

# **Overview of 2024 Special Session I Budget Bills**

## **SB/HB 6002 (Amendments to the 2022-24 Budget)**

## **SB/HB 6001 (2024-26 Biennial Budget)**

May 13, 2024

# Reminder - HB 29/30 Enrolled Budgets - Key Spending Themes

- Increased structural balance as compared to the introduced budget by reversing items to further align one-time sources with one-time spending (cash in capital outlay, some Literary Fund for school construction, etc.).
- Prioritized funding for PreK-12 education and pay increases for teachers, state, and state-supported local employees.
- In Health and Human Resources, support was focused on behavioral health, crisis funding, and necessary Medicaid provider rate increases.
- In the introduced budget, mandatory spending in Medicaid, K-12 rebenchmarking, and backfilling Health Care Fund revenue shortfall consumed most GF resources.
- Reversed the \$1.0 billion of tax reductions from the introduced budget and accounted for revenue from the “New Economy” categories for individuals and some categories for businesses to allow for additional policy actions.
- “New Economy” categories recognized shifting consumption patterns to keep from further eroding the sales tax base (digital downloads, streaming, etc.) and provided an avenue to fund key programs (notably the JLARC K-12 funding study).
- Revenue Reserve Fund withdrawal was spread between the two years and was used exclusively for one-time funding.

# Actions to Maintain Funding Priorities without Modernizing Sales Tax with “New Economy” Categories

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- Reflect FY 2024 Revenue Collections**
  - Adopt Technical Amendments**
  - Utilize Additional Debt to Support Capital Outlay Projects**
  - Reduce Medicaid Reserve & Recognize Health Care Fund Revenue**
  - Capture VPI Nonparticipation Savings & Recognize FY 24 Lottery Profits**

# Reflect FY 2024 Revenue Collections

- Overall, the GF forecast in HB 29 as enrolled for FY 2024 is a contraction of 0.6%.
- Year-to-date growth through April is 5.0%, putting revenue \$1.1 billion ahead of forecast.
  - Of this total, \$536.0 million is withholding.
- Year-end revenue collections may well exceed the HB 29, as enrolled, forecast by \$1.2 - \$1.5 billion.
- SB/HB 6002 assumes \$525.0 million increase in the FY 2024 GF forecast. This increases the FY 2025 carryforward balance in SB/HB 6001.
- Contingent language in SB/HB 6002 dedicates a portion of any FY 2024 surplus for:
  - \$175.0 million for I-81 improvements; and
  - \$400.0 million to supplant debt for GF cash to fund wastewater improvement projects.

# SB/HB 6002 & SB/HB 6001 Revenue Adjustments

(GF \$ in millions)	FY 2024	FY 2025	FY 2026
Adjust Reversion of the College Lab School Transfer *	(\$60.1)	\$0.0	\$0.0
Reflect FY 2024 Revenue Collections	525.0	0.0	0.0
Reflect Reversion of GF Capital Amount		47.5	0.0
Reflect Elimination of “New Economy” Sales Tax Categories		(300.8)	(753.7)
Reflect Elimination of Cannabis Revenue (HB 698/SB 448 Vetoes)		(5.3)	(18.6)
Adjust Historic Rehabilitation Tax Credit Revenue Loss (SB 556)		0.0	2.5
Reflect Juvenile Fines, Costs, and Fees (HB 1264 Veto)		0.4	0.4
Adjust Revenue Reserve Fund Transfer		(275.7)	275.7
Adjust FY 2025 ABC Net Profit Transfer		(44.1)	0.0
Eliminate FY 2025 Skill Game Revenue		(93.7)	0.0
Technical Reduction to K-12 Sales Tax Transfer for “New Economy” Categories		<u>(36.5)</u>	<u>(97.4)</u>
<b>Total</b>	<b>\$464.9</b>	<b>(\$708.2)</b>	<b>(\$591.1)</b>

\* HB 29, as enrolled, transferred \$85.0 million from the College Partnership Lab School Fund to the GF. The action in SB/HB 6002 maintains \$75.0 million in the College Partnership Lab School Fund.

# SB/HB 6002 – Caboose Spending Actions

Results in a net spending reduction of \$33.9 million, largely from increased revenue in the Health Care Fund offsetting GF spending in Medicaid.

GF \$ in millions (Items amended in HB 6002)	HB 29, Enrolled	HB 6002	Total
Direct Aid Technical Update Salary Increases and Governor's School	\$0.0	\$5.9	\$5.9
TAX Skill Game Administrative Funding (SB 212)	0.4	(0.4)	0.0
Health Care Fund Adjustment - \$40.0 million GF Savings in FY 2024	-	(40.0)	(40.0)
Adjust FY 2024 VEDIG Grant Payments	<u>(0.6)</u>	<u>0.6</u>	<u>0.0</u>
<b>Total</b>	<b>(\$0.2)</b>	<b>(\$33.9)</b>	<b>(\$34.1)</b>

# SB/HB 6001 – Spending Actions by Secretarial Area

Secretariat (GF \$ in millions)	FY 2024	FY 2025	FY 2026	Biennial Total
Legislative	\$-	\$0.1	\$0.1	\$0.2
Judicial	-	\$0.1	-	\$0.1
Executive Offices	-	-	-	-
Administration	-	\$33.3	\$33.3	\$66.7
Agriculture and Forestry	-	(\$0.3)	(\$0.3)	(\$0.5)
Commerce and Trade	\$0.6	(\$0.8)	(\$0.6)	(\$1.4)
Public Education	\$5.9	\$65.8	(\$308.6)	(\$242.8)
Higher Education	-	-	-	-
Other Education	-	-	-	-
Finance	(\$0.4)	(\$1.2)	(\$0.1)	(\$1.3)
Health and Human Resources	(\$40.0)	(\$38.2)	\$37.5	(\$0.7)
Labor	-	-	-	-
Natural and Historic Resources	-	(\$0.3)	(\$0.3)	(\$0.5)
Public Safety and Homeland Security	-	(\$4.7)	(\$3.5)	(\$8.3)
Transportation	-	(\$5.4)	(\$0.2)	(\$5.7)
Veterans and Defense Affairs	-	\$3.0	-	\$3.0
Central Appropriations	-	(\$8.1)	(\$72.1)	(\$80.2)
Independent Agencies	-	(\$34.5)	(\$26.8)	(\$61.3)
Capital Outlay	-	(\$467.6)	-	(\$467.6)
<b>Grand Total</b>	<b>(\$33.9)</b>	<b>(\$458.7)</b>	<b>(\$341.5)</b>	<b>(\$800.2)</b>

# Ending Balance Remains at \$17 million

GF \$ in millions	FY 2024	FY 2025	FY 2026	Biennium
Unappropriated Balance, as Enrolled	\$2,490.9	\$2.8	\$15.1	\$17.9
Carryforward Adjustment	-	498.7	-	498.7
GF Resource Adjustments	464.9	(708.2)	(591.1)	(1,299.3)
Less Spending Changes (subtraction)	(33.8)	(458.7)	(341.5)	(800.2)
<b>Ending Balance</b>	<b>\$2,989.6</b>	<b>\$252.0</b>	<b>(\$234.4)</b>	<b>\$17.6</b>
Carryforward Adjustment (Difference between HB 29 and SB/HB 6002)	\$498.7			

May not sum due to rounding.



# Changes by Area and Summary

# Capital Outlay – Supplant Cash for Debt

\$ in millions (Items amended in HB 6001)	HB 30, Enrolled GF Cash	HB 6001 Tax-Supported Debt
NSU Campus Infrastructure	(\$14.1)	\$14.1
VSU Campus Improvements	(15.0)	15.0
DBHDS Facility Renovations	(20.0)	20.0
DCR Underground Storage Tanks	(3.0)	3.0
DCR Natural Tunnel State Park	(4.0)	4.0
DCR Widewater State Park	(10.0)	10.0
DWR Lake Shenandoah Dam	(3.0)	3.0
DMA Improve Readiness Centers	(3.0)	3.0
Higher Education Construction Pool (HB 30 transferred \$47.5 million GF from a prior pool, which is a balance adjustment in SB/HB 6001.)	(195.5)	243.0
Wastewater Treatment Plant Upgrades	(200.0)	200.0
<b>Total Capital Outlay Changes</b>	<b>(\$467.6)</b>	<b>\$515.1</b>

***VMFA Expand and Renovate Museum:*** Modifies scope to consolidate square footage in the annex programs and parking into additional museum and administrative space.

# Education

GF \$ in millions (Items amended in HB 6001)	HB 30, Enrolled	HB 6001	Total
Direct Aid: Update Sales Tax Revenue for K-12	\$168.7	(\$168.7)	-
Direct Aid: Update Literacy Act Funding (technical)	9.3	(3.0)	6.3
Direct Aid: Increase Lottery Proceeds for FY 2024 Residual (+\$25.0 million NGF for infrastructure and operations)			-
Direct Aid: Remove Support for Reading Corps & Literacy Lab Due to Programs Closing in FY 2025 and Redirect to Supplemental Support for Henrico and Richmond City Programs (\$2.6 million)			-
Direct Aid: Literary Fund Support for Teacher Retirement (change \$150.0 million GF from FY 2025 to FY 2026)			-
Early Childhood: Virginia Preschool Initiative – Adjust Nonparticipation Rate	71.0	(71.0)	-
<b>Total</b>	<b>\$249.0</b>	<b>(\$242.7)</b>	<b>\$6.3</b>

## Language related changes:

College Laboratory Schools: Adds language that allows institutions ineligible for funding to partner with a public baccalaureate. Requires the public baccalaureate to also serve as the fiscal agent. Adds an annual reporting requirement related to financial sustainability and limits state funding for renewed applications to Direct Aid provided through school divisions.

Higher Education: Clarifies George Washington University's eligibility to receive financial aid. Adjusts hold harmless for waiver programs, including Virginia Military Survivors and Dependents Education Program (VMSDEP) to allow existing students and students who commit by May 15 (and that enroll by Fall 2024) to complete their program of study.

# Health and Human Resources

GF \$ in millions (Items amended in HB 6001)	HB 30, Enrolled	HB 6001	Total
Medicaid Reserve for Higher than Expected Enrollment	\$150.0	(\$55.0)	\$95.0
Increase Personal Care Rates Two Percent Each Year	-	56.0	56.0
Health Care Fund Adjustment (HB 29) - \$40.0 million GF Savings in FY 2024	-	-	-
Failed Legislation: Prescription Drug Affordability Board	1.0	(1.0)	-
Remove Funding for Health Wagon	-	(0.8)	(0.8)
Add Two Positions and NGF Funding at Department of Health Professions to Reflect Legislation Passed in the 2024 Session (HB 1499 and SB 403)	-	-	-
<b>Total</b>	<b>\$151.0</b>	<b>(0.8)</b>	<b>\$150.2</b>

## Language related changes:

- Remove local match requirement for Northern Virginia Firefighters Occupational Screening Pilot.
- Conform budget language for legally responsible individuals providing care under Medicaid to legislation adopted in the 2024 Session.
- Technical correction to language related to Medicaid coverage of weight loss drugs.

# Public Safety & Veterans

GF \$ in millions (Items amended in HB 6001)	HB 30, Enrolled	HB 6001	Total
<u>Remove funding for failed legislation:</u>			
Isolated confinement restrictions (SB 719 / HB 1244)	\$6.4	(\$6.4)	-
Concealed handgun permit competency requirements (HB 797)	0.8	(0.8)	-
Impacts need for prison beds ("Woodrums")	1.3	(0.7)	0.6
Marijuana-related sentence modifications (SB 696)	0.1	(0.1)	-
Law Enforcement Interrogation Practices (HB 250)	0.1	(0.1)	-
Substantial Risk Order Reporting (HB 916)	0.1	(0.1)	-
Earned Sentence Credit Eligibility (HB 45 & HB 77)	Language	Language	-
Virginia Military Community Infrastructure Grant Program	-	3.0	3.0
<b>Total</b>	<b>\$8.8</b>	<b>(\$5.2)</b>	<b>\$3.6</b>

## NGF & Language Items:

- Removes NGF appropriations for failed legislation related to expungement (SB 504/HB 838) and substantial risk order training (HB 637).
- Clarifies Virginia State Police body-worn camera cost report requirements.

# Economic Development & Natural Resources / Transportation

GF \$ in millions (Items amended in HB 6001)	HB 30, Enrolled	HB 6001	Total
<u>EDNR Adjust funding for failed legislation:</u>			
VDACS Hemp Enforcement Funding (SB 448 & HB 698)	\$0.5	(\$0.5)	\$0.0
DSBSD SWaM Procurement Funding (HB 1404)	1.4	(1.4)	0.0
VEDP Virginia Longitudinal Data System (HB 1083)	1.0	(1.0)	0.0
DEQ Hazardous Storage Tank Monitoring (HB 949)	0.5	(0.5)	0.0
EDIP Restore Motion Picture Opportunity Fund	(1.0)	1.0	0.0
Menhaden Quota Transfer Technical Language (Included in SB/HB 6002)			
<b>EDNR Total</b>	<b>\$2.4</b>	<b>(\$2.4)</b>	<b>\$0.0</b>
<u>Transportation Technical adjustments:</u>			
DMV Sealing and Expungement Funding	\$0.7	(\$0.7)	\$0.0
Modify Support for WMATA	149.5	(4.8)	144.7
Supplant GF for NGF for Central Virginia Training Center Entrance Study	0.2	(0.2)	0.0
VDOT Adjust MEL			
Designate Funding from State Trails Funding for the Fall Line Trail			
<b>Transportation Total</b>	<b>\$150.4</b>	<b>(\$5.7)</b>	<b>\$144.7</b>

# General Government

GF \$ in millions (Items amended in HB 6001)	HB 30, Enrolled	HB 6001	Total
<u>Adjust Funding for Failed Legislation:</u>			
Minimum Wage Increase (SB 1 / HB 1)	\$79.5	(\$79.5)	-
Cannabis Control Authority Budget (SB 448 / HB 698)	(4.0)	1.1	(2.9)
Marijuana Tax Collection (SB 448 / HB 698)	0.7	(0.7)	-
Skill Games Tax Collection (SB 212)	0.6	(0.6)	-
Park Rangers in VaLORS (HB 1312)	0.6	(0.6)	-
Move Dept. of General Services back under Sec. of Administration	Net zero	Net zero	Net zero
Rejoin ERIC ( SB 606/HB 1177)	0.2	(0.2)	-
Add Position for Behavioral Health Commission	-	0.2	0.2
Move Juvenile Restitution Study from Crime Commission to Judicial Dept. (due date September 1, 2025)	Language	0.1	0.1
Add Positions in Commonwealth's Attorneys' Offices	1.6	4.8	6.3
Opioid Data Tracking System (+\$4.0 million NGF)	NGF	NGF	NGF
<b>GF Total</b>	<b>\$79.2</b>	<b>(\$75.4)</b>	<b>\$3.7</b>

# General Government - Language

- Directs the Joint Tax Policy Subcommittee to examine modernization of sales tax and income tax progressivity.
- Establishes joint work group of House Appropriations and Senate Finance and Appropriations Committees to review historic horse racing revenue distribution.
- Establishes a work group for implementation of a new Integrated Revenue Management System.
- Provides contingent appropriations from FY 2024, FY 2025, and FY 2026 surplus revenues to reserve surplus revenue for wastewater projects and I-81.
- Amends distribution of unobligated ARPA balances consistent with Governor's recommendations.
- Updates transfers from Revenue Reserve Fund to the general fund.
- Authorizes treasury loan for Lottery electronic gaming oversight.
- Technical correction to name of ARPA grant recipient.



# Summary of Special Session Budget Actions

- Retains all new spending items from the Conference Report/enrolled bill (except for technical adjustments).
- Does not include any increase or modernization of sales tax for digital goods and services.
- Recognizes an additional \$525.0 million in FY 2024 revenues (no base adjustment in FY 2025 or FY 2026).
- Adjusts FY 2025 only for ABC profits forecast reduction.
- Supplants \$515.1 million GF cash to debt for capital projects.
- Reduces Medicaid reserve fund in FY 2024 from \$150.0 million to \$95.0 million and recognizes \$40.0 million additional in Health Care Fund revenue in FY 2024.
- Captures VPI non-participation savings and recognizes an additional \$25.0 million in FY 2024 Lottery profit (distributes as additional Lottery per pupil payments).
- Removes RGGI language.
- Provides no new funding for lab schools.
- Provides \$56.0 million for 2% annual salary increases for personal care providers.
- These actions leave an unappropriated balance of \$17.6 million.