



COMMONWEALTH of VIRGINIA

Office of the Governor

Ralph S. Northam
Governor

February 28, 2020

The Honorable Janet D. Howell
Chairwoman, Finance and Appropriations Committee
Senate of Virginia
Pocahontas Building, Room E509
Richmond, Virginia 23219

The Honorable Luke Torian
Chairman, Appropriations Committee
House of Delegates
Pocahontas Building, Room W1304
Richmond, Virginia 23219

Dear Chairwoman Howell and Chairman Torian:

This session has brought a once-in-a-generation opportunity to take our Commonwealth in the new direction that Virginians have directed us to pursue. For the first time in many years, the Legislative and Executive branches have conducted a session by advancing shared priorities and a common agenda. As we move into the session's closing days, Virginians are already seeing tremendous progress in delivering the forward-looking common-sense results they expect. We can all be proud of having seized this opportunity together.

The budget is the clearest example of this cooperation. For the first time in recent memory, both chambers have produced budgets that are philosophically and programmatically consistent with the introduced budget. Both the House and the Senate budgets retain the proposals I introduced, and I thank you for advancing our shared priorities.

The two budgets naturally take different approaches to carrying out these priorities, so I write to ask you to revisit a limited number of issues as the conference committee begins its review. Please know that my focus is on operational execution: The Executive Branch will be responsible for executing the final budget that you approve, and it is important to pass a budget that creates the greatest opportunity for shared long-term success. The following measures rise to this level.

First, I applaud your commitment to preserving Virginia's tradition of fiscal integrity. This means passing a structurally balanced budget, building up the Commonwealth's financial reserves, and prioritizing the preservation of our AAA bond rating. Doing so makes everything we do easier and less expensive. The introduced budget boosted our financial reserves to \$1.9 billion, which is six times what we had in the bank when I came into office. Both budgets retain and expand upon this allocation, and I appreciate your investment in Virginia's long-term fiscal health.

As you continue your deliberations, I encourage you to keep structural balance in mind. The taxpayers we serve deserve transparency, and it is important to demonstrate that Virginia has fully considered the financial effect of new policies, in particular to our Medicaid program, for both the 2020-2022 biennium and in the out years. The bond rating agencies will ask for this evidence as they assess our credit.

Second, I encourage you to invest in people—especially in programs that have been underfunded in the past. These include:

1. **Historically Black Colleges and Universities (HBCUs) and African American historical-cultural education.** I urge you to increase funding for Virginia’s two public historically black colleges and universities, Norfolk State University and Virginia State University. They play a critical role in training our workforce, and it is important to help bring their funding levels more in line with other universities. This includes restoring capital funding, launching the Virginia College Affordability Network, and establishing a Center for African American Policy at Norfolk State University.

In addition, it is long past time to tell the fuller story of Virginia’s history. This takes place not only in traditional classrooms, but also by:

- Supporting field trips—aligned with SOL content—to the American Civil War Museum and the Black History Museum and Cultural Center of Virginia;
- Enhancing programming and historic interpretation at Monticello, Montpelier, Freedom House in Alexandria, and Maymont; and
- Creating new educational opportunities through minority fellowships at the Virginia Symphony.

In addition, I support a partnership with the Department of Historic Resources to help create a Center for African American History and Culture at Virginia Union University, which the Commonwealth has supported through a capital grant to renovate an historic structure into the Center’s new home.

2. **Early Childhood Education.** As our economy evolves, so too must our thinking about education. This starts with acknowledging that learning starts much earlier than our current system is designed for. For this reason, I deeply appreciate your commitment to investing new dollars to help at-risk three- and four-year-olds start learning sooner. As you continue to refine this comprehensive plan, I encourage you to advance a funding model that will enable the Commonwealth to reach as many children as possible, train educators, provide support, and set accountability standards. The experience of other states has shown that if we invest in little learners today, we will see great results for adults tomorrow.
3. **The “G-3” program and access to higher education.** An evolving economy is changing the student population in our community colleges. Today’s students are often older, have family responsibilities, and work full-time while going to school. They rarely have the luxury of taking the summer off, and they benefit when programs move quickly

and they can learn skills and earn credentials faster. As you finalize this program, I encourage you to acknowledge this reality by making the program and its student support system available year-round to as many students as possible.

This is one of the most important investments we can make in the long-term health of our economy, because it expands the number of Virginians prepared to enter high-demand fields, especially at a time of record low unemployment. A credential is not just a pathway to opportunity, but in many ways a necessity in today's economy. The G-3 program helps workers get ahead and helps businesses thrive.

While G-3 is focused on specific career pathways, we also want to make higher education more accessible to students in all fields.

This includes committing Tuition Assistance Grants (TAG) to support students who assume a share of bricks-and-mortar costs. When students study on-line, they generally do not bear the shared costs of educational facilities. By focusing the program in this way, we will be able to serve more Virginia students. It's important to remember that TAG grants go directly to students—not institutions—and that the institutions with the largest number of TAG-supported students will continue in that lead role even when this program is reformed in this way.

In a similar way, we can expand educational opportunities for more students by increasing higher education grants for veterans and members of the National Guard. This is an important way to honor their service, especially as tensions rise around the world.

4. **Controlling the cost of healthcare.** As the cost of healthcare continues to rise across the country, it often limits the ability of middle-class families to get ahead and build wealth, and it is the source of deep anxiety for too many families. These are just two of the reasons why I proposed creating a reinsurance program to help lower the cost of healthcare. Such a system helps insurers cover high-need people and therefore to help keep premiums low. In addition, since smoking is one of the leading and most costly causes of preventable sickness, I proposed to fund this initiative by increasing the tax on cigarettes. I urge you to consider funding a reinsurance program to lower Virginians' premiums as you finalize the budget's healthcare components.
5. **Behavioral health.** There are competing thoughts on how to structure a behavioral health system that is equipped to address the immediate growing bed census crisis in the Commonwealth's psychiatric hospitals, while also pursuing the long-term goal of building out community-based interventions. I urge you to work collaboratively with my Administration to arrive at an approach that strikes the appropriate balance.

Third, I encourage you to invest in our economy—focusing on programs that will maintain Virginia's economic strength by enabling more people to share in its benefits. These include:

6. **Natural resources.** Having grown up on the water, I have seen repeatedly how a clean environment and a strong economy go hand-in-hand. For this reason, I appreciate your

commitment to historic funding levels to protect Virginia’s natural resources, especially as the Commonwealth and other states increase efforts to combat climate change.

Staffing and infrastructure are necessary tools to advance these goals. We need to keep making progress at the Department of Environmental Quality (DEQ), staffing a critical agency that has been cut by 30 percent over the past decade.

I ask you to preserve land and help clean water in your budget. This includes increasing funding for the Virginia Land Conservation Fund, which has identified more than 55,000 acres for preservation across Virginia. I ask you to give particular attention to three water quality programs as you complete the Natural Resources budget: the Stormwater Local Assistance Fund, funding for Nutrient Management Grants, and funding to improve the combined sewer overflow infrastructure in Alexandria. Each of these projects are critical for our waterways and are important tools in helping put Virginia on track to meet our obligation to clean the Chesapeake Bay by the 2025 deadline. We want other Bay states to see Virginia as the clean water leader.

- 7. Affordable housing.** This is a growing problem across the country, especially in communities that are doing well economically. It often becomes too expensive for middle-class people—including teachers, police officers, firefighters, and other working people—to live in the communities in which they work. This is common when the economy is strong—many people do well, and others get priced out.

Unfortunately, the marketplace alone is not enough to address the problem. In fact, it can create reverse incentives that make the problem worse, sometimes by encouraging evictions. For this reason, I urge you to increase funding for the Virginia Housing Trust Fund and for the Eviction Prevention and Diversion Pilot. These are important tools to help individuals and families first, which then helps attract jobs and build thriving communities.

- 8. Virginia Jobs Investment Program.** This is one of the oldest and most widely-used economic development programs in Virginia. VJIP is a performance-based system with accountability measures that require companies to create new jobs and make significant capital investment. It is often the only state economic development incentive program available for rural projects and to help small- and mid-sized businesses grow. I urge you to increase funding for this important tool to grow the economy in places that need help.

The attached appendix outlines the details of these issues. Secretary Layne will address these issues with you directly in the coming days. I ask you to consider them in your conference deliberations.

In closing, I want to thank each of you for your efforts and dedication to the citizens of the Commonwealth. As we approach the end of the session, I am confident that we can continue to operate in the best interest of the Commonwealth and find even more opportunities for success.

I commend your hard work and commitment to Virginia's future as reflected in the budgets passed by each chamber. I am proud of our ability to work together and move forward on issues that are important to our citizens and that have been overlooked for too long.

Sincerely,

A handwritten signature in black ink, appearing to read "Ralph S. Northam". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Ralph S. Northam

C: The Honorable Richard L. Saslaw
The Honorable L. Louise Lucas
The Honorable Mamie E. Locke
The Honorable George L. Barker
The Honorable R. Creigh Deeds
The Honorable Thomas K. Norment
The Honorable Emmett W. Hanger
The Honorable Eileen Filler-Corn
The Honorable Mark D. Sickles
The Honorable Betsy B. Carr
The Honorable Roslyn C. Tyler
The Honorable David L. Bulova
The Honorable M. Kirkland Cox
The Honorable Barry D. Knight
The Honorable Aubrey L. Layne, Jr.
Ms. April Kees
Ms. Anne Oman
Daniel S. Timberlake