



Common Ground for the **COMMONWEALTH**



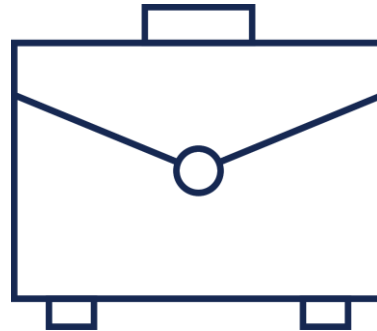
Glenn Youngkin

74th Governor of the Commonwealth of Virginia

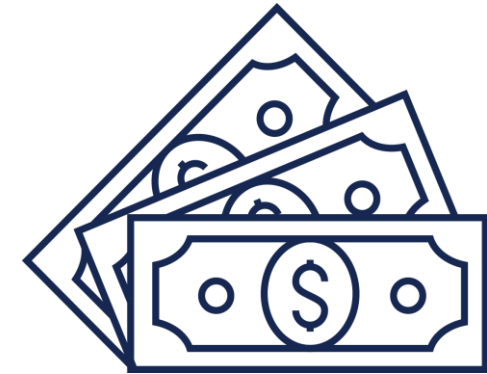
The Commonwealth Has Never Been Financially Stronger



**AAA Rating &
Record Reserves**



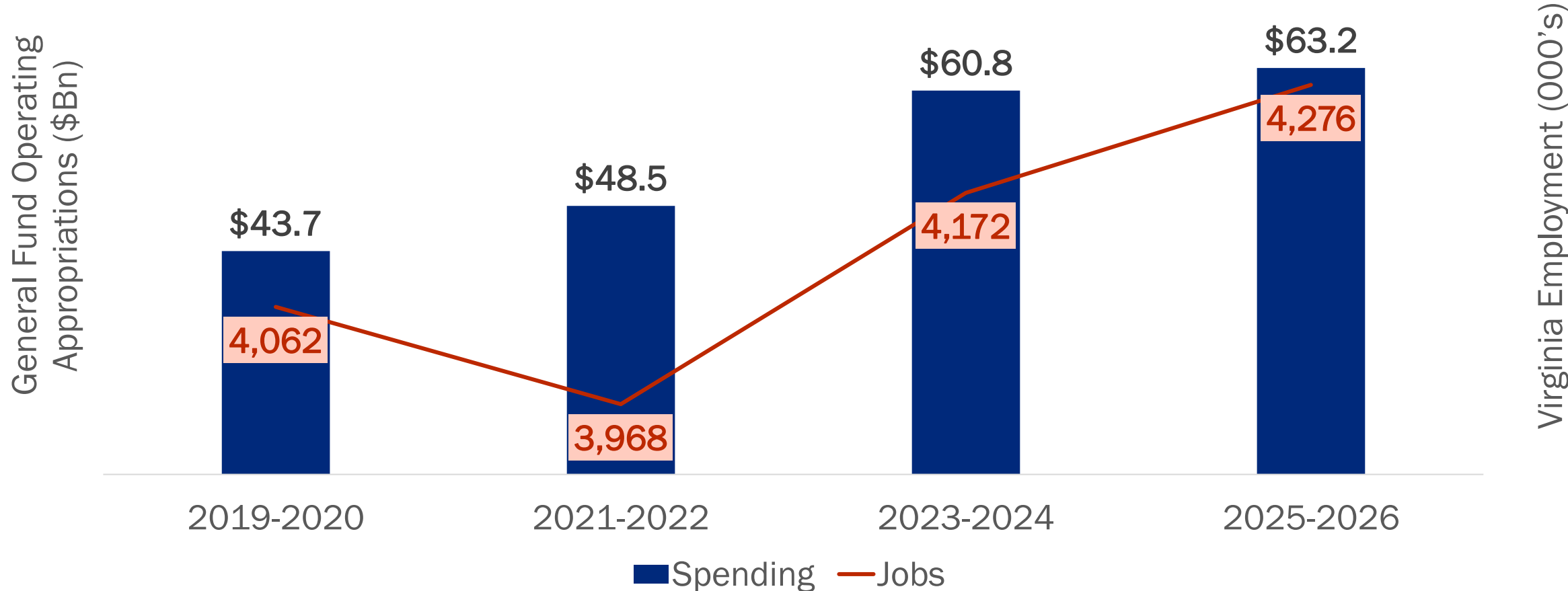
**Record Job Growth &
Highest Number of
Virginians Working**



**Strongest Revenues in
the Commonwealth's
History**

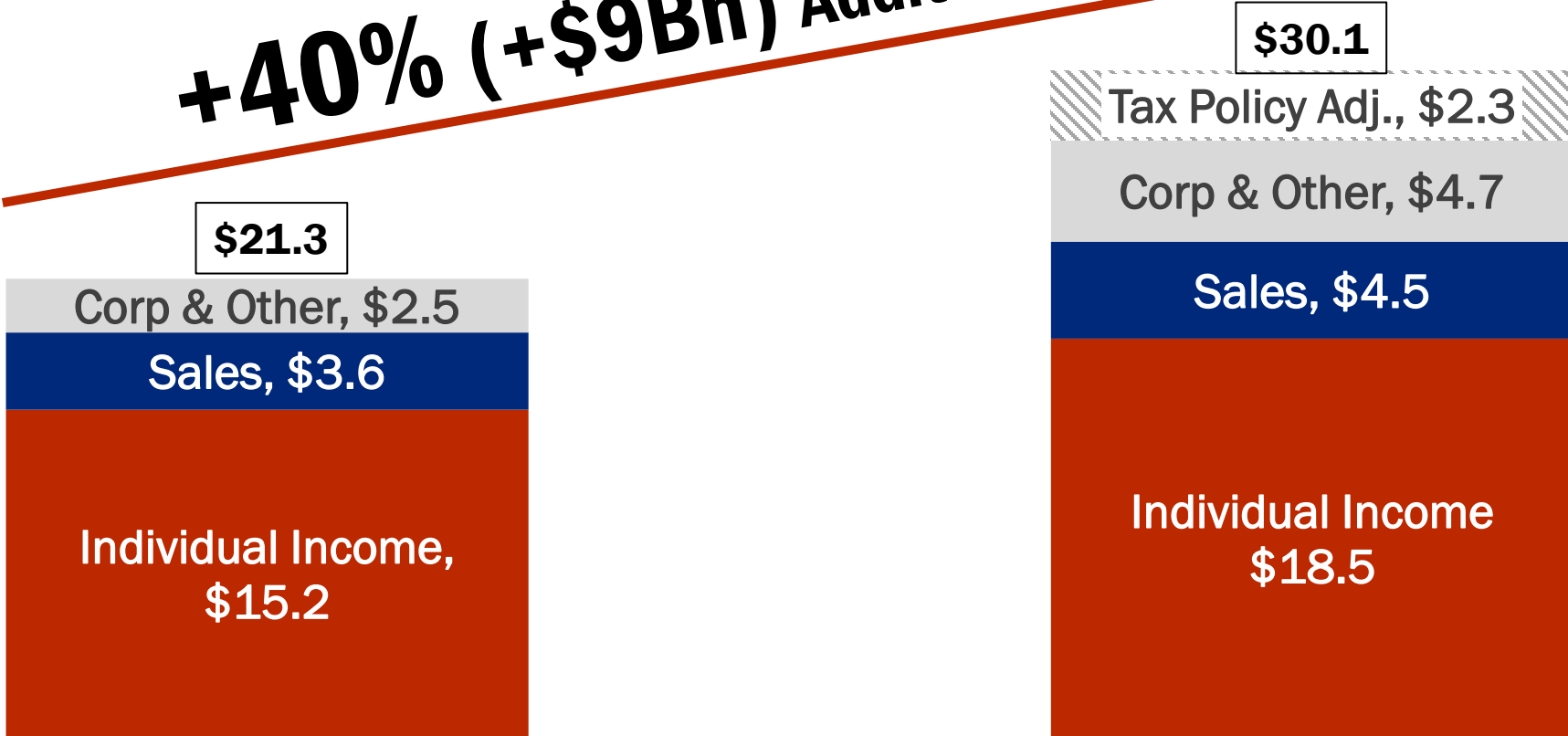
Job Strength & Economy Driving State Revenues

Biennial General Fund Operating Appropriations vs. Job Growth



Revenues Supported by a Strong and Well-Balanced Economy

+40% (+\$9Bn) Additional Resources



FY 2019

**GF dollars in billions (excluding transfers)*

FY 2024

Financial Strength Is the Foundation of a Common Ground Budget

Collective Priorities



Fueling the Future – Education



Serving Those in Need – Health and Human Resources



Creating Jobs and Building Workforce, Safer Communities,
Connecting Virginia, Conserving Our Natural Resources, Serving
our Veterans



Regional and Local Priorities



No New Taxes, No Tax Reductions



Structurally Balanced, On-Time

The Common Ground Budget Snapshot

No Tax Increases, No Tax Decreases

\$64 Billion Over
the Biennium

Invests a record
\$21.3 billion in K-
12 Education

Increases Funding
for Higher
Education by \$1
Billion

Increases Funding
for Health and
Human Resources
by \$3.2 billion

3% Teacher Pay
Raises in Each
Year

Caps Tuition
Increases at 3%

Fully Funds the
State's Share of
Metro's Operating
Shortfall

Provides Toll
Relief in Hampton
Roads, Additional
Funding for I-81

Finding Common Ground



Common Ground for the **COMMONWEALTH**



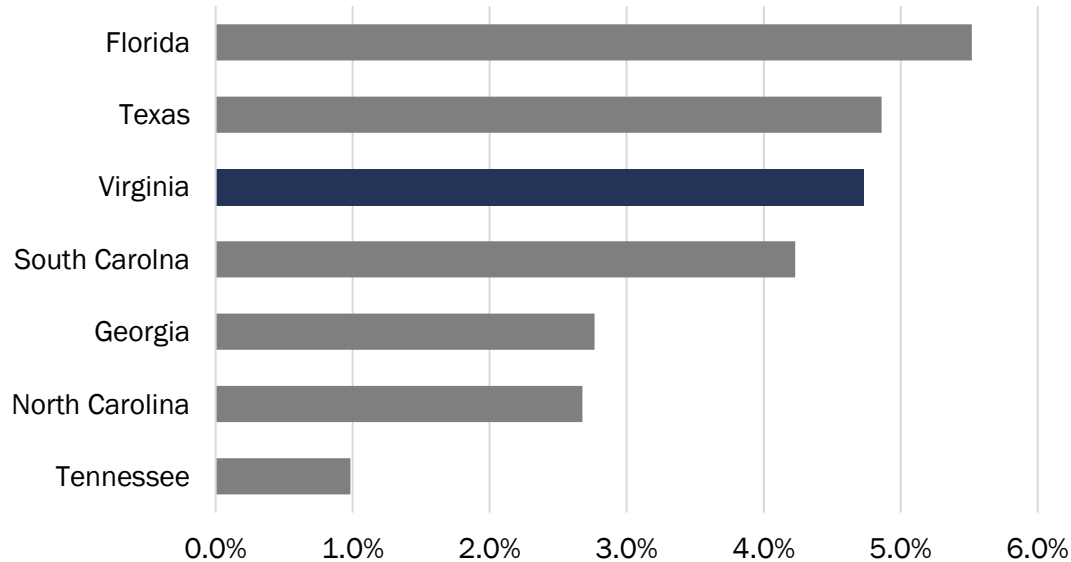
Stephen E. Cummings
Secretary of Finance

VIRGINIA HAS MOMENTUM

#7 Top Job Growth State in the Nation

January 2022 to-date employment change

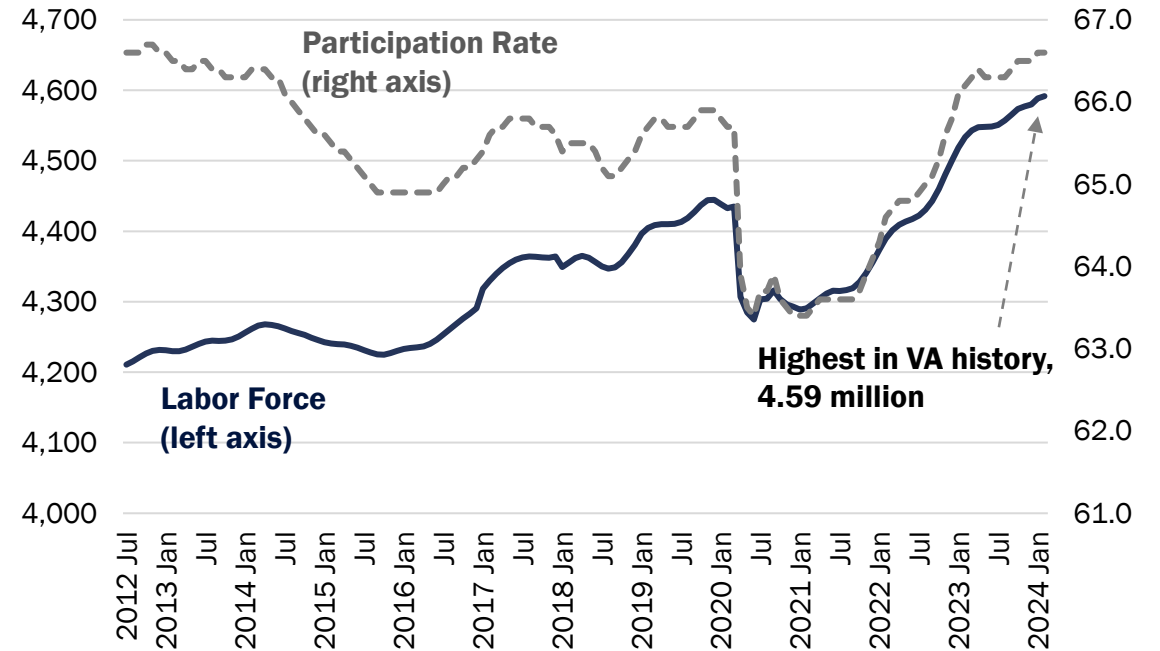
% Jan 2022 to Feb 2024, seasonally adjusted



Highest Labor Force in Virginia's History

Virginia Labor Force and Labor Participation Rate

Labor Force in thousands, Participation Rate in %, seasonally adjusted



Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics (seasonally adjusted)

The Commonwealth Has Never Been in a Stronger Financial Position

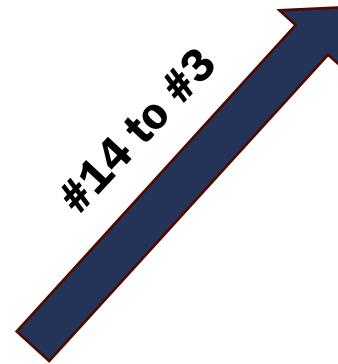
Rainy Day Funds as Percent of GF Expenditures

AAA States, FY 2019

Texas	21%
Georgia	10%
South Dakota	10%
Iowa	9%
Indiana	9%
Minnesota	9%
North Carolina	8%
Utah	7%
South Carolina	7%
Tennessee	6%
Delaware	5%
Maryland	5%
Florida	5%
Virginia	4%
Missouri	3%

AAA States, FY 2024

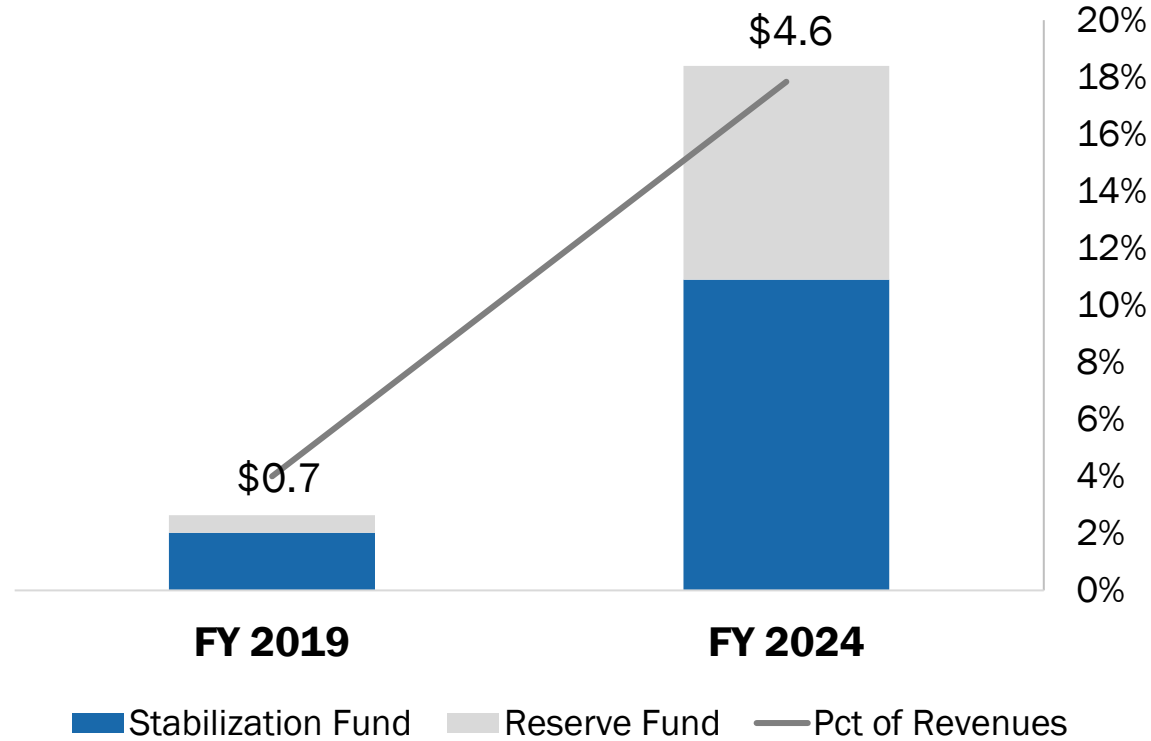
Texas	22%
North Carolina	16%
South Dakota	15%
Virginia*	15%
Iowa	11%
Ohio	11%
Maryland	9%
Indiana	9%
Minnesota	9%
Utah	8%
Tennessee	8%
Florida	7%
Missouri	6%
Delaware	6%
Georgia	N/A



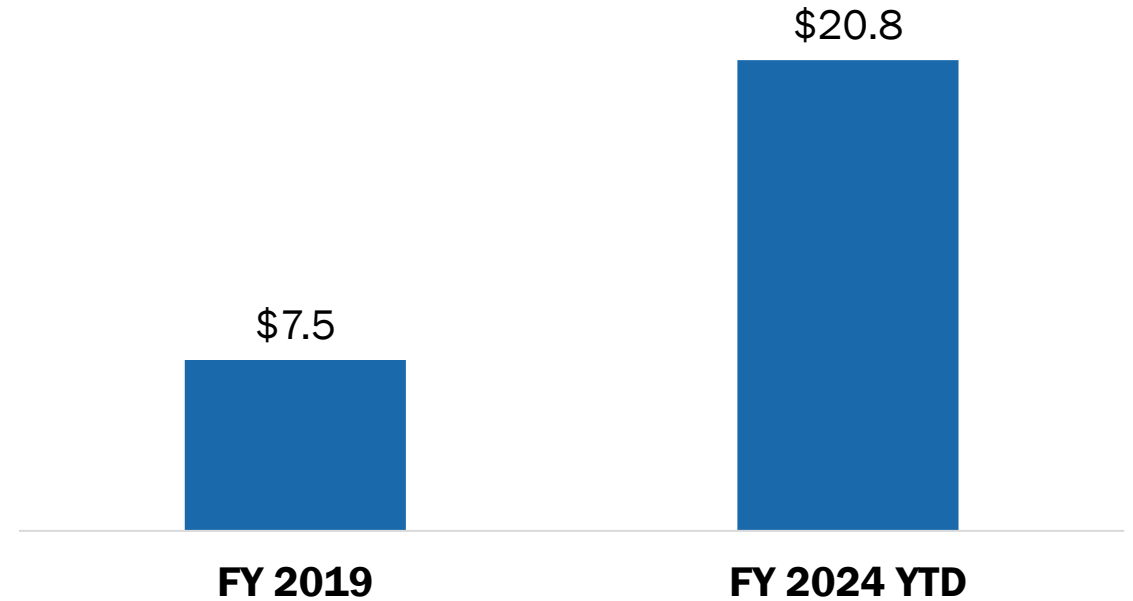
Source: National Association of State Budget Officers "The Fiscal Survey of States"

The Commonwealth Has Never Been in a Stronger Financial Position

Year-End Reserve Fund Balances, FY 2019-2024 (\$Bn)



Year-End NGF Cash Balances, FY 2019-2024 (\$Bn)



“Virginia is well positioned to absorb any budgetary challenges related to current economic uncertainties without fundamentally altering its long-term credit profile.” – Fitch Ratings (Feb 2024)

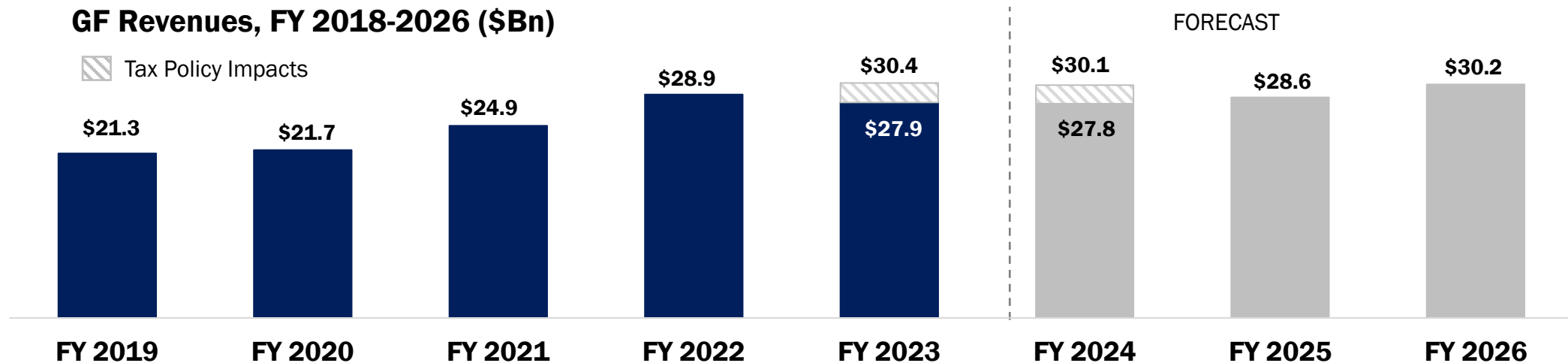
Year-to-Date Collections are Slightly Ahead of Our Prudent Forecast

SOURCE, \$ Mil	Unadjusted Revenues							
	February				FYTD			
	Actuals	Projected	Variance \$	Variance %	Actuals	Projected	Variance \$	Variance %
Withholding	\$1,370.4	\$1,353.7	\$16.7	1.2%	\$10,936.0	\$10,588.6	\$347.4	3.3%
Non-withholding	196.0	87.3	108.7	124.6%	2,885.6	2,558.5	327.0	12.8%
IIT Refunds	(484.2)	(579.5)	95.3	-16.4%	(1,675.5)	(1,836.7)	161.2	-8.8%
Net Individual Income	\$1,082.3	\$861.6	\$220.7	25.6%	\$12,146.0	\$11,310.4	\$835.6	7.4%
Sales & Use Tax	328.8	299.0	29.8	10.0%	3,154.9	3,113.6	41.3	1.3%
Corporate Income Tax	(37.3)	29.3	(66.7)	-227.3%	1,026.4	1,086.0	(59.6)	-5.5%
Insurance	24.8	15.0	9.8	65.2%	128.3	96.5	31.8	32.9%
Wills, Suits, Deeds	29.2	25.9	3.3	12.7%	252.4	275.0	(22.7)	-8.2%
Interest Income	108.5	106.0	2.5	2.4%	553.2	544.6	8.7	1.6%
All Other	114.1	119.5	(5.3)	-4.5%	525.4	533.0	(7.6)	-1.4%
Total GF Revenues	\$1,650.4	\$1,456.3	\$194.1	13.3%	\$17,786.6	\$16,959.2	\$827.5	4.9%
Total, Excl. NWH and Refunds	\$1,938.6	\$1,948.5	(\$9.9)	-0.5%	\$16,576.5	\$16,237.3	\$339.3	2.1%

- Through February, year-to-date collections are up 6.3 percent compared to last year and are running ahead of projections assumed in the Governor’s proposed Fiscal Year 2024 amended budget by \$827.5 million.
- Excluding nonwithholding and refunds, which are distorted by PTET, year-to-date collections are ahead of plan by \$339.3 million, a variance of 2.1 percent.

Forecast is Based Upon Prudent Assumptions

- Despite results that have consistently exceeded forecast, the forecast maintains a conservative outlook with a mild six- to nine-month recession beginning within the next six months due to:
 - Persistent inflation well above Fed target of 2 percent and the resulting maintenance of elevated interest rates.
 - Mixed economic signals including job opening reductions and early signs of credit card and auto loan stress for consumers.
 - The recurring threats of federal government shutdown.
 - Ongoing geopolitical tensions in the middle east, Asia and Europe.



Budget is structurally balanced with this revenue scenario.

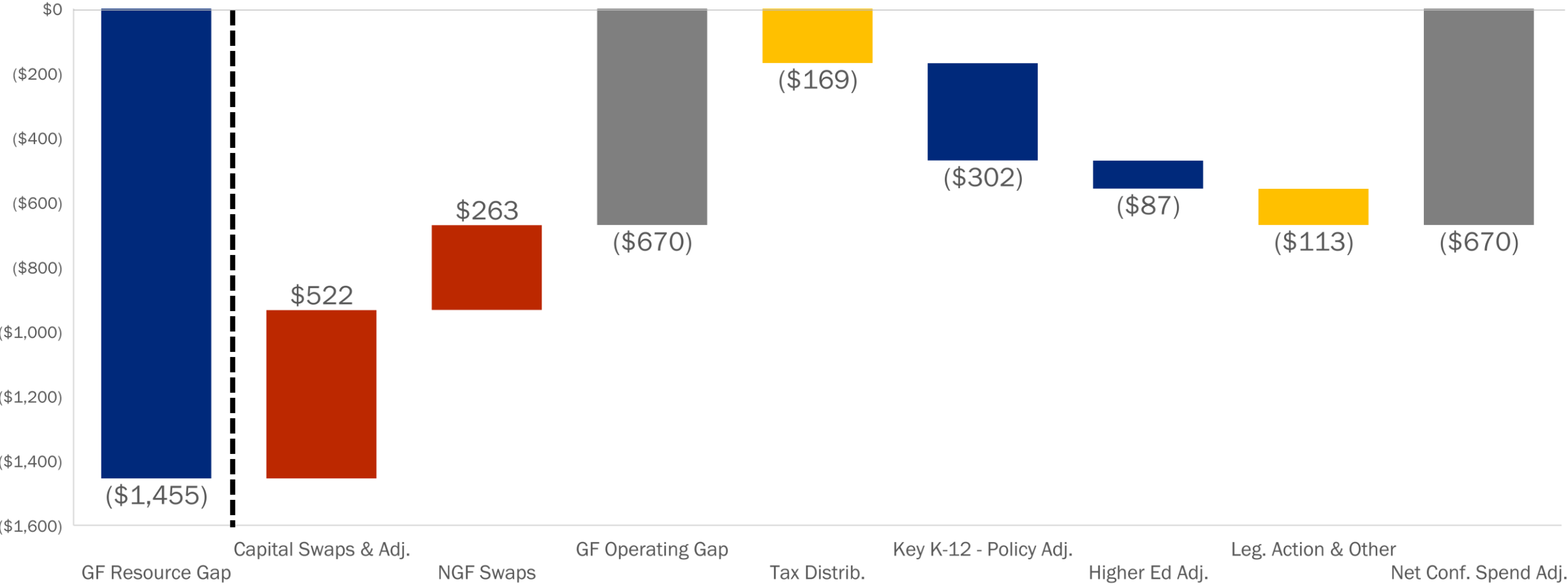
Budget is Structurally Balanced

Executive Amendment Totals

	FY 2024	FY 2025	FY 2026
Prior Year Balance	\$1,449.6	\$2,397.4	\$11.0
GF Revenues	27,754.5	28,546.5	30,243.0
Adjustments to Balance	4,326.7	47.0	(0.5)
Transfers	(49.6)	<u>1,174.9</u>	<u>1,648.8</u>
Total GF Resources	\$33,481.1	\$32,165.8	\$31,902.3
Less: GF Appropriation	<u>(\$31,083.8)</u>	<u>(\$32,154.8)</u>	<u>(\$31,884.9)</u>
Resources Less Appropriation	\$947.8	\$11.0	\$6.4
Resources Less Appropriation - Cumulative	\$2,397.4		\$17.4

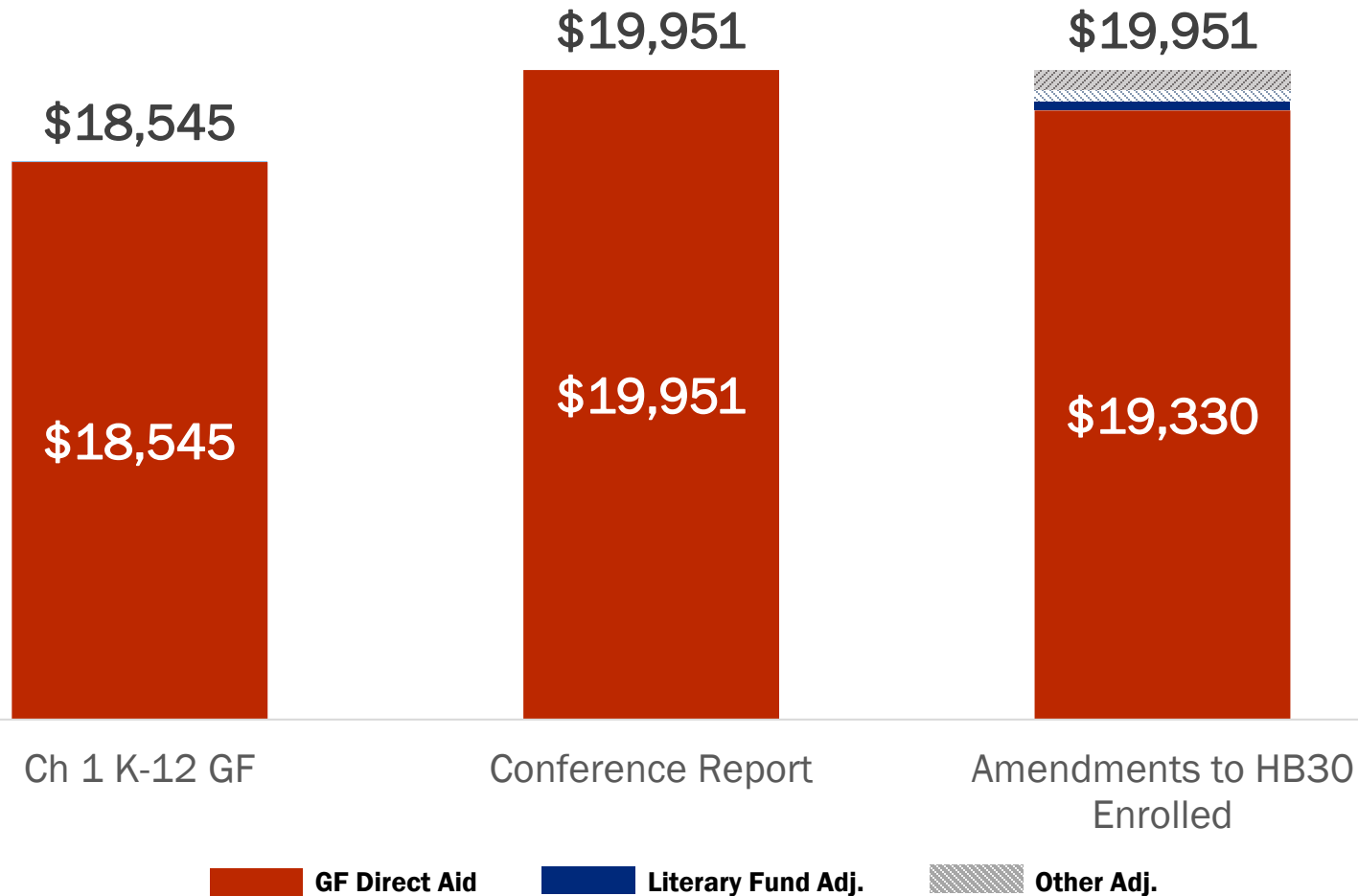
The Common Ground Budget Snapshot

Bridging General Fund Resource Gaps Created from Tax Increase Removal (\$M)



K-12 Funding: GF Movements Don't Tell the Whole Story

Bridge to \$1.0Bn Adj. "General Fund" K-12 Funding:



Governor's amendments to HB30 enrolled include:

- +\$150M from literary fund to relieve the general fund teacher retirement deposit
- \$169M GF obligation relieved from amended sales tax distributions
- \$302M in adjustments to K-12 policy initiatives in the conference report pending SOQ funding formula reform

+\$1.2Bn
 GF & NGF Funding Increases
 Reflected in Proposed Amendments Over the
 Previous Biennium



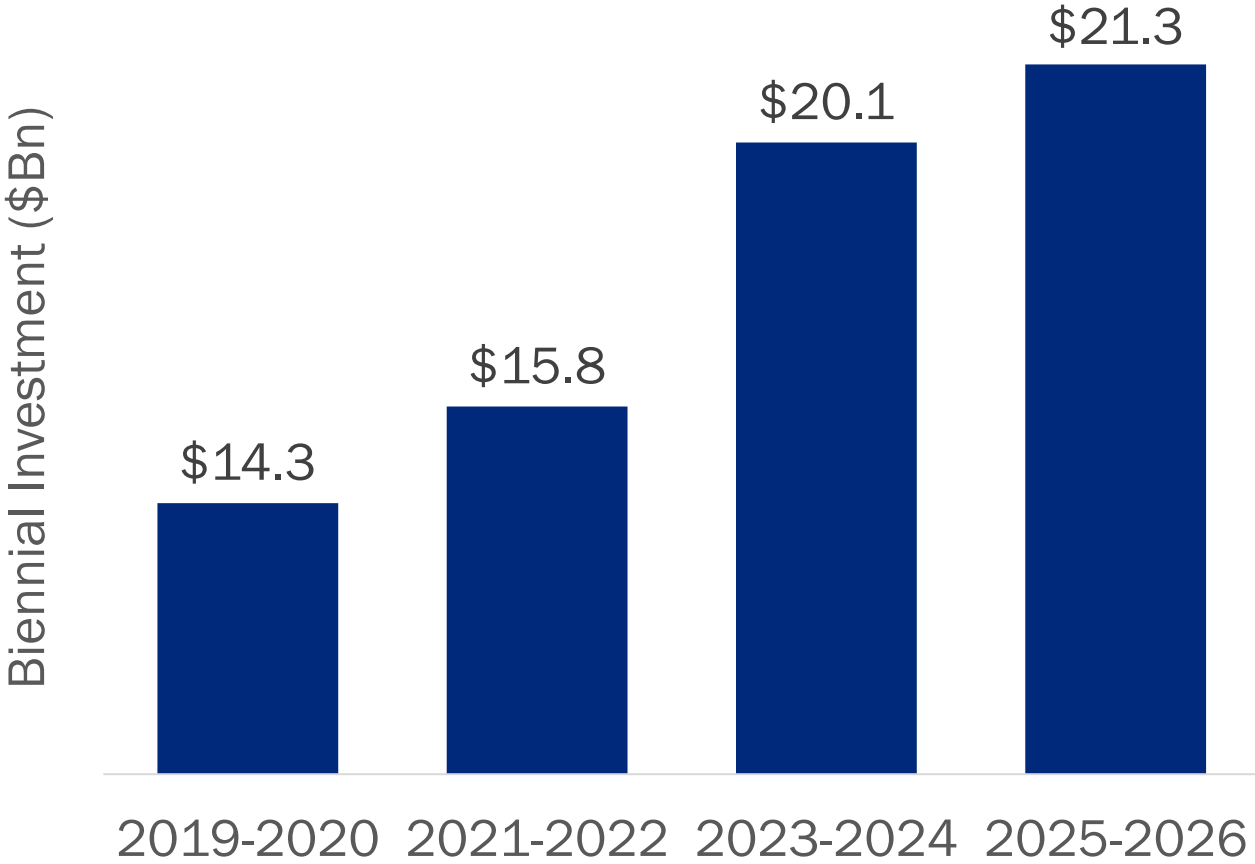
Common Ground for the **COMMONWEALTH**



Aimee Rogstad Guidera
Secretary of Education

Amendments Reflect \$1.2B in Additional K-12 Investment

Direct Aid K-12 State Funding Over Biennia



Top Priorities

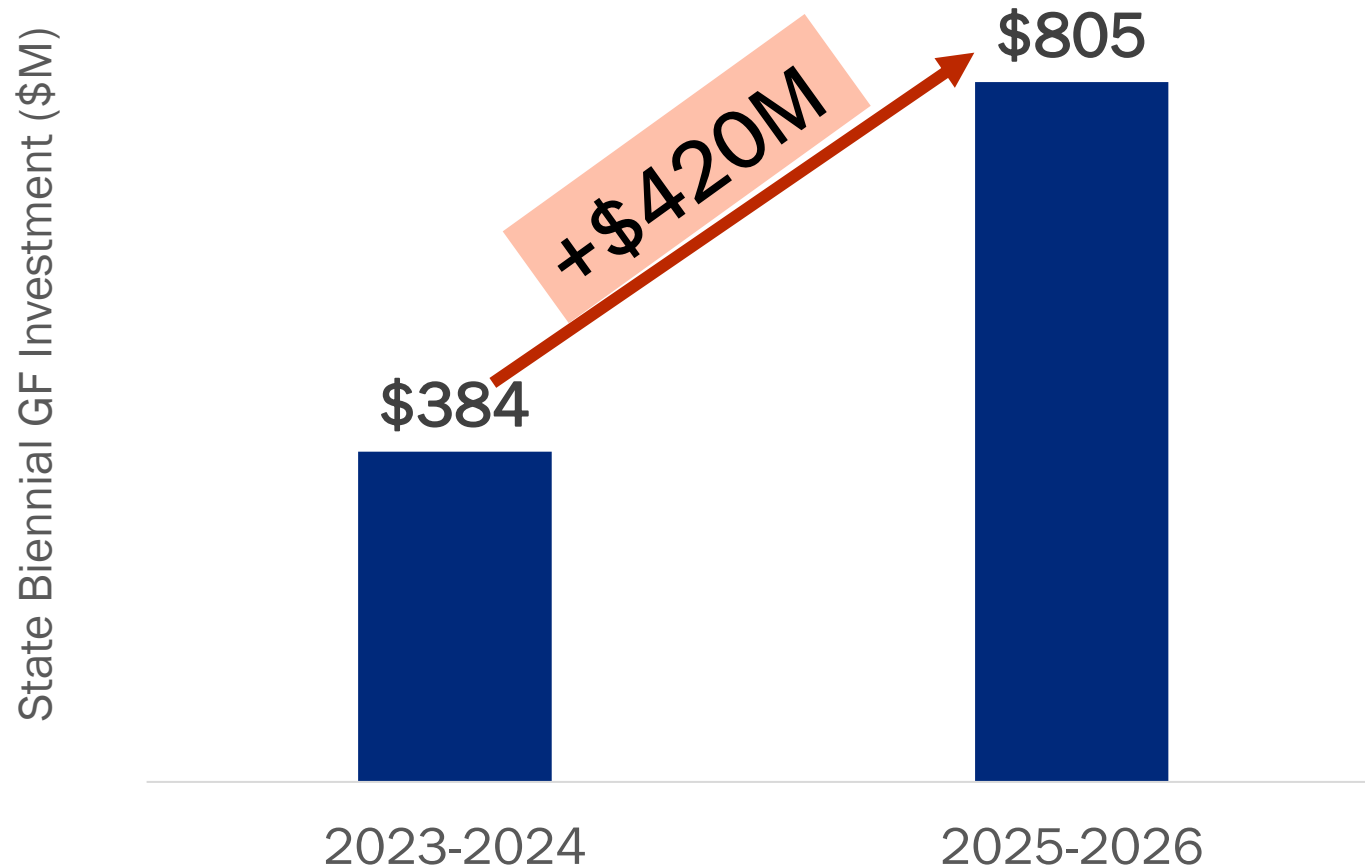
- ✓ Childcare
- ✓ Teacher Compensation
- ✓ Additional Funding for Those in Need
 - At Risk-Add On
 - English Language Learners
- ✓ School Construction

Funding includes state general and state non general fund appropriations (Commonwealth Transportation, Lottery Proceed, Literary Fund proceeds). 2023-2024 biennium refers to enacted Ch1, the remaining biennia refer to the latest funding as enacted.

Doubles-Down on BUILDING BLOCKS

Commitment to Early Childhood Care & Education

State Funding for Early Childhood Care and Education Programs

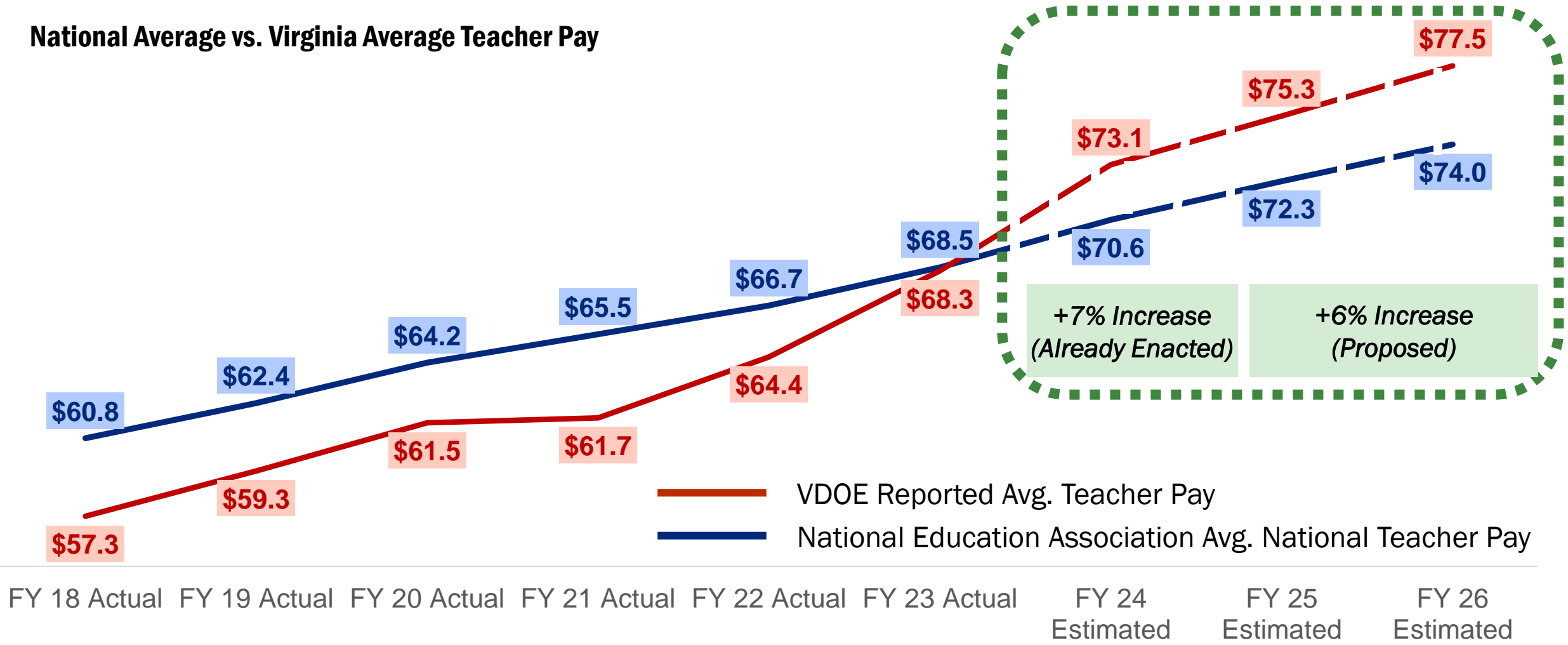


- ✓ Continues support for ~68k early learners previously supported by federal dollars
- ✓ Dynamic funding to support parent choice and demand
- ✓ Maintains reduced copayments, with contributions well below federal guidance
- ✓ Ensures programs address the needs of working families

Virginia's Teacher Pay Projected to Exceed National Avg. Pay

Builds on 12% Pay Increases Enacted To Date – Adding 6%+ Increases

National Average vs. Virginia Average Teacher Pay



Continues Funding for Lab Schools – Partnering Students with Higher Education and Industry Partners with Local Division Leadership

21

Lab Schools School Applications
6 APPROVED
6 Scheduled for Approval, 9 In-Motion

~5K

Total Students Served by Lab Schools
2.5K Students Served from Fall '24 Openings

60+

Local School Divisions Tied to

25

Higher Education Institution Partners



Retains all previous lab school funding to support operations of in-the-ground lab schools



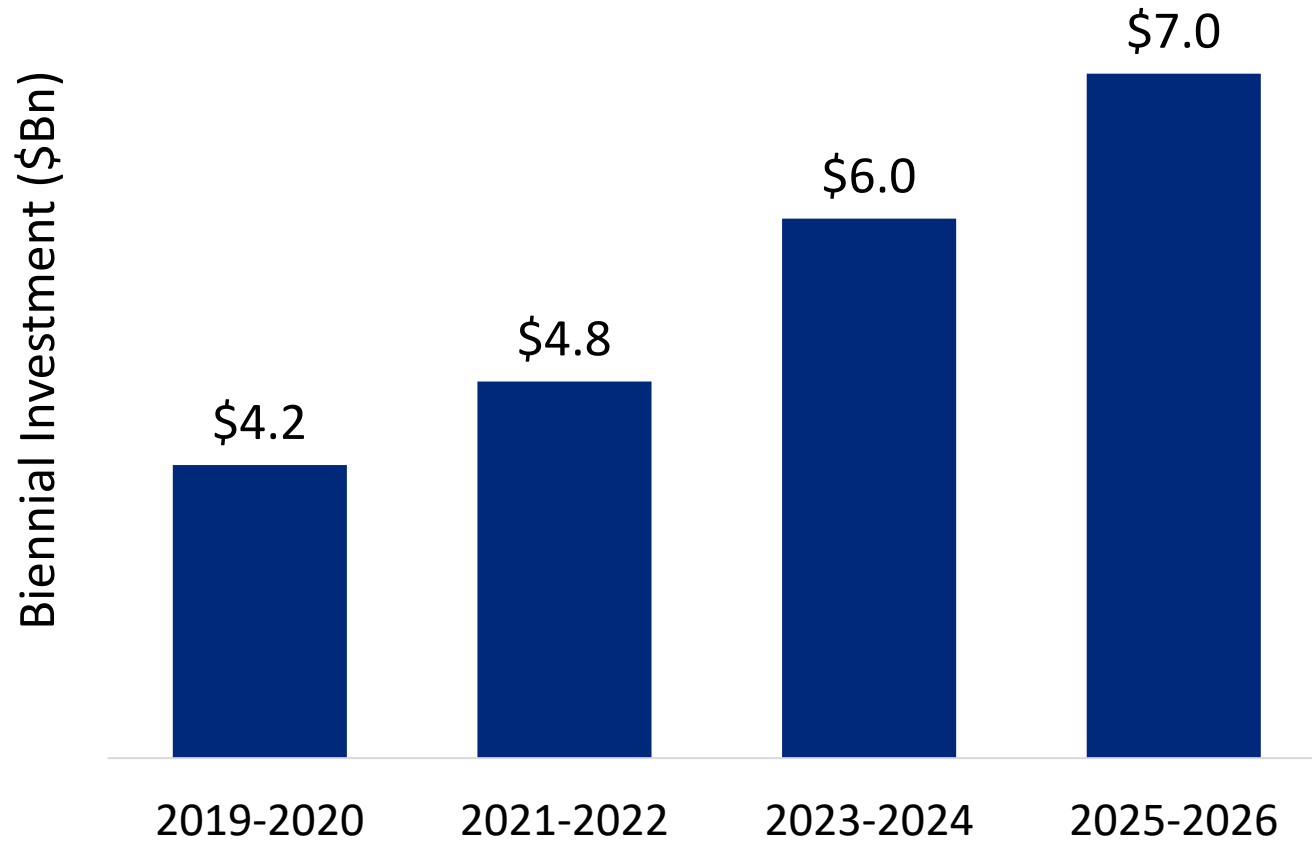
Avoids '24-'25 school year disruption by allowing local divisions, industry and higher ed partners, to continue operations as planned








Continues eligibility for two-year secondary and private institutions

\$1 Billion Additional Higher Education Investments

State Operating Funds – Higher Education Biennial Investments



Top Priorities:

-  +\$154M in tuition increase mitigation – conditioned on lower than 3% tuition increases
-  \$75M for low-income student recruitment and retention (PELL)
-  +\$33M in undergraduate and graduate financial aid
-  +\$24M tuition waiver cost offsets & stipends for Veterans and their families
-  Increases to Tuition Assistance Grant (TAG)



Common Ground for the **COMMONWEALTH**



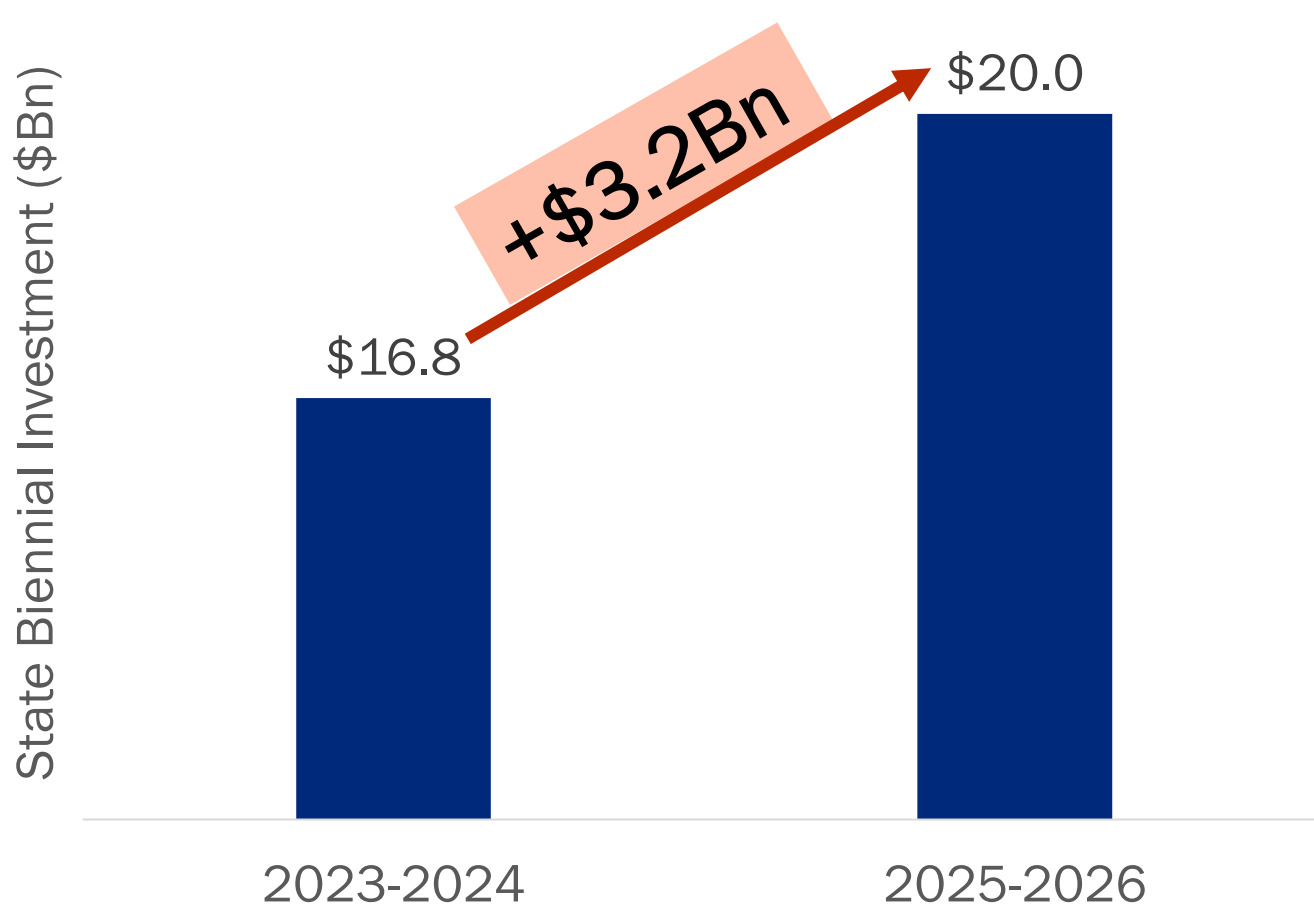
John Littel

Secretary of Health and Human Resources

Continued Investment in Health & Human Resources

Ensuring Virginians Get Right Help, Right Now




State Funding for Health & Human Resources








- ✓ \$895M to fully fund Medicaid and Children's Health Insurance including \$150M reserve for enrollment uncertainty
- ✓ \$516M in Total Funds for 3,440 Developmental Disability Waiver slots and Services
- ✓ \$169M in additional total fund behavioral health investments

Continued Investment in Health & Human Resources

Key Right Help, Right Now Investments

-  \$71M to expand Crisis Services including Mobile Crisis Teams, Crisis Receiving Centers, and STEP-VA services
-  \$61M of investment in the Behavioral Health Workforce, including \$47M in salary increases at state facilities and CSBs
-  \$25M in Opioid Response and Prevention (COAR Funds)

Health & Human Resources Investments

-  \$97M to fully fund mandatory caseload and cost increases in the Children's Services Act
-  \$34M in support for kinship and foster care families
-  \$6.4M to fund community health workers in local health departments
-  \$7.0M to upgrade CommonHelp and begin to replace Virginia's aging benefits eligibility system
-  \$12.5M additional support for the Office of Emergency Medical Services



Common Ground for the **COMMONWEALTH**



Jason Powell

Deputy Secretary of Finance

Investments in Keeping Virginia Communities Safe is a Shared Priority

- Provides a total investment of \$72.5 million GF over the biennium for community violence intervention programs
 - \$20 million to support Operation Ceasefire
 - Dedication of \$2.6 million in support to the Office of the Attorney General for Operation Ceasefire efforts
 - \$25.0 million for the Safer Communities Program
 - \$6.9 million for youth community violence reduction programs
 - \$18.0 million for the Community Violence Intervention Program
- Includes \$49.0 million GF for the School Resource Officer Incentive Grant Fund
- Embraces \$20 million in additional support to local police departments
- Maintains \$41.2 to transition Lawrenceville Correctional Center to state management
- Includes \$13.2 million for DOC to establish a career progression plan for correctional officers
- Includes \$3.8 million for six new judgeships
- Provides \$4.7 million GF for increases in Commonwealth Attorney and paralegal positions to address workload needs
- Provides \$19.1 million for start-up operations for Jones & Cabacoy / Puller Veterans Care centers

Accelerating Virginia's Economy Through Investments in Economic Development

- Provides \$175 million over the biennium for the Virginia Housing Trust Fund
- Provides \$90 million over the biennium for strategic investments in business ready sites
 - One-time commitment of \$50 million in addition to \$20 million annually
- Maintains commitments to funding economic development investments
 - Reserves \$42.5 million over the biennium for anticipated payments to Amazon HQ2
- Invests \$114 million in regional biotechnology and life science clusters throughout the Commonwealth
- Includes \$30 million to help with costs related to “make ready work” in order to advance broadband infrastructure projects
- Authorizes a \$40.0 million treasury loan to the City of Newport News to help secure a federal investment of up to \$400 million from the U.S. Navy to build housing infrastructure for sailors while stationed at the shipyard

Natural Resources Spending Reflects Common Goals

- Continues progress towards meeting state water quality goals by investing over \$350 million investments in nutrient reduction projects, including:
 - \$138.1 million GF and \$63.0 million NGF in funding from the Monsanto Settlement Agreement for Agricultural Best Management Practices;
 - \$100 million in bond proceeds to supplement investments in wastewater treatment plants;
 - \$50 million to the City of Richmond for combined sewer overflow program; and
 - Provides \$5 million for a nonpoint source pollution pay-for-performance outcomes project.
- Provides \$100.0 million GF in FY 2025 for the Community Flood Preparedness Fund
- Includes \$26.5 million to assist the City of Bristol with landfill remediation efforts
- Provides \$25.0 million to the City of Norfolk for Coastal Storm Risk management Projects
- Includes \$20.0 million GF in FY 2025 for capital improvements at historic sites and museums in anticipation of the America 250 semiquincentennial celebrations
- Embraces over \$15 million in priority investments in historic sites and battlefields
- Removes language mandating Virginia rejoin the Regional Greenhouse Gas Initiative







Transportation Investments Reflect Shared Regional Priorities

- Provides \$67 million in one-time funding to expand and extend toll relief for residents of Portsmouth and Norfolk earning less than \$50,000 per year
 - Provides 14 free trips weekly through 2036
- Authorizes up to \$133.7 million in additional operating support for WMATA
 - Allows \$98 million in state funds provided to NVTC in FY 22 to be used to meet the Commonwealth portion of the regional transit system budget shortfall
 - Provides an additional \$35.7 million GF in FY 26 to maintain Virginia's commitment
 - Total authorize funding is the equivalent of half of the additional operating assistance required to close WMATA's operating budget deficit, estimated at \$59.7 million in FY 25 and \$74.0 million in FY 2026
- Provides \$70 million in funding to accelerate currently planned improvement projects along the I-81 corridor
 - Includes language designating an additional \$175 million in future general fund balances for deposit to the Interstate 81 Corridor Improvement Program

Capital Outlay Investments Build on Common Goals

- Provides over \$1.4 billion in general fund cash and tax-supported debt for projects, including:
 - \$555.7 million for renovation, replacement, and improvement projects at state agencies institutions of higher education across the Commonwealth
 - Includes \$35 million for the demolition of the Monroe Building
 - \$400 million GF for maintenance reserve
 - \$100 million in bonds for improvements to wastewater treatment plants
 - \$108.2 million for equipment
 - \$250 million to supplement construction cost increases on previously authorized projects
- Provides an additional \$224.2 million in nongeneral fund support for higher education related capital outlay projects
- Advances 18 projects to the planning process
- Uses \$535 million in state supported debt, consistent with pre-pandemic approach to funding capital projects

Common Ground for the Commonwealth

-  Fueling the Future – Education
-  Serving Those in Need – Health and Human Resources
-  Creating Jobs, Safer Communities, Connecting Virginia, Conserving our Natural Resources
-  Funding Regional and Local Priorities
-  No New Taxes, No Tax Reductions
-  Structurally Balanced, On-Time