Governor Northam’s Outgoing Budget Includes Significant Resources for Local Priorities

Governor Northam presented his final budget proposals to the General Assembly’s “money committees” on December 16. VACo’s December 17 County Connections article, which provided an overview of major spending items in the Governor’s budget and a summary of presentations by Secretary of Finance K. Joseph Flores and Department of Planning and Budget Director Daniel S. Timberlake, may be found at this link.

A strong performance by state revenues in FY 2021 and the expectation of continued economic recovery in the coming years enabled the deployment of significant resources in the proposed “caboose” and biennium budgets (the “caboose” budget includes
appropriations for the remainder of the current fiscal year). Following is VACo’s analysis of key items in the Governor’s budget proposals of interest to local governments. In addition, VACo members may wish to consult the Superintendent of Public Instruction’s December 17 memorandum, which includes detailed information about the Governor’s K-12 proposals (as well as links to spreadsheets that assist in calculating projected state payments to school divisions). That memorandum is available at this link. An overview of Compensation Board-related funding proposals is available in a memorandum from the Executive Secretary of the Compensation Board, which may be found at this link.

**K-12 Education**

- Provides $500 million in FY 2023 for school construction and modernization in the form of one-time grants to school divisions for nonrecurring costs, including school construction, additions, renovations, and technology costs. VACo supports this funding.
- Increases school construction loans from the Literary Fund by implementing recommendations of the Department of Education and the Department of the Treasury to make Literary Fund construction loans more competitive and attractive to school divisions as a viable source for funding school construction projects. Replaces Literary Fund dollars in FY 2022 and in both years of the biennium that would otherwise have supported teacher retirement contributions with General Fund dollars, thus enabling the Board of Education to offer up to $200 million in FY 2023 and up to $200 million in FY 2024 from the Literary Fund in school construction loans or interest rate subsidy grants, subject to the availability of funds. VACo supports these recommendations.
- Appropriates $331.6 million in General Funds (GF) over the biennium for Standards of Quality rebenchmarking. Provides an additional $354.5 million to hold school divisions harmless for rebenchmarking data that was affected by pandemic-related school closures. VACo is appreciative that rebenchmarking takes into account the unusual nature of K-12 costs during the pandemic.
- Adjusts funding to reflect an increase in the estimate of Lottery proceeds to support K-12 Public Education from $690.9 million non-General Funds in the base budget to $764.7 million in FY 2023 and $764.7 million in FY 2024.
- Provides $268.5 million over the biennium as support for educationally at-risk students by increasing the At-Risk Add-On program maximum add-on percentages from 26 percent to 49.5 percent in FY 2023 and from 26 percent to 36 percent in FY 2024.
- Provides $31.5 million GF in each year of the biennium to expand the Early Reading Intervention program to support additional instruction for students in grades four and five.
• Provides $10.3 million GF in FY 2023 and $15.8 million GF in FY 2024 to update the cost of the English as a Second Language Standards of Quality program to reflect the number of students with limited English proficiency reported by local school divisions.

• Provides $9.7 million GF in FY 2023 and $10.5 million GF in FY 2024 to support additional instructional positions for English language learners under the English as a Second Language program based on 22 instructional positions per 1,000 students for whom English is a second language. Current funding is based on a staffing ratio of 20 positions per 1,000 students. This would require additional local funding share for school divisions not currently staffing at the new standard ratio.

• Provides $10 million GF in FY 2023 to establish a one-time competitive grant Community Schools Fund for initiatives that provide a framework for integrated student supports, expanded and enriched learning time and opportunities.

• Provides $3.5 million GF in FY 2023 and $3.6 million GF in FY 2024 to provide additional funding to adjust Standards of Quality salary costs for instructional and support positions in Accomack County and Northampton County school divisions to account for Cost of Competing Adjustments.

• Adds language in the caboose budget that waives the requirements that school divisions meet required local effort and required local match in FY 2021. Divisions that did not meet required local effort and required local match in FY 2021 will not need to return funds pursuant to provisions in the Code of Virginia and state appropriation act.

• Adds language in the caboose budget that requires VDOE to account for one-time events that artificially inflated projected data in the calculation of FY 2022 No Loss payments.

• Reduces by $164.3 million GF in each year of the biennium for the No Loss program. This funding was maintained in the budget during the biennial rebenchmarking process due to uncertainty related to 2021 fall membership. This action does not affect distributions to school divisions.

Compensation

• Provides $751 million GF over the biennium to increase salaries for funded Standards of Quality instructional and support positions by 5 percent in each year of the biennium. As has been the case with previous pay raise incentives from the state, local funds will need to be provided to access the state share of these increases. The estimated local share of this compensation supplement would be $198.7 million in FY 2023 and $409.9 million in FY 2024. These figures are only for instructional and support positions recognized under the
Standards of Quality, and as such, the local share of costs for providing a compensation supplement to all actual K-12 employees would be higher.

- Provides $806.8 million GF over the biennium to increase salaries for state employees and state-supported local employees by 5 percent in each year of the biennium.
- Funds a compensation plan for sworn positions in the Virginia State Police with $48.4 million GF over the biennium; the plan addresses pay compression and increases the starting salary for newly-hired troopers from $47,843 to $51,500.
- Funds a compensation plan for the Department of Corrections with $85.2 million GF over the biennium; the plan addresses pay compression and increases the starting salary for correctional officers from $35,064 to $44,000.
- Provides approximately $74 million over the biennium to increase the entry-level salary of sworn deputy sheriffs and regional jail officers to $42,000.
- Provides $15.6 million GF over the biennium to provide compression adjustments for sworn deputy sheriffs and regional jail officers of $100 per year of service for incumbents that have served in a Compensation Board-funded position for a minimum of three years of service, up to a maximum of 30 years of service.
- Funds salary increases for direct care staff at state behavioral health facilities with $71.5 million GF in FY 2024. Provides $1.1 million GF and $7.8 million in Non-General Funds (NGF, Medicaid funds in this instance) in FY 2024 for salary increases for direct care staff in state training centers; provides direct care salary increases at the Virginia Center for Behavioral Rehabilitation in 2024 with $7.5 million GF. Salary increases in FY 2023 are funded through American Rescue Plan Act (ARPA) Fiscal Recovery Funds.

**Judiciary/Public Safety**

- Provides $7.8 million GF per year to support additional staffing in general district court clerks’ offices.
- Provides $3.9 million GF in FY 2023 and $4.1 million GF in FY 2024 to implement the Office of the Executive Secretary of the Supreme Court’s magistrate retention plan; directs the Executive Secretary to report on the allocation of these funds and their effectiveness at addressing workforce challenges by October 15, 2023.
- Provides $298,766 GF in FY 2023 and $356,782 GF in FY 2024 to the Department of Corrections for Medicaid enrollment outreach to state-responsible inmates in local and regional jails and offenders under community supervision.
- Provides $1.5 million GF in FY 2024 to continue support for Marcus Alert implementation at the Department of Criminal Justice Services (funding is provided through ARPA Fiscal Recovery Funds in FY 2023).
• Provides $1 million GF per year for pre-release and post-incarceration services.
• Provides support for ongoing COVID-19 response efforts at the Virginia Department of Emergency Management ($418,121 GF in FY 2024; supported by ARPA Fiscal Recovery Funds in FY 2023).
• Provides $11.8 million GF in FY 2023 and $21.7 million GF in FY 2024 for the Virginia Cannabis Control Authority.
• Level-funds aid to localities with police departments (“HB 599”) rather than increasing with the growth in the state General Fund.
• Provides level funding of $2.5 million GF each year for the Emergency Shelter Upgrade Assistance Fund, which aids local governments in proactively preparing for emergency sheltering situations.

**Administration - Constitutional Officers**

• Provides $18 million GF in FY 2023 and $19.7 million GF in FY 2024 for new behavioral health case manager positions and the state’s share of medical and treatment positions that are currently unfunded. These positions are intended to assist with compliance with new behavioral health care standards under consideration by the Board of Local and Regional Jails. VACo advocated for the inclusion of this funding as an important first step in assisting local and regional jails to comply with the proposed standards.
• Provides approximately $978,000 GF per year for Circuit Court Clerks’ operating budgets and eliminates language that transferred Technology Trust Fund dollars to backfill previous budget reductions.
• Provides approximately $786,000 GF in FY 2023 and $857,000 GF in FY 2024 to fund participation in career development programs for all qualified Constitutional officers and employees as identified in the FY 2022 budget cycle.
• Reduces per diem appropriations by $21.4 million over the biennium based on revised inmate population forecasts.

**Administration - Elections**

• Provides $5.9 million GF in FY 2024 to reimburse localities for costs associated with the Presidential primary.

**Agriculture and Forestry**

• Provides approximately $2.9 million over the biennium to support the Agriculture and Forestry Industries Development Fund (including a staff position as well as additional grant funding).
• Provides $2.5 million GF per year for the Virginia Farmland Preservation Fund; directs $1 million per year of these funds to a pilot program to assist historically underserved landowners in the resolution of heirs property issues.
• Provides $3 million GF per year for grant funding to localities to support tree planting and maintenance as part of the Chesapeake Bay Watershed Implementation Plan.

• Provides $600,000 each year of the biennium for the Virginia Agriculture Food Assistance Fund, which awards grants to assist Virginia farmers and food producers with donating, selling, or otherwise providing agriculture products to Virginia’s charitable food assistance organizations. This appropriation provides level funding relative to FY 2022.

**Economic Development/Workforce**

• Provides $150 million GF in FY 2022 for the Virginia Business-Ready Sites Program, which supports efforts to characterize, inventory, and develop economic sites in the Commonwealth.

• Provides $5 million GF for the Community Development Financial Institutions Fund in FY 2023; this fund provides grants to community development financial institutions (CDFIs), community development enterprises (CDE), or other such similar entities whose primary purpose is to provide financing in the form of loans, grants or forgivable loans to small businesses or community revitalization real estate projects.

• Provides $3.7 million GF per year for the Enterprise Zone program.

• Provides $3 million GF per year to capitalize the Regional Innovation Fund, which may be used to provide sustaining funding to promising entrepreneurial ecosystem projects identified by the GO Virginia Board.

• Provides $24 million GF in FY 2023 and $14 million GF in FY 2024 for G3 Innovation Grants; the Virginia Community College System is directed to award grants to community colleges in order to increase their capacity to meet regional labor market needs, expand access to G3 programs, and pilot accelerated learning models.

**Broadband**

• Provides $99.5 million in General Fund dollars over the biennium, in addition to the more than $700 million previously appropriated in American Rescue Plan Act funding in FY 2022, to expand broadband infrastructure through the Virginia Telecommunication Initiative (VATI).

• Ends the pilot program implemented in FY 2022 in which public broadband authorities may apply directly for VATI funds without a private sector partner. VACo has historically requested greater flexibility in public providers’ access to VATI funding.
**Housing and Community Development**

- Deposits $70 million GF in FY 2023 and $120 million GF in FY 2024 into the Housing Trust Fund (for a total of $125 million in FY 2023 and $175 million in FY 2024 when combined with previous appropriation levels).
- Maintains $3.3 million each year of the biennium for the Eviction Prevention and Diversion Pilot Program, which supports local or regional eviction and diversion programs that utilize a systems approach with linkages to local departments of social services and legal aid resources. This appropriation provides level funding relative to FY 2022.
- Maintains $1.6 million in each year of the biennium in funding to the Southeast Rural Community Assistance Project (SERCAP) for operating costs and water and wastewater grants.

**Child Care/Early Childhood**

- Provides $13.7 million GF in each year of the biennium to rebenchmark the Virginia Preschool Initiative per pupil amount in a manner similar to the rebenchmarking formula for K-12.
- Provides $6.1 million GF in FY 2023 and $13.4 million GF in FY 2024 to expand access to Virginia Preschool Initiative for three-year-old children on a competitive basis and subject to available appropriation.
- Provides $5 million GF each year of the biennium to increase the number of recipients and the individual award amounts for the Early Childhood Educator Incentive grant program.
- Provides $2 million GF in FY 2023 and $4.7 million GF in FY 2024 to expand the Mixed Delivery grant program to serve additional at-risk three- and four- year-old children, and to establish a pilot for up to 200 infant and toddler slots each year.
- Provides $1,027,000 in each year of the biennium to fully implement the pre-kindergarten version of the Virginia Kindergarten Readiness Program (VKRP) for four-year-old children enrolled in publicly-funded pre-kindergarten programs, and to pilot the use and development of VKRP for three-year-old children enrolled in publicly-funded pre-kindergarten programs.
- Provides temporary authorization of expanded allowances under the Child Care Subsidy Program in an effort to increase participation in the program among families and child care providers.
- Provides $1,050,000 in each of year of the biennium to establish a “grow-your-own” early childhood educator program.
HHR – Adult and Aging Services

- Funds five regional positions to support additional oversight of adult protective services being provided by local departments of social services ($599,207 GF per year).
- Provides $2.7 million GF in FY 2023 and $2.6 million GF in FY 2024 to fund additional public guardianship slots.

HHR – Children’s Services Act

- Provides $50,000 GF per year in additional training funds.
- Eliminates current budget language that requires the Office of Children’s Services to pursue claims via the Office of the Attorney General (upon the request of the local community policy management team) against parents or legal guardians who do not pay agreed-upon sums pursuant to agreements for services.

HHR- Health

- Provides $482,400 GF in FY 2022 to reallocate state matching dollars for Drinking Water State Revolving Fund projects.
- Provides $2.8 million GF in FY 2023 and $5.7 million GF in FY 2024 to fund the remaining two years of the three-year phase-in of changes to local match rates pursuant to budget language and legislation enacted in 2021.
- Provides $1.1 million GF in FY 2023 and $1.7 million GF in FY 2024 for additional comprehensive harm reduction programs.
- Provides $1 million GF per year to consolidate small community waterworks.
- Includes $878,435 GF/$650,411 NGF in FY 2023 and $892,559 GF/$661,967 NGF in FY 2024 for rent increases for local health departments.
- Funds the Chesapeake Bay Septic pilot program with $1 million GF per year; the program will provide oversight of the septic tank pump-out and inspection programs in the Eastern Shore, Middle Peninsula, and Northern Neck regions.
- Provides $800,00 GF in FY 2023 and $300,000 GF in FY 2024 for the Virginia Health Workforce Development Authority. The first year funding includes $500,000 for a workgroup to study primary care workforce issues and potential solutions, including loan forgiveness programs.
- Replaces $1 million in Temporary Assistance to Needy Families (TANF) funding with a like amount of GF in order to continue support for the Resource Mothers program, which assists pregnant and parenting teens with care coordination and home visiting.
**HHR – Behavioral Health**

- Provides $2 million GF in FY 2022 for the operations of crisis assessment centers that have converted into crisis receiving center (which offer a broader array of services).
- Provides $4.2 million GF in FY 2022 for overtime costs at state hospitals.
- Uses $9 million GF in FY 2022 in one-time funds to continue temporary staffing contracts to address staffing shortages at state behavioral health facilities.
- Provides $3 million GF in FY 2023 for a contract with the Virginia Health Care Foundation for a pilot project to remove barriers to the mental health workforce, including the payment of supervision costs for individuals seeking degrees in social work or counseling.
- Provides $1.9 million GF per year for the remaining costs of the contract for alternative transportation of individuals under a Temporary Detention Order to ensure 24/7 coverage statewide.
- Directs the Department of Behavioral Health and Developmental Services, in consultation with affected stakeholders, to create a plan to provide alternative custody options for individuals under temporary detention orders to reduce the length of time law enforcement is involved and improve patient outcomes. The plan is due by September 1, 2022. Sets aside $3.4 million GF in FY 2024 to implement the plan’s recommendations.
- Provides $1 million GF per year to expand a pilot program providing transportation for individuals returning from state facilities to their homes.
- Provides $3.7 million GF in FY 2023 and $3.3 million GF in FY 2024 for discharge assistance planning (funding in the first year includes the costs of a contract to study and implement rates for services provided with these funds, as well as the costs of information technology for tracking these funds).
- Provides $1 million GF per year for regional dementia behavioral specialists to provide training and consultative services and support.
- Provides $1.65 million GF in FY 2024 to continue a pilot program for individuals with dementia who may otherwise be admitted to a state facility (the pilot program is funded through American Rescue Plan Act State Fiscal Recovery Fund dollars in FY 2023).
- Provides $2.9 million GF per year to support the Virginia Mental Health Access Program, which expands access to mental health services for children.
- Provides $11.25 million GF in FY 2023 and $19.1 million GF in FY 2024 for permanent supportive housing ($2.5 million per year of this funding is set aside for individuals with serious mental illness residing in Northern Virginia).
- Provides $1.7 million GF in FY 2023 and $1.8 million GF in FY 2024 for additional permanent supportive housing for pregnant/parenting women with substance use disorders.
• Provides $1.1 million GF in FY 2023 and $2.7 million GF in FY 2024 for the state rental assistance program for individuals with intellectual or developmental disabilities.

• Provides $2 million GF in FY 2023 and $22 million GF in FY 2024 for crisis services, including support for the expansion of Crisis Intervention Team Assessment Centers or Crisis Stabilization Units into 23-hour crisis receiving or observation centers. $20 million in ARPA Fiscal Recovery Funds supports these efforts in FY 2023.

• Appropriates $1.7 million per year from the Crisis Call Center Fund (generated by a surcharge on wireless service charges enacted in 2021) for costs associated with the establishment and operation of the 988 Crisis Call Center. In addition to serving as the National Suicide Prevention Lifeline (988 will be the new federally-designated number to reach these resources, effective in July 2022), the call center is envisioned to be a key element of the Marcus Alert system for resolution of low-acuity calls for service and an avenue for access to behavioral health supports in times of crisis.

• Provides $3 million GF per year to continue the phased implementation of the Marcus Alert system (each local or regional implementation area will receive $600,000 per year).

• Funds the remaining three services in STEP-VA, as well as funds for local infrastructure and regional management ($22.2 million GF in FY 2023 and $28.3 million GF in FY 2024 and $4.7 million NGF in FY 2023 and $7.5 million NGF in FY 2024 from 988 call center funding).

• Provides $650,000 GF per year to expand and provide additional support to existing mental health dockets.

• Funds a comprehensive study of the state and local behavioral health care systems with $1 million GF in FY 2023. Sets aside $100 million in FY 2024 to fund the study’s recommendations.

• Provides $5 million GF in FY 2024 for substance use disorder-specific training of the intellectual disability and developmental disability provider workforce, the development and implementation of substance use disorder services specific to transition-age youth (up to age 25), and additional substance use disorder services related to the COVID-19 pandemic. Funding in the first year is provided through American Rescue Plan Act State Fiscal Recovery Fund dollars.

• Provides $2.2 million GF per year for grants to members of the Virginia Association of Recovery Residences.
**HHR – Medicaid**
- Funds a total of 1200 additional Medicaid waiver slots over the biennium for individuals with developmental disabilities ($13 million GF/$13 million NGF in FY 2023 and $26 million GF/$26 million NGF in FY 2024).
- Provides $1.1 million GF/$12.5 million NGF in FY 2023 and $1.4 million GF/$18 million NGF in FY 2024 for care coordination services for Medicaid-eligible individuals 30 days prior to their release from incarceration.

**HHR – Social Services**
- Increases the auxiliary grant rate from $1562 to $1609 per month in the caboose budget, effective January 1, 2022. Localities pay a 20 percent match for the auxiliary grant.
- Funds a pilot program for the Office of New Americans to award grants to immigrant- and refugee-serving organizations ($4 million GF per year).
- Directs the creation of a workgroup on TANF block grant spending to recommend changes necessary to ensure annual structural balance in state TANF spending.
- Provides $3.5 million GF and $7.1 million GF (with matching amounts of NGF each year) to develop an updated child welfare information system to meet federal requirements.
- Provides $2.6 million GF/$12.3 million NGF in FY 2023 and $8.5 million GF/$23.5 million NGF in FY 2024 to replace the Virginia Case Management System.
- Directs the Department of Social Services to establish an interagency task force to ensure state-level support for local criminal justice diversion initiatives.
- Provides $400,000 GF/$3.6 million NGF in FY 2023 and $831,410 GF/$4 million NGF in FY 2024 to fund implementation of the Family First Prevention Services Act, including fidelity monitoring and evaluation of evidence-based prevention services.

**Labor**
- Includes language providing that the Virginia Employment Commission is to compute employer tax rates by excluding pandemic-related claim activity; tax rates for any employer may be less than, but shall not exceed, the established rate for that employer for calendar year 2021.

**Natural and Historic Resources**
- Appropriates $313 million GF for a mandatory deposit to the Water Quality Improvement Fund in FY 2023.
• Deposits $20 million GF in FY 2023 for the Dam Safety, Flood Prevention and Protection Assistance Fund.
• Provides $10 million GF in FY 2023 for the Virginia Land Conservation Fund.
• Makes an additional deposit to the Virginia Natural Resources Commitment Fund of $26.5 million GF in FY 2024 for matching grants for agricultural best management practices.
• Provides $8.1 million GF in FY 2023 and $9.5 million GF in FY 2024 to meet anticipated matching requirements for additional federal funding for the Virginia Clean Water Revolving Loan Fund in the Infrastructure Investment and Jobs Act.
• Provides $5 million GF per year for the Black, Indigenous, and People of Color Preservation Fund to preserve tribal lands and historic and archaeological sites of significance, contingent on the passage of legislation to be considered by the 2022 General Assembly.
• Provides $100 million GF for the Stormwater Local Assistance Fund in FY 2023.
• Maintains FY 2022 levels of support by providing approximately $7.59 million each year of the biennium to Virginia Soil and Water Conservation Districts for administrative and operational support and $4.55 million each year to Virginia Soil and Water Conservation Districts for technical assistance.
• Maintains FY 2022 levels of support by providing $250,000 GF each year of the biennium for competitive grants to provide Chesapeake Bay watershed educational experiences.
• Maintains FY 2022 levels of support by providing $200,000 GF each year for technical assistance via the Shoreline Erosion Advisory Services.
• Retains language directing the Director of the Department of Environmental Quality (DEQ) to convene a working group for the purpose of developing an annual or project-based fee schedule for the review of erosion and sediment plans related to solar energy project applications. The working group shall include representatives of 1) private sector companies that own or operate solar energy facilities, 2) local governments that permit solar facilities, and 3) other relevant stakeholders.

**Transportation**

• Provides $207.2 million in General Funds in FY 2023 to support the planning, development, and construction of multi-use trails in the Commonwealth to include the Fall Line Trail in central Virginia, the Shenandoah Valley Rail-Trail, and the Eastern Shore Rail Trail.
• Provides $30 million in additional funds to the Revenue Sharing Program in FY 2022.
• Provides $197.3 million in FY 2023 and $208.1 million in FY 2024 to the Revenue Sharing Program. This increases funding in each year by approximately
$100 million, which could be used to expedite restoration of revenue sharing funds delayed by the General Assembly and Commonwealth Transportation Board (CTB) in order to respond to the pandemic. Such action would still require CTB approval. VACo supports this funding and action.

- Language in both the caboose and biennium budgets directs the CTB to develop a plan for the allocation of funds made available through a bridge replacement, rehabilitation, preservation, protection, and construction program established pursuant to the Infrastructure Investment and Jobs Act.
- Language in both the caboose and biennium budgets directs the CTB to develop a plan for the use of funds made available through the National Electric Vehicle Formula Program established by the Infrastructure Investment and Jobs Act by the deadline established by the United States Secretary of Transportation. The plan shall consider designated national electric vehicle charging corridors, opportunities to partner with private parties, and other factors included in federal guidance for such program.
- Provides $4 million in General Funds over the biennium to support grants to be used to assist companies that locate a new operation or expand an existing operation within the Commonwealth of Virginia in order to encourage and facilitate the growth of The Port of Virginia.
- Adds language in both the caboose and biennium budgets specifying that bus manufacturers that offer to sell, display, or permit the display of sale of transit buses in Virginia are not required to obtain a manufacturers’ and dealers’ license from the Virginia Department of Motor Vehicles. This allows Virginia to utilize the Federal Transit Administration’s bus procurement program. VACo supports this language.

**Veterans and Defense Affairs**

- Provides $10 million GF in FY 2023 to fund the State Military Community Infrastructure Program in accordance with legislation to be considered by the 2022 General Assembly; these grant funds are intended to serve as a local match for military communities to pursue Department of Defense grants to support infrastructure resilience projects in military installations and to enhance military readiness.
- Provides $5 million GF per year for a suicide and opiate prevention and intervention program for veterans.
- Provides $150,000 GF per year for the National Guard to conduct cybersecurity audits for local governments and state agencies.
**Tax Policy Changes**

- Eliminates the state portion of the sales tax on groceries, effective January 1, 2023. Includes $158 million GF over the biennium as a one-time payment to hold school divisions harmless for the portion of this funding that would be distributed based on school-age population.
- Directs the Department of Taxation to study and develop a proposal to require that all individuals who conduct local property tax assessments receive state certification and ongoing recertification.
- Includes language in the caboose and biennium budgets allowing a one-time income tax refund of up to $250 for an individual or $500 for married persons filing a joint return. The refund is allowed up to the amount of an individual’s tax liability, after the application of any deductions, subtractions, or credits. Taxpayers filing returns before July 1, 2022, would receive payments on or after July 1, but before October 17. Taxpayers filing later returns would receive refunds no later than four months after filing.
- Includes provisions in the caboose and biennium budgets for full conformity with the Internal Revenue Code regarding the tax treatment of Paycheck Protection Program loans, Emergency EIDL Grants and Targeted EIDL Advances, Shuttered Venue Operator Grants, and Restaurant Revitalization Grants.
- Includes provisions in the caboose and biennium budgets allowing qualifying households to claim a refundable income tax credit up to 15 percent of the amount claimed under the federal Earned Income Tax Credit.
- Eliminates the requirement for certain retailers to make an accelerated sales tax payment, effective June 2022.

**Reserves**

- Appropriates the mandatory deposit to the Revenue Stabilization Fund of $1.1 billion in FY 2023.
- Makes a voluntary deposit to the Revenue Reserve fund of $564 million in FY 2022.

**Virginia Retirement System**

- Deposits approximately $924 million to the Virginia Retirement System in FY 2023 to reduce unfunded liabilities (contingent on meeting the revenue forecast for FY 2022). Diverges from VRS Board of Trustees recommendations to lower employer contribution rates by maintaining current rates. VACo has traditionally supported one-time deposits to decrease the unfunded liabilities of VRS plans.
American Rescue Plan Act (ARPA) Allocations

- The package of budget amendments adopted in the August 2021 special session included direction to the Governor to set aside $353.9 million from the state’s Fiscal Recovery Fund allocation. The Governor modified some items from this list and added others, for a total of $690 million in proposed use of Fiscal Recovery Fund dollars among FY 2022, FY 2023, and FY 2024. These actions leave $424.4 million in Fiscal Recovery Funds for use in future years.
- Following is a list of ARPA SFRF allocations of interest to local governments that were included in the August 2021 spending package and are also included in the Governor’s December proposal:
  - $17.6 million in FY 2023 to the Virginia Employment Commission for information technology modernization
  - $750,000 per year to the Department of General Services for legal and real estate transactions to support broadband expansion
  - $8 million in FY 2023 to the Department of Housing and Community Development (DHCD) for the Line Extension Customer Assistance Program, which supports the extension of existing broadband networks to low-to-moderate income residents
  - $22.5 million in FY 2023 for the Virginia Removal or Rehabilitation of Derelict Structures Fund
  - $4 million in FY 2023 to DHCD for the Virginia Main Street program, which assists businesses recovering from the pandemic
  - $11 million in FY 2023 to continue the Virginia Agriculture Food Assistance Program and to expand capacity of food providers to accept, store, and distribute food products
  - $1.6 million in FY 2023 and $4.2 million in FY 2024 to the Virginia Department of Health (VDH) for improvements to well and septic systems for low-income homeowners
  - $25 million in FY 2023 and $25 million in FY 2024 to VDH to support access to drinking water at small and disadvantaged community waterworks
  - $68.1 million in FY 2023 for salary adjustments for direct care staff at state behavioral health facilities
  - $8.4 million in FY 2023 for salary adjustments for direct care staff at intellectual disability training centers
  - $20 million in FY 2023 for continued expansion of community-based crisis services
  - $1.65 million in FY 2023 to continue a pilot program serving individuals with dementia who are ready for discharge from state behavioral health hospitals and need nursing facility level care
- $1.5 million in FY 2023 to the Department of Criminal Justice Services for Crisis Intervention Team training and a staff position to support Marcus Alert implementation
- $2 million in FY 2023 and $3 million in FY 2024 to VDH for substance misuse and suicide prevention efforts
- $5 million in FY 2023 for community-based substance use disorder treatment services
- $3.75 million in FY 2023 to DHCD to address childhood lead poisoning in residential properties
- $1.9 million in FY 2023 and $3.1 million in FY 2024 for the Department of Medical Assistance Services to address operational backlogs for eligibility redeterminations and appeals

The following items represent new proposed uses of Fiscal Recovery Fund dollars of interest to local governments:
- $2 million in FY 2023 to the Virginia Department of Agriculture and Consumer Services for dairy industry support
- $100 million in FY 2023 for small business assistance through Rebuild Virginia
- $165 million in FY 2023 for additional grants to the City of Alexandria, City of Lynchburg, and City of Richmond for combined sewer overflow control projects
- $68.6 million in FY 2023 for grants to the City of Fredericksburg, King George County Service Authority, Towns of Wachapreague, Exmore, and Quantico for wastewater, water, and sewer projects
- $700,000 in FY 2023 to expand telehealth at DBHDS state facilities
- $1 million in FY 2022 and $5 million in FY 2023 to the Virginia Department of Social Services to upgrade mission-critical network infrastructure
- $418,121 in FY 2023 to the Virginia Department of Emergency Management to continue COVID-19 recovery activities

**VACo Contact:** [VACo Legislative Team](#)

**Money Committees Schedule Hearings on Governor’s Proposed Budget**

The “money committees” will be holding regional public hearings on the Governor’s proposed budget on Wednesday, January 5. Hearings will be held virtually and begin at 10 a.m. Details on how to register to speak at the hearing may be found at [this link](#).