3.0%	\$22.5	11.1%	9.7%	\$10.4
Recordation	2.2%	\$14.9	-17.2%	-12.6%	\$34.3	-8.0%	-7.0%	\$36.0
Insurance	1.6%	(\$33.5)	6.6%	-6.4%	(\$82.7)	4.0%	6.6%	(\$77.6)
All Other Revenues	<u>3.7%</u>	<u>\$9.7</u>	<u>-0.7%</u>	<u>-7.8%</u>	<u>(\$51.4)</u>	<u>0.3%</u>	<u>4.1%</u>	<u>(\$22.7)</u>
Total Revenue	96.9%	(\$234.2)	3.3%	-1.8%	(\$1,334.7)	3.7%	3.9%	(\$1,352.8)
ABC Profits	0.6%	\$12.7	0.2%	0.2%	\$0.0	2.9%	2.9%	\$0.0
Sales Tax (.375%)	1.8%	(\$15.6)	1.3%	-5.4%	(\$61.2)	1.6%	2.8%	(\$57.8)
Other Transfers	<u>0.7%</u>	<u>\$5.1</u>	<u>-33.2%</u>	<u>-33.2%</u>	<u>\$0.0</u>	<u>0.0%</u>	<u>0.0%</u>	<u>\$0.0</u>
Total Transfers	3.1%	\$2.2	-6.5%	-10.8%	(\$61.2)	1.6%	2.3%	(\$57.8)
Total GF Revenues	100.0%	(\$232.0)	3.0%	-2.0%	(\$1,395.9)	3.7%	3.9%	(\$1,410.6)

Fiscal Analytics November General Fund Revenue Forecast (\$ Mil.)

					FA v.			FA v.
			Revised	Revised	August	Revised	Revised	August
	% GF	FY 20 Actual	FY21	FY21	Interim	FY22	FY22	Interim
			Growth		FY21	Growth		FY22
<i>Withholding</i>	59.6%	\$13,378.1	2.0%	\$13,645.7	(\$58.5)	4.6%	\$14,273.4	(\$67.6)
<i>Estimated Pay/Tax Dues</i>	17.0%	\$3,804.5	3.0%	\$3,918.6	\$249.7	0.0%	\$3,918.6	\$133.7
<i>Refunds</i>	-8.2%	(\$1,830.9)	15.0%	(\$2,105.5)	(\$180.6)	0.0%	(\$2,105.5)	(\$43.1)
Net Individual Income	68.4%	\$15,351.7	0.7%	\$15,458.8	\$10.6	4.0%	\$16,086.5	\$23.0
Sales Taxes	16.5%	\$3,706.8	-2.0%	\$3,632.7	\$286.2	3.0%	\$3,741.6	\$302.9
Corporate Income	4.5%	\$1,011.7	20.0%	\$1,214.0	\$172.3	0.0%	\$1,214.0	\$71.0
Recordation	2.2%	\$483.5	25.0%	\$604.4	\$182.0	-20.0%	\$483.5	\$90.5
Insurance	1.6%	\$360.6	-5.0%	\$342.6	\$5.2	6.6%	\$365.2	\$5.7
All Other Revenues	3.7%	\$823.6	-5.0%	\$782.4	\$25.5	4.1%	\$814.5	\$26.7
Total Revenue	96.9%	\$21,737.9	1.4%	\$22,034.8	\$681.7	3.0%	\$22,705.3	\$519.8
ABC Profits	0.6%	\$137.5	7.0%	\$147.1	\$22.0	-5.0%	\$139.8	\$11.1
Sales Tax (.375%)	1.8%	\$406.0	2.0%	\$414.1	\$48.4	5.0%	\$434.8	\$58.9
Other Transfers	0.7%	\$160.4	-33.2%	\$107.1	\$3.3	0.0%	\$107.1	\$3.3
Total Transfers	3.1%	\$703.9	-5.0%	\$668.4	\$73.8	1.6%	\$681.7	\$73.3
Total GF Revenues	100.0%	\$22,441.8	1.2%	\$22,703.2	\$755.5	3.7%	\$23,387.1	\$593.2
<i>Biennium Total Increase from Special Session Forecast</i>								\$1,348.7

August Re-Forecast Expected State Transportation Revenues (CTF) to Take a Hit

	April	August	
	<u>FY 2021 Forecast</u>	<u>FY 2021 Forecast</u>	<u>Change</u>
Retail Sales (0.9%)	\$1,183.0	\$1,021.6	(\$161.4)
State Motor Fuels*	\$1,124.6	\$1,010.4	(\$114.2)
Motor Vehicle Sales Tax (4.15%)	\$1,038.9	\$929.9	(\$109.0)
Total CTF	\$3,954.5	\$3,553.7	(\$400.8)
	April	August	
	<u>FY 2022 Forecast</u>	<u>FY 2022 Forecast</u>	<u>Change</u>
Retail Sales (0.9%)	\$1,202.1	\$1,050.2	(\$151.9)
State Motor Fuels*	\$1,371.5	\$1,255.6	(\$115.9)
Motor Vehicle Sales Tax (4.15%)	\$1,062.1	\$981.0	(\$81.1)
Total CTF	\$4,263.5	\$3,914.6	(\$348.9)

Thru September CTF Revenues Better Than August Forecast

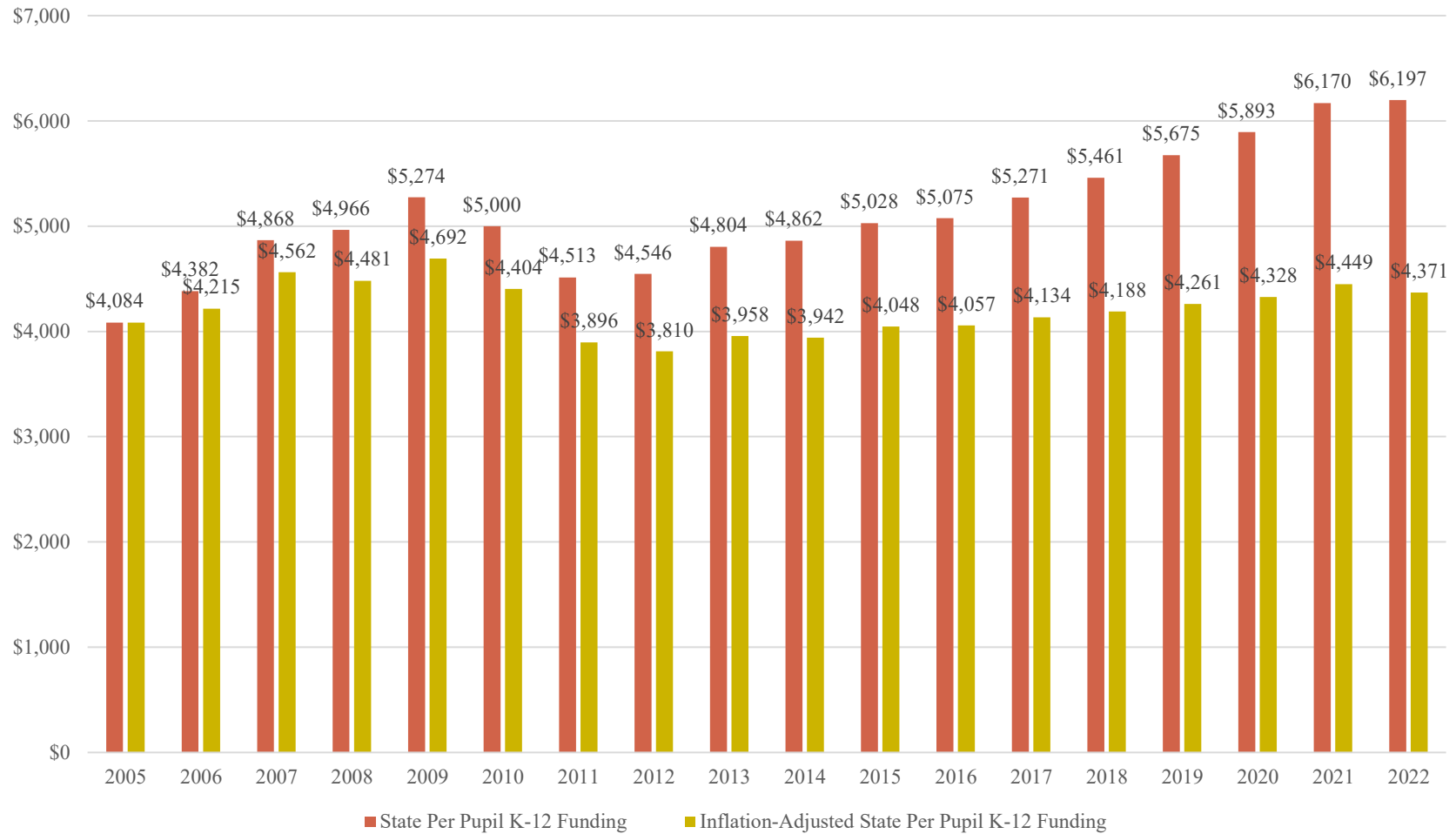
	<u>FY 20 Actual</u>	<u>FY 21 Forecast</u>	<u>% Growth</u>	<u>Sept. YTD Growth</u>
Retail Sales (0.9%)	\$1,123.4	\$1,021.6	-9.1%	10.9%
Motor Vehicle Sales Tax (4.15%)	\$993.3	\$929.9	-6.4%	-2.7%
State Motor Fuels*	\$843.3	\$1,010.4	16.6%	-8.1%
Motor Vehicle Licenses**	\$272.2	\$223.5	-17.9%	-5.3%
Insurance Premiums	\$183.6	\$181.4	-1.2%	3.9%
Int'l Registration Plan	\$70.4	\$73.7	4.7%	26.2%
Recordation	\$59.7	\$45.3	-24.1%	37.2%
Total State Transportation Revenues	\$3,606.3	\$3,553.7	-1.5%	2.3%
* 5 cent gas tax increase to 21.2c/gal. on 7/1/20				
** Vehicle registration fees reduced \$10 7/1/20				

Note: Special Session budget adopted language allowing the CTB to minimize impacts from reduced revenues by using uncommitted local revenue sharing and state of good repair funds to keep existing projects on track.

GF Appropriations Growth Since 2014

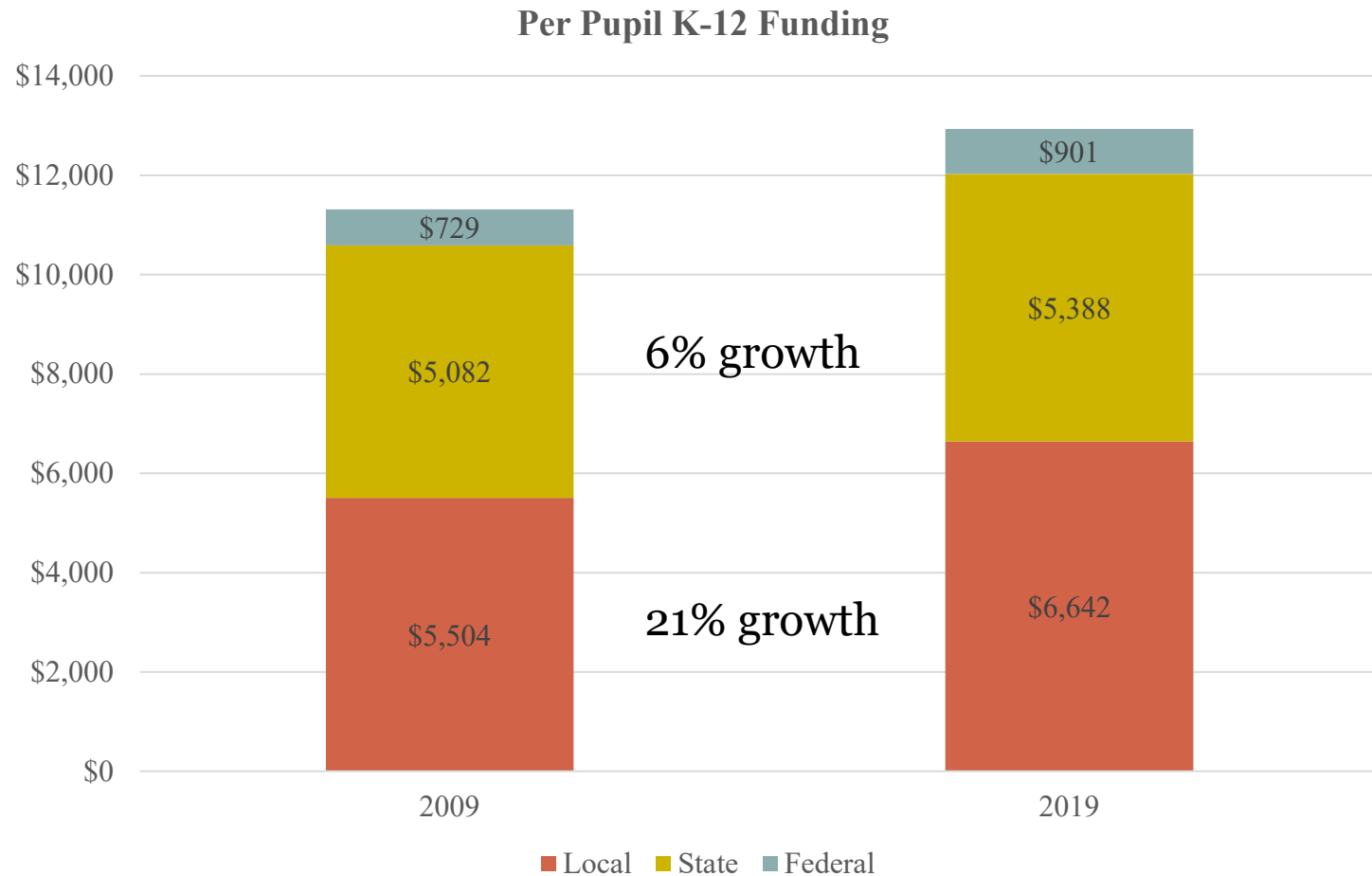
	<u>FY 2014</u>	<u>FY 2020</u>	<u>\$ Change</u>	<u>% Change</u>
Legislative and Executive	\$103.2	\$134.3	\$31.1	30.1%
Judicial Dept.	\$425.2	\$507.3	\$82.1	19.3%
Administration/Comp Board	\$654.1	\$740.0	\$85.9	13.1%
Treasury Board Debt Service	\$608.5	\$776.4	\$167.9	27.6%
Other Finance	\$171.8	\$182.0	\$10.2	5.9%
Rainy Day Fund Deposit	\$339.6	\$360.5	\$20.9	6.2%
Car Tax Reimbursement	\$950.0	\$950.0	\$0.0	0.0%
Commerce and Trade	\$183.3	\$302.3	\$119.0	64.9%
Agriculture / Nat. Resources	\$144.0	\$256.4	\$112.4	78.1%
K-12 Education/DOE	\$5,292.7	\$6,581.4	\$1,288.8	24.3%
Higher & Other Education	\$1,782.1	\$2,274.0	\$491.9	27.6%
DMAS Medicaid	\$3,519.8	\$4,988.7	\$1,468.9	41.7%
Other Health & Human Services	\$1,541.5	\$2,085.2	\$543.7	35.3%
Public Safety & Veterans/HS	\$1,699.0	\$2,072.3	\$373.3	22.0%
Transportation	\$42.0	\$41.0	-\$1.0	-2.4%
Central Appropriations	\$247.2	\$273.5	\$26.3	10.6%
Cash Reserve	\$0.0	\$222.8	\$222.8	NM
Independent Agencies/Capital	<u>\$1.2</u>	<u>\$3.2</u>	<u>\$2.0</u>	<u>166.7%</u>
Total GF Appropriations	\$17,705.2	\$22,751.3	\$5,046.1	28.5%

State Per Pupil K-12 Direct Aid Funding (Net of Unallotted)
FY22 Still \$321/Pupil Less Than FY 09 Inflation -Adjusted
Nominal and Inflation-Adjusted (CPI \$2005)



Source: https://www.doe.virginia.gov/school_finance/budget/calc_tools/index.shtml

Local K-12 Operations Funding Grew Much Faster Than State Operations Funding from FY 2009-19



Source: DOE Superintendents Annual Reports

http://www.doe.virginia.gov/statistics_reports/supts_annual_report/index.shtml

All School Divisions Exceeded Their Required Local Effort in FY 2019

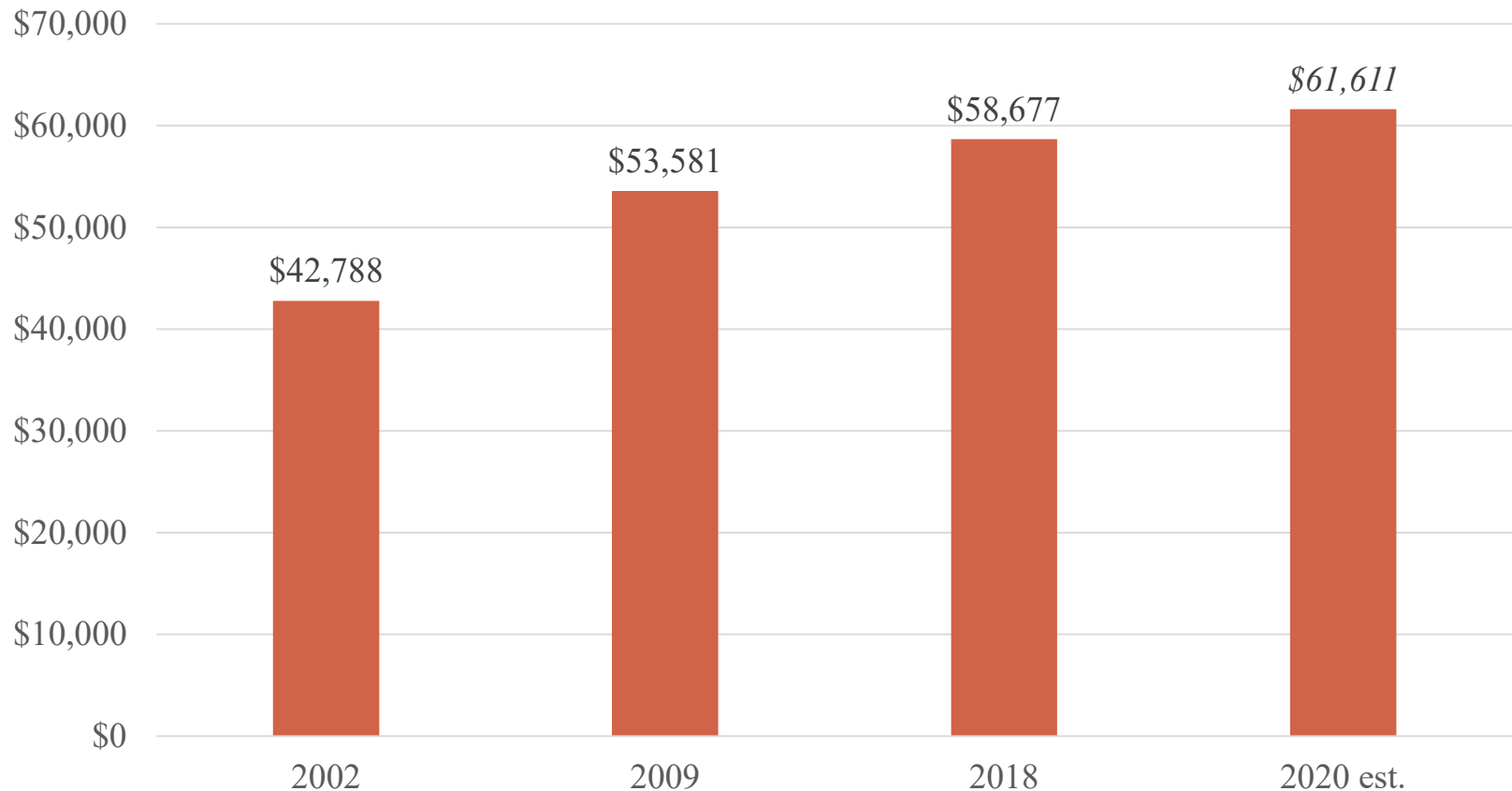
<u>Amount Above RLE</u>	<u># School Districts Exceeding RLE in FY 2019</u>
0 - 25%	18
25 - 75%	43
75 - 100%	28
Over 100%	46

Note: Local operating expenditures above RLE equaled \$4.3 billion in FY 2019

Source: <https://rga.lis.virginia.gov/Published/2020/RD41/PDF>

Virginia Instructional Pay Increases Have Slowed Considerably Since 2009

Average Salary - All Instructional Positions *



Source: Superintendent's Annual Report.

*All instructional positions include classroom teachers, guidance counselors, librarians, principals, and assistant principals.

State-Funding for Teacher Salary Increases Lags Inflation (2% Salary Increases in FY 21 and FY 22 Unallotted)

Fiscal Year	State-Funded Salary % <u>Increase</u>	State Salary Increase Compound Growth	Compound <u>CPI Growth</u>
2009	0.0%	0.0%	1.4%
2010	2.0%	2.0%	2.4%
2011	0.0%	2.0%	4.5%
2012	0.0%	2.0%	7.5%
2013	0.0%	2.0%	9.3%
2014	2.0%	4.0%	11.1%
2015	0.0%	4.0%	11.8%
2016	1.5%	5.6%	12.6%
2017	0.0%	5.6%	14.8%
2018	2.0%	7.7%	17.3%
2019	0.0%	7.7%	19.8%
2020	5.0%	13.1%	22.4%
2021	0.0%	13.1%	24.6%
2022	0.0%	13.1%	27.3%

FY 2021 ADM May Decline by 3% or More SOQ Is Funded on a Per Pupil Basis

	March 31 ADM Count	
	<u>Statewide</u>	<u>% Increase</u>
2009	1,195,844	
2010	1,204,422	0.7%
2011	1,209,568	0.4%
2012	1,215,363	0.5%
2013	1,222,545	0.6%
2014	1,229,317	0.6%
2015	1,258,833	2.4%
2016	1,240,093	-1.5%
2017	1,243,921	0.3%
2018	1,246,931	0.2%
2019	1,245,029	-0.2%
2020	1,250,770	0.5%
<i>Increase Since 2009</i>	54,926	4.6%

Note: It is expected that the Sept. 30 ADM count will be available Nov. 15

Other Critical County Needs



- Additional Broadband support
- Support for mandates previously enacted or under consideration in 2021 (examples: criminal justice reform; behavioral health crisis response system; expansions of voting options; mental and physical health care standards for jails)
- K-12 – reopening support/assistance; school capital needs
- Economic development assistance to support short-term recovery, and position localities for success post-pandemic
- Support for human services system to assist with current and expected increases in needs for safety net and behavioral health services
- Staffing for Constitutional offices (to reduce pressure on local budgets where localities have stepped in to fund additional positions/salary supplements)