

HB 29 & HB 30 - Summary of Major Items in the Conference Report

- Net Conference available resources total \$2.6 billion, including an increase of \$137.1 million from the FY 2024 carryforward balance, a \$2.1 billion increase in GF revenue, and a \$297.4 million increase in transfers.
- Leaves an unappropriated balance at the close of the biennium of \$17.9 million.

Tax Policy Changes

- Reflects additional revenues of \$156.6 million in FY 2025 and \$393.2 million in FY 2026 to apply sales tax to “new economy” purchases as introduced.
 - The proposal includes the application of the current sales tax rate to the purchase of digital services or electronic products in five distinct categories: 1) software application services; 2) computer-related services; 3) website hosting and design; 4) data storage; and 5) streaming services.
 - The inclusion of “new economy” categories in the taxable base is prudent as the sales tax base has decreased over the years while the overall economy has grown.
 - Movies and music are now downloaded or instantly streamed.
 - Software is now accessed online or downloaded electronically.
- Additionally, the Conference report includes GF revenues of \$144.2 million in FY 2025 and \$360.5 million in FY 2026 by applying sales tax on business-to-business purchases of “software application services.”
 - “Software application services” involves the purchase of software. In most cases, the business is purchasing software as a service and is the end user.
 - Business-to-business purchases in the other four categories are exempt from sales tax.

Public Education

- Overall, provides a total of \$2.5 billion GF above the FY 2024 base budget, or \$1.2 billion GF over the introduced budget.

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- Includes \$969.0 million GF to fully fund rebenchmarking costs.
- Provides \$243.1 million GF over the biennium to maintain the hold harmless provided for the elimination of the grocery sales tax.
- Includes a \$168.7 million increase over the biennium, representing the net impact to the K-12 sales tax distribution resulting from the expansion of the sales tax base to include “New Economy” digital products and services.

Compensation

- Includes \$539.1 million GF over the biennium for the state’s share of a 3.0 percent salary increase each year for teachers and support positions. Divisions must provide a local match, and to access a prorated amount of funds, divisions must provide at least a 1.5 percent increase.

Early Childhood

- Includes a \$527.8 million GF increase over the biennium to support early childhood care and education programs, representing a \$116.7 million increase above the introduced budget.
 - Ensures families do not lose access to early childhood programs due to the expiration of federal pandemic relief funds and provides an additional 1,000 subsidy slots over the biennium.
 - Maintains the 0.5000 local composite index cap applicable to the Virginia Preschool Initiative.
 - Maintains current co-payment and parental work requirements.

Standards of Quality

- Provides \$371.3 million GF over the biennium to implement several JLARC recommendations to expand funding provided for at-risk students, including key reforms to this part of the K-12 funding formula.
- Includes \$72.1 million GF over the biennium to provide additional English Learner teachers, including transitioning to a new tiered-staffing standard based on student English proficiency levels.
- Maintains \$61.2 million GF to expand the reading specialist staffing standard to include positions to serve students in grades 4 through 8.

Other K-12 Initiatives

- Authorizes \$250.0 million in low-interest Literary Fund school construction loans over the biennium.
- Invests \$9.3 million GF to develop and implement a modern, expanded literacy screening tool to more accurately identify student reading deficiencies.
- Provides \$5.1 million GF to increase school division reimbursements for school breakfasts from \$0.22 to \$0.28 per meal.
- Provides \$5.0 million GF for grants to assist school divisions in implementing community school models.
- Includes \$4.4 million GF to implement provisions of 2024 special education legislation, including expanded support for parents of special education students and instructional coaching and professional development for teachers.
- Restores \$3.8 million GF to fully staff the Office of School Quality and ensure support is available for schools not meeting state accreditation requirements.

Higher Education

- Provides \$205.4 million GF in funding over the biennium to increase access, affordability and degree production at public colleges and universities.
 - Supports increased costs related to the institution's share of the salary increases to mitigate growth in tuition and fees.
 - Includes \$40.0 million in additional support for Historically Black Colleges and Universities (HBCUs).
- Restores \$150.0 million GF in operating support provided in Chapter 1 to each institution's base budget.
- Provides an additional \$42.0 million GF in undergraduate need-based and graduate financial aid.
- Provides \$40.0 million GF to support changes in financial aid policy related to waivers, including the Virginia Military Survivors and Dependents Program (VMSDEP).
- Restores \$37.5 million GF to support low-income students to enroll and complete a certificate or degree (Pell Initiative) that was removed from the introduced budget.

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- Includes \$37.0 million to complete the merger of Old Dominion University and Eastern Virginia Medical School.
- Increases the Tuition Assistance Grant (TAG) program from \$5,000 per student to \$5,125 the first year and \$5,250 the second year.
- Increases internship funding in the second year by \$11.5 million GF and distributes funds to provide a total of \$12.0 million GF the first year and \$14.5 million the second year.
- Provides additional support through the Virginia Innovative Partnership Authority to support life sciences research through the University of Virginia, Virginia Tech, Old Dominion University, and Virginia Commonwealth University.

Employee Compensation

- Provides \$178.8 million GF the first year and \$366.4 million GF the second year for a 3.0 percent salary increase in each year of the biennium for state employees, including adjunct faculty and graduate teaching assistants at higher education institutions, and for state-supported local employees.
 - The raises are effective June 10th of each year for state employees (the July 1 paycheck) and July 1st for state-supported local employees.
- Provides \$61.9 million over the biennium for targeted salary increases including \$39.8 million for support staff at the Department of Behavioral Health and Developmental Services Facilities and \$20.3 million for public safety personnel (state police and DOC correctional officers).
- Provides \$39.6 million from the general fund each year to fund a 6.3 percent increase in the premiums in the state employee health insurance plan in FY 2025.

Health and Human Resources

- Provides an additional \$2.0 billion GF for Health and Human Resources over the biennium, including \$830.9 million GF the first year and \$1.2 billion GF the second year.

Medicaid

- Fully funds \$745.2 million GF over the biennium for the Medicaid and children's health insurance forecasts.

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- Reflects \$483.8 million GF to backfill revenue declines in the Virginia Health Care Fund over the biennium.
 - Managed care repayments are not expected as utilization of services normalizes, and profits do not exceed the allowed 3 percent threshold.
 - Projects decline in tobacco taxes, pharmacy rebates, and Medicaid recoveries.
 - Recognizes an increase in the tax on liquid nicotine from \$0.066 to \$0.11 per milliliter.
- Provides \$191.4 million GF to add 3,440 Medicaid developmental disability (DD) waiver slots and provide a 3 percent rate increase for DD services each year over the biennium.
- Includes \$150.0 million GF in FY 2025 as a contingency against higher-than-expected enrollment in the Medicaid program.
- Adds \$63.8 million GF over the biennium for the impact of the minimum wage legislation on rates for Medicaid funded personal care attendants.
- Adds \$40.0 million GF over the biennium to support the value-based purchasing (VBP) program for nursing homes, which incentivizes higher staffing levels.
- Includes \$11.3 million GF over the biennium to provide a 3 percent rate increase in Medicaid dental rates effective July 1, 2025.
- Provides \$10.1 million GF to increase rates for consumer-directed facilitation services in the DD waiver and for elderly and disabled Medicaid recipients.
 - Rates for service facilitation were not updated in FY 2022 like many other DD services.
- Invests \$9.4 million GF over the biennium to increase automation tools for Medicaid applications and eligibility redeterminations.
- Adds \$4.8 million GF to increase rates for enteral feeding products and supplies for children.

Behavioral Health

- Provides \$25.0 million GF the first year and \$2.6 million GF the second year to continue developing crisis infrastructure.
- Includes \$19.9 million GF each year for salary increases at state hospitals.

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- Invests \$10.0 million GF the first year for additional mobile crisis units.
- Provides \$7.5 million GF each year for CSB workforce development and staffing.
- Provides \$6.0 million GF each year for discharge assistance planning for individuals in state hospitals on the extraordinary barriers list.
- Adds \$4.7 million GF each year to expand alternative custody and alternative transportation services.
- Includes \$4.5 million GF each year to increase funding for STEP-VA.
- Invests \$4.0 million GF each year for housing for individuals with serious mental illness and people with developmental or intellectual disabilities.

Other Health and Human Resources

- Fully funds \$97.0 million GF for mandatory caseload and cost increases in the Children's Services Act (CSA) program over the biennium.
- Adds \$8.6 million GF to expand the Behavioral Health Loan Repayment Program over the biennium.
- Provides \$8.5 million GF the first year and \$8.4 million GF the second year to support kinship care and the Relative Maintenance Payment Program.
- Adds \$6.2 million GF over the biennium to fully fund community health workers in local health departments.
- Includes \$5.5 million GF over the biennium for Child Advocacy Centers.
- Provides \$3.0 million GF for the Free Clinics and \$3.0 million GF for the Federally Qualified Health Centers over the biennium.
- Includes \$2.0 million GF each year for language access programs.
- Moves the Opioid Abatement Authority to Independent Agencies.

Natural Resources, Agriculture, and Forestry

- Deposits \$201.1 million in FY 2025 in the Water Quality Improvement Fund. Of this amount, \$138.1 million is a supplemental general fund deposit and \$63.0 million is from funds received through the Monsanto Settlement Agreement.
 - Substantially increases the base technical assistance funding provided to Soil and Water Conservation Districts by \$3.0 million each year and provides an additional \$1.0 million each year for maintenance and repair of SWCD-owned dams.

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- Provides \$100.0 million GF in FY 2025 for the Community Flood Preparedness Fund.
- Includes \$26.5 million GF in FY 2025 to assist Bristol in its landfill remediation efforts.
- Provides \$25.0 million to the City of Norfolk for the Coastal Risk Storm Management Projects.
- Establishes a pay-for-performance pilot program at DEQ using \$20.0 million GF to solicit private sector investments in nonpoint source pollution reduction projects.
- Includes \$20.0 million GF in FY 2025 for capital improvements at historic sites and history museums in anticipation of the “America 250” semiquincentennial celebrations.
 - Provides additional direct appropriations to support 14 historic and cultural sites across the Commonwealth.
- Includes \$3.8 million GF in FY 2025 for the non-federal share of an Army Corps of Engineers cleanup project at Money Point in the City of Chesapeake.
- Provides \$3.4 million GF and \$1.6 million NGF over the biennium to implement statewide coordinated invasive species management at the Departments of Agriculture and Consumer Services, Forestry, Conservation and Recreation, and Wildlife Resources.
- Language amendment directs the Governor to re-join the Regional Greenhouse Gas Initiative.

Public Safety and Veterans

- Package supports a total of \$75.9 million GF over the biennium for several community violence intervention initiatives, including:
 - \$10.0 million each year to support the Operation Ceasefire Grant Program. Specifies that grants from the Program shall not be provided to state agencies, and prohibits the use of grant funds by law enforcement agencies to purchase non-forensic equipment;
 - \$1.3 million each year at the Office of the Attorney General to support its Operation Ceasefire efforts;
 - \$14.0 million each year for the Safer Communities program, including adding Roanoke as a grantee;

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- \$7.3 million over the biennium in additional support for youth community violence programs; and
- Maintains \$9.0 million each year in existing support for the Community Violence Intervention and Prevention Program.
- Provides \$43.5 million GF over the biennium for the School Resource Officer Incentive Grant Program.
 - \$10.9 million reduction over the biennium to reflect observed utilization of the grant program.
- Includes \$21.4 million GF over the biennium to support victim services agencies, including Victim Witness and Sexual and Domestic Violence services agencies, to offset declining federal and special fund revenues.
- Supports \$19.1 million GF the first year for start-up costs at two new veterans care centers.
- Provides \$10.0 million GF each year in additional support for the Aid to Localities with Police Departments (“599”) Program.
- Provides \$6.6 million GF each year for DOC to establish a career progression plan for correctional officers.
- Removes language that prohibits certain state-responsible inmates from earning the enhanced earned sentence credit rate on their sentence.

Commerce and Labor

- Includes \$175.0 million GF for the Virginia Housing Trust Fund to support the creation or preservation of affordable housing.
- Provides \$114.0 million GF and NGF to support life science research initiatives at the University of Virginia, Virginia Tech, Virginia Commonwealth University, and Old Dominion University.
- Includes \$79.5 million over the biennium to support increasing the state’s minimum wage to \$13.50 in 2025 and \$15.00 in 2026.
- Adds \$30.0 million in fiscal year 2025 to help with costs related to “make ready work” for American Rescue Plan Act funded broadband infrastructure projects.

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- Includes \$42.5 million GF over the biennium to continue setting-aside funding for the Commonwealth's obligations to the Amazon HQ2 economic development project in advance of incentive payments in the next biennium.
- Invests \$40.0 million GF over the biennium for the Virginia Business Ready Sites program.
- Authorizes a \$40.0 million treasury loan to the City of Newport News to help secure a federal investment of up to \$400.0 million from the U.S. Navy to build housing infrastructure for sailors docked in Newport News at the shipyard.

Transportation

- Includes \$65.0 million GF the first year and \$84.5 million the second year for additional operating assistance for the Washington Metropolitan Area Transit Authority (WMATA).
 - Language allows the total Virginia operating assistance provided to WMATA to exceed the cap set in the Code.
 - Provides \$25,000 GF for a Joint Subcommittee to explore long term cost-containment strategies.
- Provides \$77.0 million GF the first year and \$24.0 million GF the second year to support additional toll relief on 14 trips per week through 2036 to eligible drivers who earn less than \$50,000 per year and reside in Norfolk and Portsmouth.
- Provides \$70.0 million GF the first year to expedite projects in the I-81 Corridor Improvement Plan. Providing the \$70.0 million GF will allow for an ongoing project in the Salem District to include widening of both the northbound and southbound lanes concurrently.
 - Additional language earmarks up to \$175.0 million from year-end revenue surpluses for the I-81 improvement program.

Capital Outlay

- Provides \$1.8 billion in general fund cash or general fund tax-supported debt for projects, including:
 - \$524.3 million for renovation, replacement, and improvement projects at institutions of higher education and state agencies;
 - \$464.0 million for maintenance reserve;

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- \$400.0 million for improvements to wastewater treatment plants to meet Chesapeake Bay improvement goals;
- \$108.2 million for equipment; and
- \$280.0 million for a deposit to the supplement pool to address construction cost inflation on previously authorized projects.
- Provides an additional \$904.9 million in nongeneral fund support for capital outlay projects.

General Government

Legislative

- Includes \$20.0 million GF for the American Revolution 250 Commission to support statewide activities in support of the upcoming national celebrations.

Administrative

- Provides \$1.6 million GF for increases in paralegal positions for Commonwealth's Attorneys.
- Includes \$400,000 GF to conduct a study of workloads for Circuit Court Clerk offices.

Judicial

- Provides \$28.8 million GF over the biennium for increased payments to court-appointed attorneys and to open a Public Defenders' office in the Harrisonburg/Rockingham area.
- Includes \$3.8 million GF for six new judgeships that were recommendations of the Judicial Council and/or Committee on Courts.

Finance

- Provides \$1.0 million GF to advance progress on the development of a replacement to the state's aging revenue management system administered by the Department of Taxation.
- Includes \$3.8 million for a bond defeasance for the Town of Craigsville to assist with respect to the pending closure of Augusta Correctional Center.