



How Should the State Allocate its Gusher of Revenues?



FISCAL ANALYTICS, LTD

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How Is Virginia's Current Economy Compared to Pre-Pandemic?

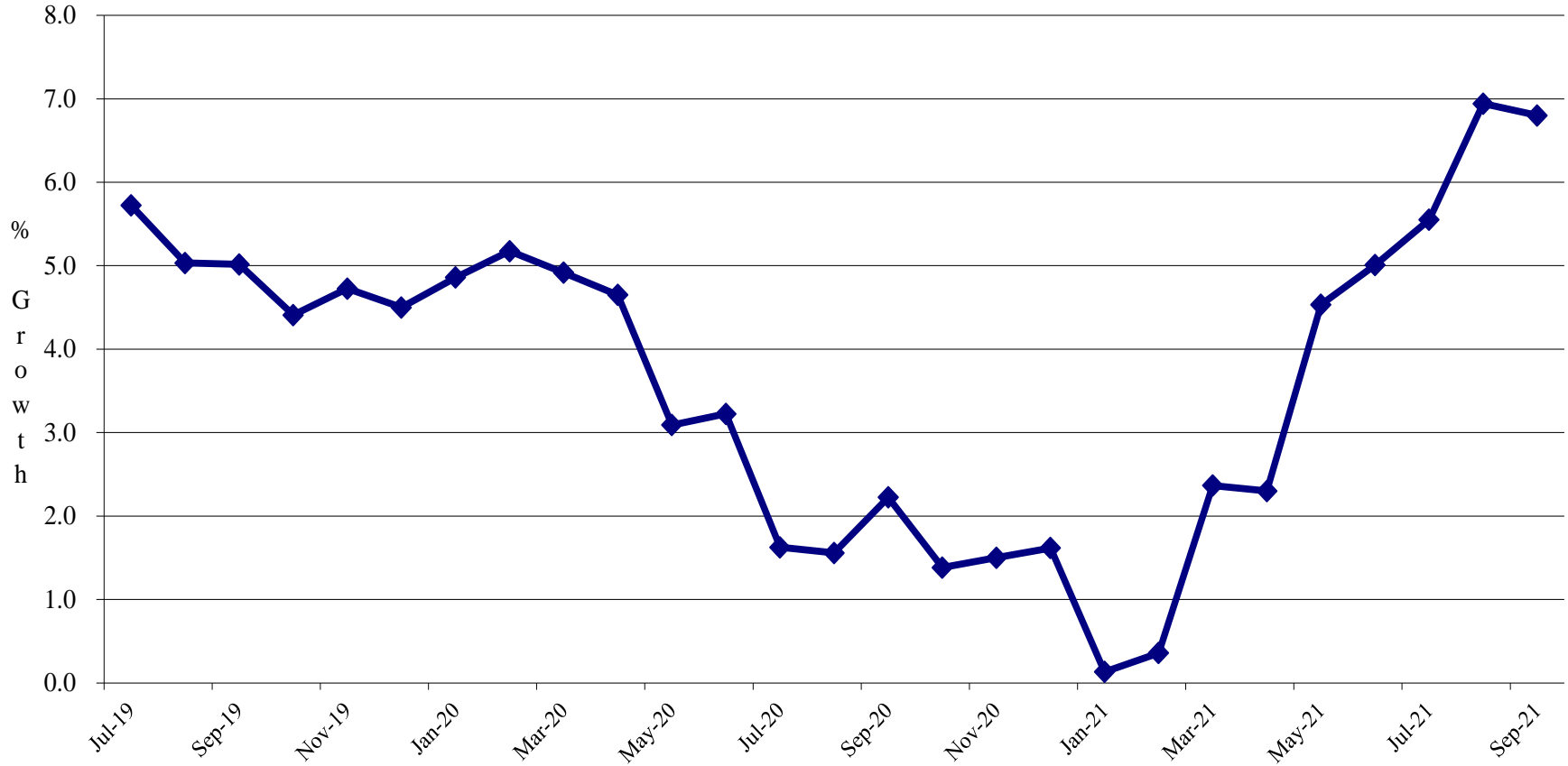


	<u>2019</u>	<u>2021</u>	<u>% Change</u>
Labor Force (Sept.)	4,420,479	4,244,196	-4.0%
Employment (Sept.)	4,064,200	3,929,000	-3.3%
Unemployment Rate (Sept.)	2.7%	3.8%	
Wages and Salaries (2nd Q)	\$260,152	\$281,987	8.4%
S&P 500 Index (Nov.1)	3,104.9	4,603.2	48.3%
Home Price Index (July)	226	272	20.4%

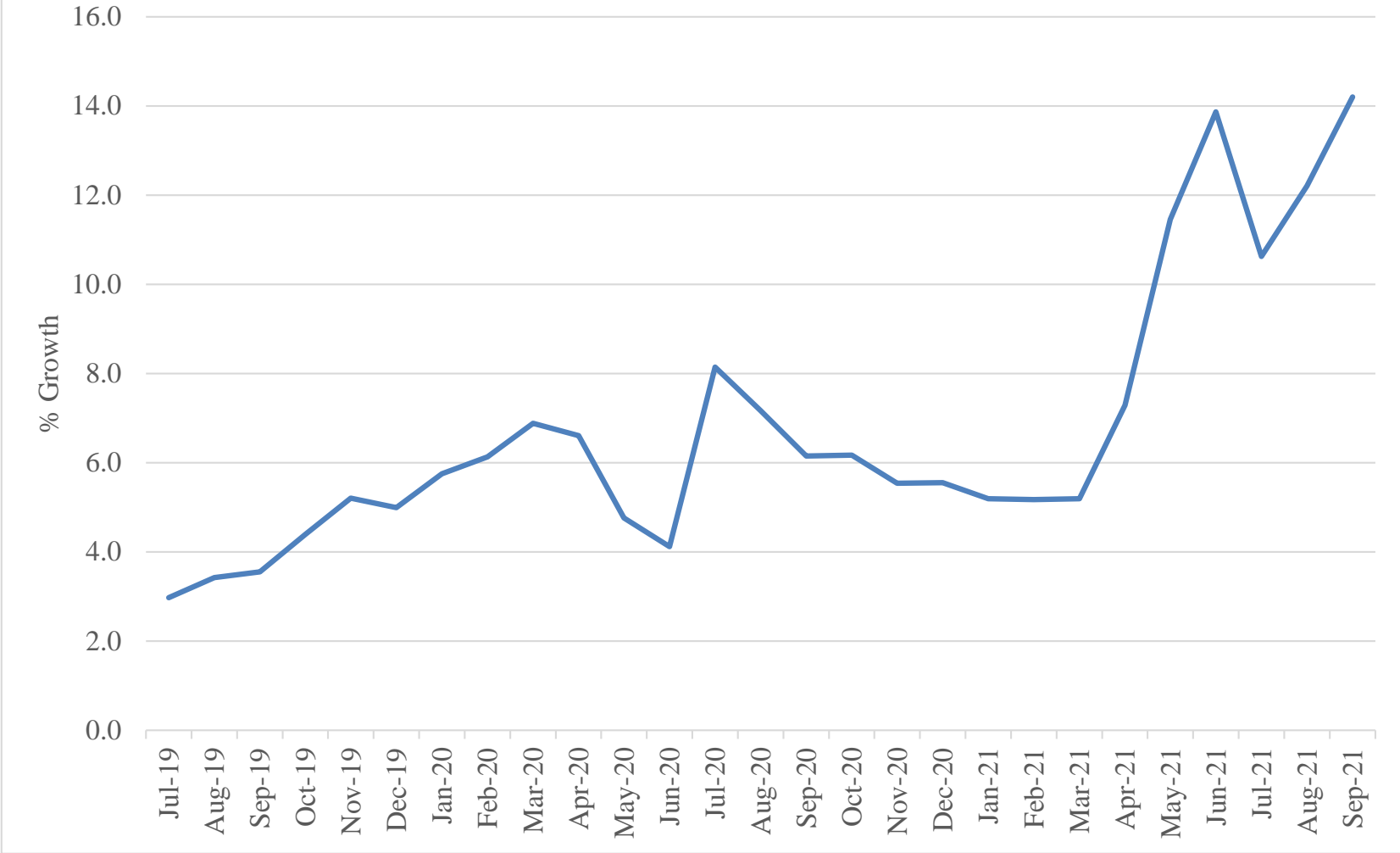
FY 2021 Virginia Wages/Salaries and Personal Income Forecast Much Stronger Than Forecast Healthy Economic Growth Expected in FY 2022

	FISCAL YEAR			
	2020 Actual	<i>2021 Forecast</i>	2021 Actual	2022 Forecast
Employment	(1.6)	(0.3)	(2.5)	1.6
Wages and Salaries	2.6	3.3	4.9	5.0
Personal Income (see note)	4.5	3.7	7.2	2.5
<i>Note: Transfer payments such as unemployment insurance and stimulus checks up 47.5% in FY 21</i>				

12 Mo. Moving Avg Income Tax Withholding Growth Is Above Pre-Pandemic Levels



12 Mo. Moving Avg Sales Tax Growth Remains Elevated



Why General Fund Revenues Have Been Much Stronger than Expected

- **Job losses were primarily in service-sector industries with lower average wages. Substantial wage increases have occurred** in remaining jobs.
 - Income tax filers earning under \$50,000 comprise about 56 percent of returns, while paying 10 percent of state income taxes.
- Service-sector spending was greatly curtailed in the pandemic, while **federal relief packages stimulated taxable goods purchases.**
- Federal Reserve **easy money policies increased asset values** and spurred large taxable capital gains.

Virginia Will Receive \$13.8 Billion in Direct Program Aid from ARPA, Much Still Unspent

	\$ Mil.
State Recovery Funds	\$4,293.7
Local Recovery Funds	\$2,910.0
Elementary and Secondary Relief Fund	\$2,123.3
Higher Education Emergency Relief Fund	\$843.9
Child Care Grants	\$823.3
Public Transit Formula Assistance	\$800.1
Emergency Rental Assistance	\$450.7
Homeowner Assistance Fund	\$258.4
Epidemiology and Lab Capacity for School Testing	\$257.1
Capital Projects Fund	\$221.7
State Small Business Credit Initiative	\$188.4
Vaccine Preparedness & Community Health Centers	\$162.6
HUD HOME Investment Partnerships	\$97.0
Low-Income Energy Assistance	\$90.2
Human Services Assistance Programs	\$86.6
IDEA Grants to States, Preschool, Infants	\$73.3
Mental Health and Substance Abuse Block Grants	\$69.5
Emergency Assistance to Non-Public Schools	\$46.3
All Other	\$12.4
Total ARPA Direct Aid to Virginia	\$13,808.5

The State GF Budget is in Great Shape for Priority Investments

- **GF revenue surplus of \$2.6 bil. for FY 2021, reflecting growth of 14.5% over FY 2020** – compared to 2.6% expected in the April adopted budget.
 - \$1.245 bil. of GF surplus due to nonwithholding income tax revenues. Withholding, sales, corporate income, and recordation taxes also much stronger than expected.
- Commonwealth Transportation Fund revenues also had a \$372 mil. FY 21 surplus, primarily due to motor vehicle and general sales taxes. Expect updated CTB Six Year Plan forecast to restore funding cuts for revenue sharing and Smart Scale projects.
- Required Rainy Day Fund deposit will be \$1.128 bil. and WQIF will be \$313 mil. (incl. counting 10% of unspent balances). **GF reserves will now exceed \$3.3 billion by FY 2023 – including voluntary cash reserves of over \$1.5 billion.**
- FY 2022 GF revenues could now *decline* by 8 percent and still make the adopted budget forecast. There is **virtual certainty that updated FY 2022 revenues will exceed the current forecast** - possibly over \$3 bil., depending on how much of the non-withholding income tax surplus is treated as one-time revenues. **Higher FY 2022 revenues will also raise the expected 2022-24 forecast.**
 - Very conservative balance sheet reserves from the FY 2021 surplus will likely provide nearly \$1 bil. in available revenues for expenditure in the 2022-24 biennium.
- **Approximately \$1.1 billion in state ARPA funding remains to be allocated (including \$354 mil. designated to be introduced in the Governor’s budget).** New federal infrastructure bill to start flowing in FY 2023.

Continued Growth Leads to Much Higher GF Revenues than Assumed in the FY 22 Adopted Budget (\$ Mil.)



	Actual FY21 Revenue	Adopted FY22 Budget Revenue Est.	Adopted FY22 Budget Growth Est.	1st Q YTD % Growth	FA FY 22 % Growth Forecast	FA FY 22 \$ Forecast
<i>Withholding</i>	\$14,012.9	\$14,246.9	1.7%	9.7%	5.0%	\$14,713.5
<i>Estimated Pay/Tax Dues</i>	\$5,217.0	\$3,890.5	-25.4%	-12.2%	-3.0%	\$5,060.5
<i>Refunds</i>	<u>-\$1,926.2</u>	<u>-\$2,145.0</u>	<u>11.4%</u>	<u>-37.6%</u>	<u>-10.0%</u>	<u>-\$1,733.6</u>
Net Individual Income	\$17,303.7	\$15,991.4	-7.6%	7.6%	4.3%	\$18,040.5
Sales Taxes	\$4,166.2	\$3,992.2	-4.2%	16.7%	8.0%	\$4,499.5
Corporate Income	\$1,515.7	\$1,271.6	-16.1%	36.5%	15.0%	\$1,743.1
Recordation	\$679.7	\$467.0	-31.3%	9.0%	0.0%	\$679.7
All Other	<u>\$1,213.2</u>	<u>\$1,176.9</u>	<u>-3.0%</u>	<u>n/a</u>	<u>6.5%</u>	<u>\$1,292.1</u>
Total GF Revenue	\$24,878.5	\$22,899.1	-8.0%	10.6%	5.5%	\$26,254.8
Amount over Adopted Budget						\$3,355.7
<i>Note: Does not include GF transfers and Lottery revenue</i>						

Higher Than Expected CTF Transportation Revenues Will Restore Funding to Six-Year Plan*

	<u>\$ Mil.</u>
Current Six-Year Plan CTF Revenues	\$25,668.2
Add: CTF Reserve from \$2.6 bil. FY 2021 GF Surplus	\$115.8
Add: \$200-400 Mil. per Year from Est. Re-forecast	\$1,200-2,400
New Six-Year Plan CTF Revenues Available for Allocation	\$26,984 - \$28,184
<u>Administration Staff Recommended Priorities for Restored Revenues:</u>	
FY 2021 \$366 mil CTF Surplus:	
Restore \$39.8 million from unallotted public transportation funding	
Add \$295 mil. back to Round 4 Smart Scale	
FY 2022-27 SYIP \$1.8 Bil. Reduction Restoration Priorities:	
Restore Revenue Sharing Program funding	
State of Good Repair funding	
Interstate Operations	

* A one-year moratorium on 5 cent gas tax increase would reduce CTF revenues by about \$200 m

New Federal Infrastructure Bill



The nearly \$550 billion in total new spending by sector includes amounts as follows:

- Highways/Bridges, Transit, Rail, Ports, Airports – \$284B
- Power/Electric Infrastructure – \$73B
- Broadband – \$65B
- Water Infrastructure – \$55B
- Resiliency and Cybersecurity – \$50B
- Environmental Remediation – \$21B

Review: Available FY 2022 GF Revenues for New Spending/Tax Cuts Likely Exceed \$4 Billion

- Reversing reserves from FY 2021 surplus:
 - \$564 mil. for *voluntary* “super deposit” not needed
 - \$222 mil. to cover possible disallowed ARPA allocations?
 - \$170 mil. in GF revenues to continue ARPA initiatives?
- Probably well over \$3 bil. in GF and lottery revenues above the forecast in the adopted budget.
- FY 22 Medicaid savings of \$654 mil.

Outlook for 2022-24 Revenue Growth

- Higher than expected FY 2022 base provides structural stability.
- Historic household savings (\$3.5 trillion) ensure near-term high levels of consumer spending.
- Low inventories and strong consumer spending keep factories and services humming.
- Large numbers of unfilled jobs portend job growth and wage increases.
- Expect the introduced budget to assume very large available revenues above the base operating budget due to the higher revenue base – even with a slowdown in growth.

Risks to growth include:

- Tougher revenue growth comparisons next biennium – particularly in non-withholding income tax revenues.
- High inflation and monetary tightening/slowing fiscal stimulus (congressional stalemate?) becoming an economic headwind.
- Continued supply chain disruptions.
- Continued low labor participation rates and employers having a difficult time filling positions.
- State tax cuts?
- Black swan event occurring, e.g., Covid resurgence, invasion of Taiwan disrupting semiconductor chip supply

What “Bills Are in the Drawer”?

- **K12 re-benchmarking is basically flat**, not including increased lottery and sales tax distributions.
 - Initial estimate of \$331 mil. included \$329 mil. in ADM “no loss” payments as a placeholder for unknown ADM projections. Prevailing cost increases much lower than normal. Enrollment changes (including special ed and gifted counts) lower than usual.
- Expect **\$654 mil. in Medicaid savings in FY 2022**, due an additional quarter of enhanced FMAP, and lower utilization and managed care rates during Covid. While growth is expected to resume in the **2022-24 biennium**, the new forecast calls for \$820 mil. above the base budget, **lower expected growth than usual**.
 - Beginning in 2022, enrollment eligibility will be re-evaluated due to emergency regulations ending.
 - Managed care rates are expected to grow in the 3-4% range, lower than usual.
- Health and Human Service programs could take center stage during the 2022 Session.
 - Behavioral/mental health programs, such as STEP-VA, staffing issues at mental health treatment centers, universal home visiting programs, and continuous Medicaid eligibility for children.
- Law enforcement pay compression issues, employee minimum wage increases and salary/construction cost increases due to inflation.
- ARPA funding commitments that require continuing general fund, such as mental health and law enforcement pay increases.

What to Do With One-Time Revenue?

Strengthen the State's Financial Position?

- Cash infusions into the VRS Trust Funds that would lower future contribution rates.
 - In FY 21, an extra \$61.3 mil. was appropriated for the teacher pool to reduce unfunded liabilities, which contributed to the 2 percent reduction in contribution rates for the 2022-24 biennium.
 - Each \$12 million infusion lowers teacher rates by a basis point or about \$900,000 annually.
- Cash for capital projects instead of debt.
- Create a Local School Modernization Fund.
- Further increases in voluntary reserves?
 - Currently, RDF and voluntary reserves exceed \$3.3 billion, much higher than the 8% cushion rating agencies like for a AAA credit rating.
 - \$564 million “Super Deposit” reserve from FY 2021 is voluntary, not required by the state constitution.

K12 Construction and Renovation Funding Needs

- More than half of all school buildings are greater than 50 years old.
- Replacement costs for school buildings over 50 years old total nearly \$25 billion.
- Since July 2010, divisions reported constructing 118 new schools at a total cost of \$4.184 billion and completing 544 addition/renovation projects at a total cost of \$3.191 billion.
- The largest share of CIP estimated costs are for new schools and renovations. 81 new schools planned for a total cost of \$3.8 bil. 566 renovations planned for a total cost of \$3.3 bil.

Note: There has historically been substantial resistance to using state debt to help solve the K-12 school construction/renovation problem.

Source: http://leg5.state.va.us/User_db/firmView.aspx?ViewId=5809&s=34

Tax Reform?



- Eliminating the 2.5% “food for home consumption” tax would reduce revenues about \$650- \$750 mil. annually.
 - \$250-\$300 mil. each for the **1% local option sales tax** and the **1.125% school-age population distribution** and \$125 mil. for the 0.5% transportation allocation.
 - *To offset local revenue loss – each 1/4 increase in school age population distribution from remaining sales tax base costs about \$320 mil.*
- Doubling the standard (currently \$4,500 single, \$9,000 Married) deduction would reduce GF revenues about **\$650 mil annually** (first fiscal year higher due to timing).
 - In 2018, 3,245,602 returns claimed standard deductions worth \$12.8 bil., while 745,221 claimed itemized deductions worth \$38.6 bil.

Estimated Local Revenue Losses From Eliminating the Grocery Tax



	1% Local Option Sales Tax (FY 20)	Est. Grocery Tax Loss (FY 20)	1.125% School Age Population Distribution FY 22	Est. Grocery Tax Loss (FY 22)
Charlottesville	\$13,649,883	\$2,416,029	\$5,892,904	\$1,043,044
Danville	\$10,066,068	\$1,781,694	\$7,242,774	\$1,281,971
Hampton	\$19,439,299	\$3,440,756	\$23,064,101	\$4,082,346
Harrisonburg	\$16,427,797	\$2,907,720	\$6,998,293	\$1,238,698
Hopewell	\$2,564,403	\$453,899	\$4,751,623	\$841,037
Lexington	\$1,277,630	\$226,141	\$740,346	\$131,041
Lynchburg	\$18,952,646	\$3,354,618	\$12,543,496	\$2,220,199
Martinsville	\$2,379,138	\$421,107	\$2,635,080	\$466,409
Newport News	\$31,102,721	\$5,505,182	\$32,529,886	\$5,757,790
Norfolk	\$40,840,710	\$7,228,806	\$35,712,093	\$6,321,040
Petersburg	\$4,843,560	\$857,310	\$4,948,786	\$875,935
Portsmouth	\$9,619,068	\$1,702,575	\$16,951,069	\$3,000,339
Richmond	\$42,859,393	\$7,586,113	\$29,278,672	\$5,182,325
Staunton	\$5,523,256	\$977,616	\$3,879,178	\$686,615
Williamsburg	\$5,673,766	\$1,004,257	\$1,425,487	\$252,311
Winchester	<u>\$11,238,415</u>	<u>\$1,989,199</u>	<u>\$5,226,785</u>	<u>\$925,141</u>
Total VFC Est.	\$236,457,754	\$41,853,022	\$193,820,573	\$34,306,241
Statewide Est.	\$1,358,988,341	\$240,540,936	\$1,563,000,000	\$276,651,000
VFC % of State	17.4%	17.4%	12.4%	12.4%

Estimated Taxpayer Reductions From Doubling The Standard Deduction

	Standard Deductions Claimed	Standard Deduction Amount \$	Est. Tax Savings
Charlottesville	18,444	\$74,614,830	\$4,011,795
Danville	17,877	\$72,321,043	\$3,888,466
Hampton	49,416	\$199,911,431	\$10,748,584
Harrisonburg	16,614	\$67,211,602	\$3,613,748
Hopewell	9,120	\$36,894,776	\$1,983,711
Lexington	2,099	\$8,491,462	\$456,558
Lynchburg	30,017	\$121,433,168	\$6,529,064
Martinsville	5,746	\$23,245,327	\$1,249,825
Newport News	68,440	\$276,872,639	\$14,886,536
Norfolk	78,371	\$317,048,299	\$17,046,650
Petersburg	12,345	\$49,941,448	\$2,685,188
Portsmouth	34,408	\$139,196,870	\$7,484,160
Richmond	87,032	\$352,086,200	\$18,930,523
Staunton	10,944	\$44,273,731	\$2,380,454
Williamsburg	5,279	\$21,356,088	\$1,148,247
Winchester	<u>11,881</u>	<u>\$48,064,346</u>	<u>\$2,584,263</u>
Total VFC Est.	458,033	\$1,852,963,258	\$99,627,774
Statewide Est.	3,128,033	\$12,654,394,372	\$680,385,400
VFC % of State	14.6%	14.6%	14.6%

Recent K-12 Budget Enhancements

2020 General Assembly:

- Amended ratio of EL teachers to 20 FTE per 1,000 students; amended ratio of school counselors 1 FTE per 325 students; expanded the range of at-risk add-on funding amounts up to 26 percent of basic aid per free lunch student.

2021 General Assembly:

- Created specialized student support personnel position and set ratio at 3 FTE per 1,000 students. Appropriation Act removed flexibility of SOQ staffing ratios in the second year.
- Provided July 1, 2021, 5 percent salary increases for teachers and state employees, and allowed school divisions to access prorated funds if the division provides an increase between two percent and five percent.
- Provided “no loss” payments for the average 3.5 percent 2020-21 ADM losses.
- Increased VA Preschool Initiative per pupil payments from \$6,326 in FY 2021 to \$7,655 in FY 2022.
- Included a \$61 mil. one-time payment to the VRS to reduce the unfunded liability in the teacher plan.

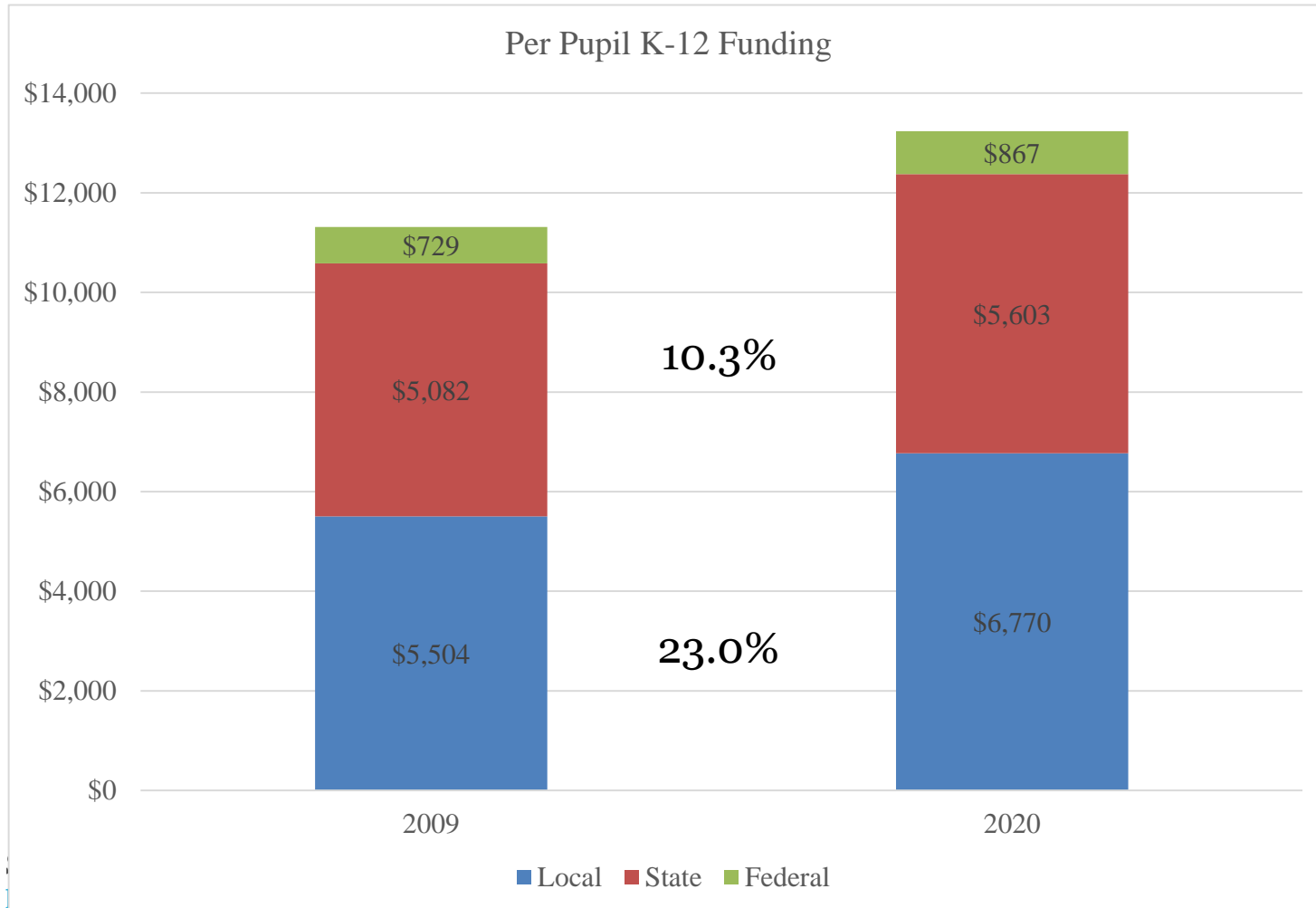
General Assembly *Could* Have the Resources to Prioritize Board of Education SOQ Enhancement Recommendations

1. **Enhanced At-Risk Add-On or At-Risk Add-on combined with Prevention, Intervention, Remediation Program (annual cost = \$74m)**
2. **Teacher Leader/Principal Mentor Programs (annual cost = \$116m)**
3. **Increase staffing ratios for ESL Teachers (annual cost = \$15m)**
4. **Increase Specialized Student Support Personnel (annual cost = \$ 49m)**
5. **Increase Reading Specialists (annual cost = \$38m)**
6. **Increase School Counselors staffing standards (annual cost = \$52m)**
7. **Increase Elementary Principal staffing standards (annual cost = \$8m)**
8. **Increase Assistant Principals staffing standards (annual cost = \$77m)**
9. **Work-Based Learning Coordinators (annual cost = \$8 mil.)**

*Board of Education has not formally proposed:
Eliminating the Recession-Era Support Position Cap (annual cost = \$374m)*

For more information: <https://www.doe.virginia.gov/boe/quality/index.shtml>

Local K-12 Operations Spending Grew Much Faster Than State Operations Spending from FY 2009-20



Will ADM Count Bounce Back?

SOQ Is Funded on a Per Pupil Basis

(Hold Harmless Assumed in Rebenchmarking)

	March 31, ADM Count	
	<u>Statewide</u>	<u>% Change</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%
2021	1,210,525	-3.2%
2022 *	1,218,831	0.7%
<i>April. 2021 adopted budget est.</i>		

VFC 2020/2021 School Year ADM Change



	<u>30-Mar-20</u>	<u>30-Mar-21</u>	<u>Change</u>	<u>% Change</u>
Charlottesville City	4,220	3,943	(277)	-6.6%
Danville City	5,419	5,330	(88)	-1.6%
Hampton City	18,855	18,629	(226)	-1.2%
Harrisonburg City	6,124	5,949	(174)	-2.8%
Hopewell City	3,912	3,892	(20)	-0.5%
Lexington City	666	609	(56)	-8.4%
Lynchburg City	7,808	7,567	(241)	-3.1%
Martinsville City	1,762	1,791	29	1.6%
Newport News City	26,834	25,664	(1,171)	-4.4%
Norfolk City	27,663	26,323	(1,340)	-4.8%
Petersburg City	3,754	3,765	10	0.3%
Portsmouth City	13,255	12,814	(440)	-3.3%
Richmond City	22,653	26,427	3,774	16.7%
Staunton City	2,595	2,435	(159)	-6.1%
Williamsburg-James City County	11,456	10,730	(726)	-6.3%
Winchester City	<u>4,195</u>	<u>4,095</u>	<u>(100)</u>	<u>-2.4%</u>
VFC Totals	161,170	159,964	(1,206)	-2.4%
Statewide	1,250,770	1,210,464	(40,306)	-3.2%
VFC % of State	12.9%	13.2%	3.0%	

There Are Alternative Strategies If Support Position Cap Isn't Removed



Support position cap is calculated by using the ratio of total support positions to total instructional positions then applying that ratio (1-4.30) to SOQ covered instructional positions.

- Support positions never in the cap limitation include transportation, and school nurse positions.
- Specialized student support positions (3 per 1,000 school social workers, school psychologists, school nurses, licensed behavior analysts, licensed assistant behavior analysts), and guidance counselors (1 per 325 students) now have standards applied.
- Board of Education expects to examine school facilities conditions and funding in the fall 2021.
- Board of Education also expects to evaluate staffing data and whether additional action is needed for **Instructional Technology Resource Teachers**.

Could Standards Be Applied to Other Support Positions Currently in the Cap? e.g., Technology Positions?



Support Positions ^{1, 2}	Funded Support Ratio Positions Per Pupil	Prevailing Salary Per Position
Assistant Superintendent	0.000141	\$122,862
Instructional Professional	0.001704	\$73,821
Instructional Technical/Clerical	0.001451	\$32,701
Attendance & Health Administrative	0.000164	\$80,919
Attendance & Health Technical/Clerical	0.000289	\$31,043
Administration Administrative	0.000627	\$81,176
Administration Technical/Clerical	0.001251	\$43,740
Technology Professional	0.000401	\$78,624
Technology Technical/Clerical	0.000131	\$37,375
Operation & Maintenance	0.000229	\$77,590
Support Technology	0.001000	\$49,145
School Based Clerical	0.003181	\$30,723
Operation & Maintenance Technical/Clerical	0.006771	\$30,942

Note: Actual 2020 statewide technology positions employed include: 2,438 technical/clerical, 633 instructional support, and 208 administrative.

Other Underfunded Positions in the SOQ



	<u>Teacher Aides</u>	<u>Assistant Principals</u>
2020 Actual Employed	19,477	2,861
FY 2022 SOQ Funded	2,837	960
Average Salary	\$23,367	\$85,434
Local Cost	\$455,119,059	\$244,426,674
State Support	\$36,460,698	\$45,109,152
<i>Note: SOQ only funds kindergarten and Special Ed teacher aides</i>		

*Since 2003, the Board of Education has recommended the General Assembly increase the **assistant principal staffing standard** to require one assistant principal for every 400 students. Current SOQ AP standard: elementary schools none up to 599 students, one-half from 600-899; Middle and HS none up to 599, one for each 600 students*

SOQ Funded Vs. Actual Employed Teacher Aides



	FY 20 Actual	FY 22 SOQ Funded	Average Salary	LCI	Total Cost	State Funded	Difference
CHARLOTTESVILLE	91.00	5.15	\$28,180	0.6886	\$2,564,378	\$45,193	\$2,519,186
DANVILLE	129.65	13.06	\$17,186	0.2622	\$2,228,208	\$165,602	\$2,062,606
HAMPTON	208.92	37.43	\$21,464	0.2743	\$4,484,357	\$583,038	\$3,901,319
HARRISONBURG	90.00	4.22	\$19,640	0.3537	\$1,767,557	\$53,565	\$1,713,992
HOPEWELL	73.52	6.14	\$25,351	0.2053	\$1,863,806	\$123,699	\$1,740,107
LYNCHBURG	212.32	23.22	\$13,982	0.3920	\$2,968,684	\$197,396	\$2,771,288
MARTINSVILLE	24.25	3.54	\$18,095	0.3668	\$438,813	\$40,561	\$398,251
NEWPORT NEWS	291.00	72.02	\$20,718	0.2185	\$6,029,034	\$1,166,103	\$4,862,931
NORFOLK	375.00	76.17	\$25,323	0.2842	\$9,496,151	\$1,380,677	\$8,115,475
PETERSBURG	35.86	6.97	\$28,911	0.3059	\$1,036,744	\$139,867	\$896,877
PORTSMOUTH	246.86	24.65	\$17,482	0.2442	\$4,315,569	\$325,695	\$3,989,874
RICHMOND CITY	305.00	74.93	\$18,429	0.2426	\$5,620,857	\$1,045,885	\$4,574,973
STAUNTON	40.99	3.03	\$21,257	0.4688	\$871,337	\$34,214	\$837,122
WILLIAMSBURG *	21.68	2.67	\$20,037	0.7429	\$434,380	\$13,775	\$420,605
WINCHESTER	65.71	8.87	\$21,111	0.5553	\$1,387,210	\$83,273	\$1,303,938
LEXINGTON	6.00	2.22	\$22,859	0.4319	\$137,156	\$28,830	\$108,326
VFC TOTAL	2,217.76	364.29	\$20,581		\$45,644,242	\$5,427,372	\$40,216,870
Total State	19,477.00	2,837.00	\$23,367	0.45	\$455,119,059	\$36,460,698	\$418,658,361
VFC % of State	11.4%	12.8%			10.0%	14.9%	9.6%
* Assumes Wmsburg has a 10% share of combined school district							

Other Outstanding Unaddressed Local Government Needs

- Provide needed salary increases for teachers/staff, and state supported local employees, without requirement for local match or with maximum flexibility for local matching requirements/contributions. *Localities on average fund 56% of salary increases.*
- Additional funds to reduce VRS teacher pension unfunded liabilities
- Restore Aid to Local Police (HB 599) funding and conform to the Code.
- Jail per diem needs that have not increased in ten-years and/or positions and funding for substance abuse/mental health needs in jails.
- Adequately fund efforts to reform Virginia's mental health system – STEP-VA, Marcus Alert implementation.
- Unfunded compensation board staffing standards positions.
- Provide assistance for greater economic development in stressed localities.
- Additional state assistance for elections to instill greater confidence in election process and reduce local fiscal stress
- Reduce disparity in pay for public defender salaries to Commonwealth Attorneys
- Respond to stormwater/climate resilience local assistance needs
- Relieve Line of Duty Act (LODA) pressures from worker compensation issues (incl. COVID)
- Potential CSA needs to implement JLARC study recommendations.

Flexible ARPA Funding



- Revenue loss funding (anything less than 4.1% annual growth)
- Low income “qualified census tract” spending is allowed for a broad range of uses to address the disproportionate public health and economic impacts of the crisis on the hardest-hit communities, populations, and households. Eligible spending includes:
 - Addressing health disparities and the social determinants of health, through funding for community health workers, public benefits navigators, remediation of lead hazards, and **community violence intervention programs**;
 - Investments in housing and neighborhoods, such as services to address individuals experiencing homelessness, **affordable housing development**, housing vouchers, and residential counseling and housing navigation assistance to facilitate moves to neighborhoods with high economic opportunity;
 - Addressing educational disparities through new or expanded early learning services, providing additional resources to high-poverty school districts, and offering educational services like tutoring or afterschool programs as well as services to address social, emotional, and mental health needs; and,
 - Promoting healthy childhood environments, including new or expanded high quality childcare, home visiting programs for families with young children, and enhanced services for child welfare-involved families and foster youth.



Appendix:
2021 Special Session State ARPA Allocations

Special Session ARPA SLRF Allocations

- General Assembly allocated \$3.2 bil. of the \$4.3 bil. in ARPA state relief funds (SLRF).
- The Governor was also directed to include an additional \$354 mil. of SLRF spending in his introduced budget.
- Finally, all \$221.7 mil. in discretionary ARPA “Capital Project Funds” were allocated for broadband improvement projects.

Special Session SLRF Allocations

- **Unemployment Assistance:** \$862 mil. for the Unemployment Trust Fund and \$72 mil. for VEC system improvements.
- **Broadband:** \$479 mil. to support broadband access and \$8 mil. to extend existing broadband to low income households. (Plus \$221.7 mil. in Capital Projects Fund allocations.)
- **Small Business:** \$250 mil. for Rebuild VA; \$22.5 mil. for the Industrial Revitalization Fund; and \$4 mil. for the Main Street Program.
- **K-12 Education:** \$250 mil. for qualifying public school ventilation improvement projects allocated based on FY 2022 projected March 31 ADM, with a minimum allocation of \$200,000 per division, to be paid to school divisions on a reimbursement basis, with a local match required. Plus \$7 mil. for Virginia Museum of Fine Arts and Jamestown-Yorktown Foundation and \$2 mil. for four individual projects.
- **Higher Education:** \$150 mil. for need-based financial aid for in-state undergraduate students from low- and moderate-income households, \$11 mil. for TAG, \$80 mil. for NVCC capital projects and trades and medical programs programs, and \$10 mil. for the Online Virginia Network Authority.

Special Session SLRF Allocations

- **CSO, Wastewater and Drinking Water:** to DEQ - \$100 mil. to reimburse eligible entities as provided for in the Enhanced Nutrient Removal Certainty (ENRC) Program, \$75 mil. for septic, straight pipe, and sewer collection system repairs, and \$125 mil. to the cities of Alexandria, Lynchburg, and Richmond to pay a portion of the costs of combined sewer overflow control projects.
Dept. of Health - \$50 mil. to support equal access to drinking water at small and disadvantaged community waterworks and \$5.75 mil. to provide improvement funds for well and septic systems for low-income homeowners.
- **Utility Assistance:** \$120 mil. for utility assistance
- **Tourism:** \$50 mil. for the Virginia Tourism Authority; \$7.25 mil. for a monument to commemorate the 400-year anniversary of the First Landing of Africans at Point Comfort in Fort Monroe, a Virginia African American Cultural Center in Virginia Beach, and development of a Museum of African- American History and Culture in Harrisonburg.
- **Food Access:** \$14.6 mil. to the Department of Agriculture and Consumer Services for food assistance programs.
- **Parks:** \$26 mil. for outdoor recreation and maintenance needs

Special Session SLRF Allocations

- **Public Safety and Addressing Community Violence:**

\$33.2 mil. for a one-time hazard pay bonus of \$3,000 for state-supported sworn officers of Sheriff's Departments and Regional Jails;

\$23.6 mil. to support a one-time hazard pay bonus of \$3,000 for corrections and law enforcement staff; \$20 mil. to provide one-time bonuses to State Police law enforcement personnel;

\$31.5 mil. to the Department of Corrections for COVID-19 testing/vaccinations/health issues in correctional facilities;

\$19 mil. for various DCJS/Attorney General programs to address community violence.

- **Elections:** \$4 mil for voter education efforts and expansion of early voting

Special Session SLRF Allocations

- **Mental Health:**

- \$50.0 mil. for the renovation or replacement of ventilation and water or sewer systems at state behavioral health and development facilities;

- \$45.0 mil. for bonuses to direct care staff at state facilities;

- \$10.0 mil. for the continued expansion of community-based crisis services;

- \$5.0 mil. for permanent supportive housing in Northern Virginia;

- \$1.2 mil. for the purchase of personal protective equipment at state facilities; \$1.65 mil. to expand a pilot program to serve approximately 60 additional individuals with a primary diagnosis of dementia who are ready for discharge;

- \$1.0 mil. to DCJS to provide resources for crisis intervention team training to law-enforcement officers and dispatchers, and one position to provide technical assistance in support of the mental health awareness response and community understanding services (Marcus) alert system.

- **Substance Abuse:** \$10.0 mil. to make grants to members of the Virginia Association of Recovery Residences for recovery support services; \$5.0 mil. to the Department of Health for substance misuse and suicide prevention efforts; \$5.0 mil. to expand community-based substance use disorder treatment services.

Special Session SLRF Allocations

- **Public Health:**

Dept. of Veteran Services - \$10,270,354 to address revenue shortfalls resulting from reduced census at Sitter & Barfoot Veterans Care Center and Virginia Veterans Care Center caused by COVID-19, and to provide support for temporary additional staff at state veterans cemeteries.

Dept. of General Services - \$2,285,000 for Consolidated Labs to include courier/dropbox enhancements, customer support upgrades, and Laboratory Information Management System (LIMS) infrastructure, development, and improvement.

Dept. of Housing and Community Development - \$3,750,000 for a dedicated lead rehabilitation program to address childhood lead poisoning in residential properties.

Virginia State Bar - \$2,500,000 for legal aid funding for legal representation in eviction cases.

Department for Aging and Rehabilitative Services - \$528,300 to fund HVAC/air quality systems and physical plant improvements in assisted living facilities that serve a disproportionate share of auxiliary grant residents.

Dept. of Social Services - \$1,000,000 for the Virginia Trauma-Informed Community Network (TICN) to provide a community awareness campaign, education, professional development, mini grants, and other initiatives to support existing networks.

Dept. of Emergency Management - \$1,393,085 to the for Virginia Emergency Support Team (VEST) COVID-19 recovery activities and four support staff.

Priorities for Additional \$354 mil. of SLRF Spending (GA Directed Governor to Include in Introduced Budget)

Out of the approximately \$1.1 billion in remaining ARPA SLRF funding, the Special Session directed \$354 mil. to be included in the Governor's 2022-24 introduced budget, including:

- Mental health/substance abuse initiatives, including salary adjustments for direct care staff and further expansion of community-based crisis services - \$113 mil.
- Public health initiatives including modernization of health record systems - \$97 mil.
- Public safety and community violence prevention initiatives, including a new compensation system for state police - \$24 mil.
- VEC modernization projects - \$17.6 mil.
- Broadband support funding for legal and real estate transactions and the extension of existing broadband networks to low/moderate income residents - \$9.5 mil.
- Industrial Revitalization Fund - \$22.5 mil.
- Virginia Main Street Program - \$4 mil.
- Food Access - \$11 mil.
- Small and disadvantaged community waterworks improvements - \$50 mil.
- Low income well and septic system improvements - \$5.8 mil.