Highlights of Governor Northam’s 2022-2024 Biennium Budget

Governor’s Northam will leave office as the most progressive and economically successful governor in state history, and this budget demonstrates that. It is a direct result of record economic growth and smart fiscal leadership, and it builds on Governor Northam’s priorities throughout his last four budgets: education, equity, and investments in working Virginians.

The Governor’s proposed budget sets the incoming administration up for success in virtually every facet of state government: education, the environment, broadband, behavioral health, public safety, and economic development. Virginia is stronger and more forward-looking as a result of these last four years—this budget is a roadmap to continue this success.

Record Financial Reserves

- **Fiscal Stability**: The budget sets aside $1.7 billion to the Commonwealth’s revenue reserves which includes a $564 million voluntary deposit, because the time to save for a rainy day is when you’re doing well.
  - This brings our reserves to more than $3.8 billion, 16.8 percent of state revenues.
- **Addressing Known Commitments**: It also invests nearly $1 billion into the Virginia Retirement System to honor our retirement commitments to public employees, and commits $42.5 million each year for payments we expect to make to Amazon - payments that are contingent on them meeting their promises on investments and job creation.

Investing in People

- **Raising Teacher Pay to the National Average**: This budget includes a 5% raise for teachers each year to finally bring Virginia’s teacher salaries up to the national average. Governor Northam has included a pay boost for teachers - including the largest single-year raise in 15 years- in every budget he has proposed.
- **Starting Pay and Compression Funding for Law Enforcement**: The Governor’s budget invests $223 million in increased funding for State Troopers, correctional officers, Deputy Sheriffs and regional jail officers. These investments increase starting salaries and address pay compression to a range of law enforcement officers and sworn personnel. These investments come on top of bonuses paid to some law enforcement officials that have ranged from $500 to $5,000 in 2020 and 2021.
- **Pay raises for all state employees**: Our state workforce represent the “service” in public service. As identified by JLARC and others, competitive pay is essential to better compete for talent, and recruit and retain employees in the face of retirements. The Governor’s budget proposes a 10% raise for all state employees over the next two years. This comes on top of the 5% raise that took effect this past June.

Investing over $560 million in Behavioral Health

- **Raises to Direct Care Staff**: $164 million to give pay raises to direct care staff in our state hospitals and training centers. This funding comes on top of ARPA funding made available for one-time bonuses this past summer to better compensate the people who do this essential work in our state facilities.
- **Community Services**: $263 million for community-based services to individuals with behavioral health needs. This includes expanding permanent supportive housing, fully funding STEP VA services at our community service boards, and enhancing crisis services. In addition, this budget proposes $33 million to expand access to community-based addiction treatment.
- **Raising Standings in Jails and the Department of Corrections**: $75 million for new behavioral health care standards and to increase the number of mental health counselors.
- **Supporting Virginians with Developmental Disabilities**: Proposing an historic $675 million to strengthen community-based services and provide for great eligibility for Medicaid waiver services. The language includes revising rates to providers for the first time since 2016 and adding 1,200 new waiver slots for community services.
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**Investing over $2 billion in K-12**
- **School construction**: This budget includes $500 million for grants to localities for school construction or renovation. The Governor proposed school construction loans through the Literary Fund in 2018 and it’s time we get serious about fixing leaky roofs and antiquated classrooms.
- **Educationally At-Risk Students**: Increased support for at-risk students by more than $268 million. Our students have been incredibly resilient over the last 22 months. Increasing the at-risk add-on continues the Governor’s commitment to vulnerable students- having proposed the largest single increase to this funding source in his 2019 budget.
- **Little Learners**: This budget expands access to the Virginia Preschool Initiatives for three-year-olds, increases the Child Care Development Fund by more than $73 million each year, and expands the early reading initiative more than $77 million over 2 years.

**Investing in the Environment and Outdoor Recreation**
- **Multi-use Trails and State Parks**: Proposed budget adds $245 million including $233 million help cover the expansion and improvements to existing trails, like the Spearhead Trails in far southwest, as well as support new and developing trails like the Fall Line Trail in Hanover, the Shenandoah Trail, and the Eastern Shore Trail. Funding is also included to make sure our award-winning state parks remain accessible. These investments will help to create some new trails and interpretive centers at some parks, as well as support new personnel and capital projects.
- **Land and Water Conservation**: This budget includes $410 million in land and water conservation efforts including a required deposit of $313 million to the Water Quality Improvement Fund plus a supplemental deposit of more than $26 million. It sets aside $12 million to help tribal nations conserve and expand their tribal lands, and $10 million to preserve historic sites related to Black and Indigenous Virginians.

**Improving Wastewater Systems with American Rescue Plan Dollars**
- **Combined Sewer Overflow Projects**: $100 million to Richmond, $40 million to Alexandria, and $25 million to Lynchburg to help these older cities finalize projects to improve their wastewater systems to keep wastewater out of their rivers and streams, and deliver cleaner water for everyone.

**Investing in Economic Development**
- **Megasite Development**: Future Governor’s will be able to attract large manufacturing projects and others who need large sites prepared and ready to go with the proposed investment of $150 million to develop midsized and megasites to make our communities as competitive as possible.
- **Affordable Housing**: The Virginia Housing Trust Fund is one of the most important tools we have to assist local and regional efforts to create and preserve affordable housing and reduce homelessness in the Commonwealth. This budget proposes an additional $70 million in the first year, and $120 million in the second year, to meet unmet demand.
- **Community Development Financial Institutions (CDFI)**: The Governor has proposed $5 million to continue the Commonwealth’s investment in the CDFI Fund- an innovative partnership with private financial instructions that are dedicated to delivering responsible, affordable financing to help spark job growth in hard-to serve markets for low-income, low-wealth, and other disadvantaged communities.

**Investing in Student Access to Higher Education**
- **Historically Black Colleges and Universities**: Representing a total investment in this biennium budget of $297 million for capital improvements, student support, and other needs at our HBCUs, this budget adds $20 million over two years for Norfolk State University and Virginia State University, $20 million over two years to help support scholarships at Virginia Union and Hampton University, and $277 million in funding for operating costs and building construction.
- **Tuition Assistance Grants**: The Governor is proposing to raise the level of Tuition Assistance Grants (TAG) to private school students to $5,000 per student over the next two years. This represents a 50% increase in
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the TAG over the course of the Administration. The budget also includes increases student access at our public institutions- $150 million to increase undergraduate financial assistance, $10 million to increase graduate financial aid, and $97 million for affordable access programs.

- Free Community College: $38 million in additional investments to the G3 program- that provides tuition-free community college for low- and middle-income students who pursue jobs in high-demand fields.
- UVA Wise and VMI: This budget includes $11 million into UVA Wise to help expand programs, particularly those focused around economic development. It also provides nearly $12 million to implement “One Corps, One VMI” steps at VMI toward a more inclusive campus.

Tax Reductions for Working Virginians

- Eliminating the state sales tax on groceries. Governor Northam first proposed eliminating this regressive tax on low-income individuals when he ran for Governor in 2017. While the state was on a credit watch in 2018, Virginia’s unprecedented economic strength now makes this possible. The state grocery tax is 1.5%. This proposal does not affect local revenues.
- Income tax cut for working families: Similar to a plan he proposed in 2019, the Governor’s budget proposes to make up to 15 percent of the federal earned income tax credit (EITC) refundable for eligible families, which will give a tax break to working families who need it most. The EITC reduces the amount that low- and middle-income working people owe in taxes. Making it “refundable” means people will get a refund from the state if they are working but earning income below a certain level.
- Economic growth rebates: Proposing one-time tax rebates to everyone who files state income taxes in Virginia—$250 for individuals and $500 for married couples. Virginia last offered tax rebates in 2019, providing $110 for individual filers and $220 for married couples.
- Ending ‘accelerated sales tax’ payments for retailers: The Governor proposes to reduce the burden on retailers by ending the practice of asking retailers to pay sales tax before any revenue has been collected.

Common-Sense Gun Safety

- Center for Firearm Violence Intervention and Prevention: Building on the landmark common-sense gun-violence prevention measures he has signed into law over the last year, this budget includes $27 million to establish the Center for Firearm Violence and Intervention and Prevention to work across public safety and public health sectors to collect data and publish reports on violence caused by firearms.

Preserving American Rescue Plan Dollars for Unknown Needs

- Preserving Recovery Dollars: While Virginia remains in the top 10 most vaccinated states, with the pandemic continuing to endure, and with new variants continuing to force an evolution in our response, the Governor’s budget wisely reserves $424 million of Virginia’s remaining American Rescue Plan Act dollars for the state’s continued response to COVID.

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