

# Virginia's Families and Communities Need Support Now

## State Budget Options for a Stronger, More Equitable Recovery



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Over the past year, the COVID-19 pandemic has created widespread hardship across Virginia and around the globe. As hospitalizations continue to surge upward, the health and economic reality looks grim. Fortunately, critical support has begun to flow to families, communities, and businesses as part of another round of recently-enacted federal aid actions, although more is needed to fully address the magnitude of the situation, particularly for Black, Latinx, and Asian American households and other households of color. At the state level, Gov. Northam's proposed budget amendments would make important investments to help families in Virginia by providing needed resources for the state's public health response, K-12 public schools, and colleges and universities during these unprecedented times. However, by using newly freed-up state resources and reducing the size of planned reserve deposits, the state could do even more to support a full and equitable recovery.

**Federal aid frees up state resources** — Gov. Northam included substantial new state funding for COVID-19 vaccination efforts and other components of the health response. Because federal stimulus legislation was approved after Gov. Northam's budget introduction, state lawmakers can use new federal funding that was not included in the governor's proposal for these health efforts and redirect some state funds to other pressing needs.

**Enhanced federal match means state budget savings** — The federal Families First Coronavirus Response Act increased the share that the federal government pays, primarily for Medicaid, through the final quarter of the official federal health emergency related to COVID-19. As the pandemic has continued, the federal Secretary of Health and Human Services has renewed the federal health emergency declaration by 90-day increments, and renewed the declaration again on January 7. This action will continue this enhanced match rate through June 2021 and provide additional federal funds to Virginia, which will likely produce about \$90 million in state budget savings.

**Virginia can tap its reserve funds** — Finally, the governor's budget includes an additional \$650 million deposit into the state's Revenue Reserve Fund. Despite the enormity of state budget needs in the current moment, Virginia has not drawn upon either the state's Revenue Stabilization Fund or Revenue Reserve Fund. Instead, the state reduced the amount of planned reserve deposits that would have been made in 2020 and 2022. In contrast, 20 other states have tapped reserve funds to address their own revenue and budget challenges related to the health and economic situation, including Delaware, Georgia, Indiana, and Utah, all of which, like Virginia, have AAA ratings from all three major bond rating agencies.

At the end of the two-year state budget, which runs through June 30, 2022, the combined balances in the state's two primary reserve funds will stand at an estimated \$1.26 billion even before the additional deposit that the governor has proposed. While the state has a long-term goal to achieve a larger reserve balance (as a share of state spending), supporting the recovery in the near term will likely strengthen the state's economy in the months to come. As the economic recovery firmly takes hold, the state would be in position to make additional deposits into reserves, similar to how the state built up reserves in the years leading up to the current downturn.

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State lawmakers will begin to make decisions around the state budget and decide on additional investments based on more up-to-date information, including stronger-than-expected revenues.

**The General Assembly has options to further support the health and economic recovery:**

*Direct more assistance to families who are struggling to get through the pandemic* — The proposed budget wisely includes funding to improve administration of the unemployment insurance system to reduce the delay before people receive benefits, yet it will take time to reduce the backlog. And even with the extra \$300 weekly benefit included in the December federal package, total unemployment benefits are still low compared to typical wages in Virginia. And some out-of-work Virginians still aren't receiving any unemployment insurance, whether because of their immigration status, their reason for having to leave work, or limited prior recorded work history. Legislators could use some of the available funds to help families who are struggling to make ends meet, whether through direct grants to nonprofit agencies that can then distribute the money based on their knowledge of their local communities or through grants to local governments that can then determine the best way to help struggling families.

*Provide an additional round of aid to Virginia's cities and counties* — Using the state's federal Coronavirus Relief Fund (CRF) allocation, the Northam administration provided \$1.3 billion to Virginia's cities and counties to support the local response to the pandemic. Because it met certain population thresholds in the federal CARES Act, Fairfax County directly received about \$200 million from the federal government and was not part of the separate state allocation process. While these funds helped localities with their public health efforts, remote learning costs, small business assistance, and other pandemic-related activities, the CRF included restrictions that prevented localities from addressing general revenue shortfalls. The December 2020 jobs report from the Bureau of Labor Statistics showed a sharp decline in employment nationally after several months of gains, and that this loss was driven by large decreases in the local government employment category. State lawmakers should consider using state funds to provide another round of aid to localities, either according to population size or another measure in order to prevent further decreases in employment and services in Virginia's local communities.

*Increase funding for Community Health Centers* — Additional funding for community and migrant health centers can help these establishments purchase or recover costs associated with equipment and infrastructure related to the COVID-19 pandemic. The Virginia Community Healthcare Association reports 24% (85,000) of their patients are uninsured and 90% of their patients are under 200% of the federal poverty limit. Robust state investment can ensure community health centers will be well positioned to continue to provide health care to people with low incomes and those who do not have health coverage throughout Virginia.

*Clarify Emergency Medicaid coverage for COVID-19 screening, testing, and treatment* — The COVID-19 pandemic has put into sharp focus long-standing inequities in health care coverage and access as well as working conditions in Virginia and across the country, which have contributed to the higher incidence of the virus in Black, Latinx, and immigrant communities. And, unfortunately, some low-income Virginians who are excluded from most Medicaid coverage due to their immigration status fear that seeking treatment for COVID could result in unaffordable medical bills.

By using newly freed-up state resources and reducing the size of planned reserve deposits, the state could do even more to support a full and equitable recovery.

Virginia can support wider access to COVID-19 testing and treatment by clarifying that emergency Medicaid specifically covers COVID-19 testing, treatment, and vaccination. The emergency Medicaid program reimburses emergency health care providers for some services provided to people that would qualify for regular Medicaid but are ineligible due to immigration status. Twelve states are already offering COVID-19 services through this program and doing so in Virginia will encourage more people to seek the services they need, without fear of how they will pay for it.

**Restore funding to the Behavioral Health Loan Repayment Program** — Nearly 2 million people in Virginia live in a Mental Health Care Health Professional Shortage Area (HPSA). This federal designation suggests there are not enough mental health professionals to meet the needs of a given geographic area. Pandemic-related behavioral health needs are poised to exacerbate the need for qualified mental health professionals. Lawmakers can encourage more people to enter the behavioral health field by implementing a student loan repayment program in exchange for providing services in HPSA designated locations.

**Restore funding to Medicaid home visiting benefit** — Prior to the COVID-19 pandemic, money was included in the state budget to fund a Medicaid home visiting benefit to help new families adjust, learn new skills, or be further supported in current skills that are valuable to their families. Evidence suggests that home visiting programs promote healthy birth outcomes and enhance school readiness. In providing greater support to meet the diverse needs of Virginia families, this program would be an important tool in Virginia's efforts to eliminate racial disparities in maternal health by 2025.

**Increase pay for educators and state and state-supported employees** — During the 2020 General Assembly session, state lawmakers approved salary increases for educators, state employees, and other state-supported employees, but these increases were subsequently removed from the budget due to the impacts of the pandemic and recession on state finances. Gov. Northam's budget proposal would provide one-time bonuses to teachers, other school staff, state employees, state-supported local employees, and adjunct faculty (contingent on the state meeting or exceeding its revenue forecast). As the state revenue situation has gradually improved, state lawmakers should consider restoring some form of ongoing increase for these workers.

**Expand broadband access and affordability** — Problems related to broadband access and affordability have created a digital divide for students and families across the state. In recent years, the Northam administration and General Assembly have increased funding for the Virginia Telecommunication Initiative (VATI) to help more communities gain access to high-speed internet. In the most recent VATI application cycle, over \$105 million in applications were received, far greater than the available funding. In addition to the lack of broadband infrastructure in parts of the state, affordability remains a challenge for families with low incomes. State lawmakers should consider increasing state funding for VATI and creating state-funded programs to make internet access more affordable for families.

As lawmakers work on updating the state budget, their priorities must meet the real and immediate needs of people and communities across Virginia. With new federal funds and a better-than-expected revenue situation, the General Assembly can build on the governor's proposal and play an even bigger role in supporting a recovery that is inclusive, strong, and sustainable.

**The General Assembly can build on the governor's proposal and play an even bigger role in supporting a recovery that is inclusive, strong, and sustainable.**

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