

Key Budget Policy Choices: Special Session



Comparing the governor, House, and General Assembly budgets to FY 2018 budget

With no agreement on the budget during the regular legislative session, Virginia lawmakers began a special session on April 11. The governor re-introduced the prior governor's budget proposal with one change, and the House of Delegates passed amendments to that proposal on April 16. On May 30, the Senate rejected budget amendments approved by the Senate Finance Committee and approved a floor substitute. This substitute budget was adopted by both the Senate and House of Delegates.

The chart below provides a summary level assessment of certain key changes and other noteworthy information introduced by the governor, passed by the House, and adopted by the General Assembly. The baseline for these comparisons is the FY18 budget as approved in Chapter 836, Acts of Assembly 2017. The dollar figures represent combined FY19 and FY20 changes in General Fund (GF) spending.

	Governor (introduced 3/21)		House (passed 4/16)		General Assembly (adopted 5/30)	
Total GF spending	\$42.44 billion		\$42.50 billion		\$42.63 billion	
Unappropriated balance	\$12.1 million		\$2.1 million		\$2.5 million	
Revenue and Resources						
Total GF tax revenue after policy changes	\$40.99 billion		\$41.03 billion		\$41.15 billion	
Total other GF resources	\$1.46 billion		\$1.47 billion		\$1.49 billion	
GACRE estimate before policy changes	\$40.97 billion		\$40.97 billion		\$40.97 billion	
Reforecast	Not included		Not included		Assumes higher withholding revenues based on FY18 actuals \$120.0m	
Tax policy changes	Total proposed tax policy changes:	\$15.8m	Total proposed tax policy changes:	\$55.6m	Total proposed tax policy changes:	\$56.9m
<i>Tax audits</i>	• Tax initiative to expand audits	\$18.5m	• Assumes higher revenue due to additional staffing	\$29.3m	• Assumes higher revenue due to additional staffing	\$29.3m
<i>Land Preservation Tax Credit</i>	• Not included		• Retains \$20,000 limit on Land Preservation Tax Credit	\$13.2m	• Retains \$20,000 limit on Land Preservation Tax Credit	\$13.2m
<i>Historic Rehab Tax Credit</i>	• Not included		• Retains \$5m limit on Historic Rehab Tax Credit	\$13.0m	• Retains \$5m limit on Historic Rehab Tax Credit	\$13.0m
<i>Utility rebate revenue</i>	• Not included		• Includes rebate revenue related to utility payments on state facilities (HB1558)	\$3.4m	• Includes rebate revenue related to utility payments on state facilities (HB1558)	\$3.4m
<i>Payroll breaches</i>	• Notification of payroll system breaches	\$0.6m	• Same as governor's	\$0.6m	• Same as governor's	\$0.6m
<i>ATV tax changes</i>	• Not included		• Not included		• Applies motor vehicle sales tax to ATVs (SB249)	\$0.5m
<i>DNA testing fee changes</i>	• Not included		• Increases fee revenues from requiring DNA testing for additional misdemeanor convictions (HB1249)	\$0.3m	• Increases fee revenues from requiring DNA testing for additional misdemeanor convictions (HB1249)	\$0.2m
<i>Coal tax credits</i>	• Not included		• Reinstates coal tax credits for metallurgical coal (HB665)	-\$0.9m	• Reinstates Coalfield Employment Enhancement Tax Credit for metallurgical coal; can be claimed starting in FY22 (HB665)	
<i>Conformity</i>	• Federal tax conformity	-\$3.3m	• Same as governor's	-\$3.3m	• Same as governor's	-\$3.3m

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Health Care						
Medicaid expansion	Extends health coverage to nearly 400,000 newly eligible. Assumes start date on/around Oct. 1, 2018 (<i>net savings</i>)	-\$421.7m	Extends health coverage to nearly 400,000 newly eligible. Assumes start date on/around Jan. 1, 2019 (<i>net savings</i>)	-\$371.0m	Extends health coverage to nearly 400,000 newly eligible. Assumes start date on/around Jan. 1, 2019 (<i>net savings</i>)	-\$371.0m
Work requirements	Not included		Directs DMAS to apply for a demonstration waiver that imposes work requirements for Medicaid recipients (TEEOP), including a “lock-out” provision; Uses \$3.5m in FY18 to hire consultant to design waiver	\$21.5m	Provides funding to cover the fiscal impact of implementing work requirements for Medicaid recipients (TEEOP), including a “lock-out” provision (contingent upon federal approval of demonstration waiver); Uses \$3.5m in FY18 to hire consultant to design waiver	\$25.5m
Provider “coverage” assessment	Adopts assessment on private acute care hospitals to cover state share of expansion (provides non-GF revenues)		Adopts assessment on private acute care hospitals to cover state share of expansion (provides non-GF revenues)		Adopts an assessment on private acute care hospitals to cover state share of Medicaid expansion (provides non-GF revenues). Places revenues in special fund to be used exclusively to cover state costs of Medicaid expansion	
Provider “payment rate” assessment	Not included		Not included		Adopts an assessment on private acute care hospitals to fund an increase in Medicaid payments for inpatient and outpatient services. Places revenues in special fund to be used exclusively for increasing inpatient and outpatient Medicaid payment rates	
Innovation waiver	Not included		Authorizes the HHR Secretary to develop and apply for a state innovation waiver to stabilize the individual health insurance market; implementation contingent upon future appropriation of any needed non-federal funds		Authorizes the HHR Secretary to develop and apply for a state innovation waiver to stabilize the individual health insurance market; implementation contingent upon future appropriation of any needed non-federal funds	
Medicaid forecast	Funds Medicaid utilization and inflation	\$575.9m	Delays hospital inflation adjustment until FY20	\$564.9m	Reduces funding in FY20 to pay the health insurance fee on managed care contracts	\$533.9m
Waiver slots	Adds 825 new Community Living and Family and Individual Supports waivers	\$45.0m	Same as governor’s	\$45.0m	Adds 384 Community Living, 895 Family and Individual Supports and 40 Building Independence redesigned waiver slots	\$45.0m
	Not included		Not included		Adds 326 Family and Individual Supports waiver slots in FY20	\$5.0m
	Adds 50 reserve community living waiver slots	\$2.8m	Same as governor’s	\$2.8m	Same as governor’s	\$2.8m
Mental health facility crowding	Addresses capacity issues through discharge planning, assisted living slots, and community support teams	\$11.4m	Same as governor’s	\$11.4m	Same as governor’s	\$11.4m

Health Care continued on next page ...

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Health Care (cont.)								
Supportive housing	Expands supportive housing options for adults with SMI, pregnant and parenting mothers with SUD, and individuals with DD	\$12.8m	Same as governor's	\$12.8m	Expands supportive housing options for adults with SMI, pregnant and parenting mothers with SUD, and individuals with DD; improves monthly rates in FY20	\$13.8m		
STEP-VA detox/ outpatient services	Not included		Not included		Funds STEP-VA CSB funding for detoxification and CSB/BHA outpatient services in FY20	\$17.0m		
Primary care screening	Includes funding for primary care outpatient screenings at CSBs	\$11.2m	Same as governor's	\$11.2m	Same as governor's	\$11.2m		
Criminal justice & mental health	Not included		Funds CIT assessment sites	\$2.7m	Funds jail discharge planning, alternative transportation for TDOs, CIT sites and training, and other services	\$17.8m		
Federal tax changes	Not included		Captures savings from suspension of ACA health insurance tax	-\$42.0m	Captures savings from suspension of ACA health insurance tax	-\$42.0m		
Home health care	Provides overtime & training for consumer-directed attendants; 2% rate increase for personal care, respite, & companion services	\$20.4m	Provides 1% rate increase for agency and consumer-directed personal care services	\$4.9m	Provides 2% rate increase for agency and consumer-directed personal and respite care services in FY20	\$9.9m		
K-12 Education								
Avg. state per pupil direct aid	Provides \$5,589 in FY19 and \$5,638 in FY20		Provides \$5,617 in FY19 and \$5,690 in FY20		Provides \$5,620 in FY19 and \$5,734 in FY20			
Rebenchmarking	Updates education funding with more current enrollment and demographic data (this value excludes VPI non-participation)	\$481.4m	Updates education funding with more current enrollment and staffing data; small, technical changes	\$477.0m	Updates education funding with more current enrollment and staffing data; small, technical changes	\$477.0m		
Salary increase	Funds state share of 2% salary increase for school positions eff. Dec. 1, 2019	\$51.3m	Funds state share of 2% salary increase for school positions eff. Jul. 1, 2019	\$87.6m	Funds state share of 3% salary increase for school positions eff. Jul. 1, 2019, contingent on hitting revenue targets	\$131.4m		
Supplanting GF dollars	Uses lottery funds to decrease general fund support for public education	-\$80.4m	Includes GF supplanting with lottery revenues, yet partially offsets with GF investment in lottery PPA (see below)	-\$80.4m	Includes GF supplanting with lottery revenues, yet partially offsets with GF investment in lottery PPA (see below)	-\$80.4m		
Lottery per pupil allocation (PPA)	Increase not included		Increases the lottery PPA with general funds (\$73.9m) and increased NGF lottery revenues (\$17.6m) with no local matching requirement	\$73.9m	Increases the lottery PPA with general funds (\$73.9m) and increased NGF lottery revenues (\$17.6m) with no local matching requirement	\$73.9m		

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K-12 Education (cont.)						
Loss assistance to localities	Compensates localities that would have received less funding in FY19 than they received in FY18	11.5m	Provides additional assistance to school divisions with enrollment declines of 5% or greater over the last 5 years and have < 10,000 students	\$6.1m	Provides additional assistance to school divisions with enrollment declines of 5% or greater over the last 5 years and have < 10,000 students. Sets a minimum amount of \$75,000	\$6.1m
One full-time principal in every elem. school	Provides state funding to ensure every elementary school has one full-time principal starting in FY20	\$7.7m	Not included		Not included	
At-Risk funding	Increases At-Risk Add-On from 1-13% more per free lunch student to 1-14% more in FY20	\$7.1m	Increase not included		Same as governor's	\$7.1m
Va. Preschool Initiative (VPI)	Does not increase VPI per pupil reimbursement		Does not increase VPI per pupil reimbursement		Increases per pupil reimbursement from \$6,125 to \$6,326 for full-day programs and from \$3,062 to \$3,163 for half-day programs	\$4.6m
Teacher residency	Increase not included		Increase not included		Increases support for teacher residency partnerships between schools and university teacher preparation programs	\$1.5m
Social Services						
Temporary Assistance for Needy Families (TANF)	No proposed increase in cash benefits Uses \$12m in TANF funds for Long Acting Reversible Contraception (LARC) Not included		Same as governor's Uses \$6m in TANF funds for LARC pilot Uses \$12.6m in TANF funds for additional grants to nonprofits and local governments		Same as governor's Uses \$6m in TANF funds for LARC pilot Uses \$13.9m in TANF funds for additional grants to nonprofits and local governments	
Children's Services Act (CSA)	Updates CSA funding to meet anticipated caseload and expenditure growth	\$54.2m	Updates CSA funding to meet anticipated caseload and expenditure growth; requires evidence-based services	\$54.2m	Assumes lower spending growth	\$44.0m
Office of Immigrant Assistance	Earmarks funds to help lawfully present immigrants navigate systems	\$0.8m	Not included		Not included	

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Higher Education (excludes capital projects)			
Financial aid	Increases need-based financial aid for in-state undergraduate students \$45.5m	Includes need-based financial aid. Allows higher education institutions to prioritize awards to students enrolling in data science & technology, science & engineering, healthcare, and education \$45.5m	Provides approximately two-thirds (64%) of the funds proposed by the governor for need-based financial aid \$29.3m
Commonwealth Cyber Initiative (CyberX)	Not included	Creates CyberX anchored by Virginia Tech for research and training in cybersecurity \$40.0m	Creates CyberX anchored by Virginia Tech for research and training in cybersecurity \$20.0m
TAG	Increases TAG grants to \$3,350 \$1.6m	Same as governor's \$1.6m	Same as governor's \$1.6m
Other	Not included	Awarded to higher education institutions to increase the number of degrees available in data science & technology, science & engineering, healthcare, and education \$42.6m	Awarded to higher education institutions to increase the number of degrees available in data science & technology, science & engineering, healthcare, and education \$28.4m
	Enhances programs at EVMS, ODU and UVA-Wise and fund enrollment growth at GMU \$37.9m	Increases operations and maintenance and enhances programs at colleges and universities \$23.2m	Increases operations and maintenance and enhances programs at colleges and universities \$15.2m
	Allows institutions to retain interest and credit card rebates \$13.1m	Same as governor's \$13.1m	Same as governor's \$13.1m
	Funds equipment upgrades at UVA-Wise and VSU \$3.1m	Same as governor's \$3.1m	Same as governor's \$3.1m
	Funds cybersecurity and biofuels research at NSU \$1.3m	Same as governor's \$1.3m	Not included
Other			
Revenue cash reserves (Deposits)	Makes additional deposits each year so that balance reaches \$427.1m at the end of FY20. Provides additional deposit contingent on surplus revenue (50% of available surplus) \$270.7m	Makes additional deposits each year so that balance reaches \$247.4m at the end of FY20. Provides additional deposit of 100% of available surplus revenue \$91.0m	Makes additional deposits each year so that balance reaches \$503m at the end of FY20. The higher balance is due to increased deposits in FY18 \$91.0m
Capital budget	Total capital budget in FY19 and FY20 \$974.0m	Adds \$330m for Port of Virginia; increases capital outlay pool and makes other adjustments \$1,437.1m	Adds \$330m for Port of Virginia; increases capital outlay pool and makes other adjustments \$1,447.5m
Juvenile justice capital projects	Retains prior budget assumption of funding two new facilities	Provides funds to build 156-bed facility at Beaumont	Language authorizing building a 60-bed facility at Isle of Wight; Dept. of General Services shall determine options for a second DJJ Juvenile Correctional Center to be located in Central Virginia (excluding Bon Air)
GO Virginia	Provides additional funds for Virginia Initiative for Growth and Opportunity \$1.3m	Increases funds for Virginia Initiative for Growth and Opportunity \$16.3m	Increases funds for Virginia Initiative for Growth and Opportunity \$16.3m

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Compensation						
Salary increases	Total proposed salary increases for state and state-supported local employees:	\$100.7m	Total proposed salary increases for state and state-supported local employees:	\$234.0m	Total proposed salary increases for state and state-supported local employees <i>(contingent on hitting revenue targets):</i>	\$308.8m
K-12 employees	<ul style="list-style-type: none"> Includes state share of 2% salary increase for K-12 employees (eff. Dec. 1, 2019) 	\$51.3m	<ul style="list-style-type: none"> Includes state share of 2% salary increase for K-12 employees (eff. Jul. 1, 2019) 	\$87.6m	<ul style="list-style-type: none"> Includes state share of 3% salary increase for K-12 employees (eff. Jul. 1, 2019) 	\$131.4m
State and state-supported employees	<ul style="list-style-type: none"> Provides a 2% salary increase to state employees (eff. Nov. 10, 2019) and for state-supported local employees (state share; eff. Dec. 1, 2019) 	\$49.4m	<ul style="list-style-type: none"> Provides a 2% salary increase to state employees and university faculty (eff. Jun. 10, 2019) and for state-supported local employees (state share; eff. Jul. 1, 2019) 	\$86.4m	<ul style="list-style-type: none"> Provides a 2% salary increase to state employees and university faculty (eff. Jun. 10, 2019) and for state-supported local employees (state share; eff. Jul. 1, 2019) 	\$86.7m
Merit salary adjustment	<ul style="list-style-type: none"> Not included 		<ul style="list-style-type: none"> Includes a 1% merit salary adjustment for classified state employees (eff. Jun. 10, 2019) 	\$24.6m	<ul style="list-style-type: none"> Includes a 2% merit based salary increase for certain state employees with 3+ years of continuous service (eff. Jun. 10, 2019) 	\$38.0m
Law enforcement & DBHDS	<ul style="list-style-type: none"> Not included 		<ul style="list-style-type: none"> Targets salary increase for some law enforcement (eff. Jan. 10, 2019) and direct care staff in the DBHDS facilities (eff. Feb. 1, 2019) 	\$35.2m	<ul style="list-style-type: none"> Targets salary increase for some law enforcement and direct care staff in the DBHDS facilities (eff. Jan. 10, 2019) and deputy sheriffs (eff. Feb. 1, 2019) 	\$52.7m
State employee health insurance	Covers increases in employee & employer share of health insurance premiums	\$132.1m	Covers increases in only the employer share of health insurance premiums	\$118.2m	Covers increases in only the employer share of health insurance premiums	\$118.2m
VRS and other retirement benefits	Decreases use of literary funds and replaces with general funds for public school employee retirement contributions	\$80.0m	Same as governor's	\$80.0m	Same as governor's	\$80.0m