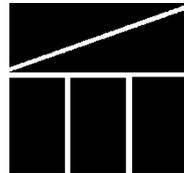


# Highlights of Governor McAuliffe's Proposed Fiscal Year 2017 Savings Plan

*House Appropriations Committee*

*October 17, 2016*



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# The total projected shortfall in revenues and transfers exceeds \$1.5 billion over three years; however, it must be recognized over two . . .

	<b>FY 2016 – actual</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>Biennial Total</b>
Revenue				
Revised Interim Forecast - Post-GACRE	\$18,040.1	\$18,338.0	\$19,000.4	\$37,338.4
Official Forecast - CHs 732 & 780	\$18,309.0	\$18,902.4	\$19,633.1	\$38,535.5
Projected Revenue Shortfall	-\$268.9	-\$564.4	-\$632.7	-\$1,197.1
Change in Transfers	-\$10.4	-\$17.7	-\$21.6	-\$39.3
Total Shortfall	-\$279.3	-\$582.1	-\$654.3	-\$1,236.4
<b>Shortfall Applied by Fiscal Year</b>		<b>-\$861.4</b>	<b>-\$654.3</b>	<b>-\$1,515.7</b>

# The first two strategies to address this shortfall result from triggers provided in the appropriation act or in law . . .

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Remove December 1, 2016, pay increase	\$125.1
Transfer from Revenue Stabilization Fund	\$392.3

**Four strategies either use prior year unexpended balances or make adjustments that affect FY 2017 year-end balances . . .**

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Apply Credit for FY 2016 Pledges submitted by state agencies	\$23.5
Revert unexpended discretionary general fund balances from FY 2016	\$43.3
Adjust accelerated sales tax	\$35.1
Adjust carryover balance from FY 2017 to FY 2018	\$70.0

# Technical revisions from loss of sales tax and use of additional Lottery and Literary Fund revenue produce general fund savings of approximately \$84 million in public education . . .

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Use additional Lottery revenue for public education

➤ collected in FY 2016	\$33.2
➤ projected for FY 2017	\$5.3
➤ cash on balance sheet	<u>\$8.6</u>

Total additional Lottery revenue

\$47.1

Capture net changes in sales tax dedicated to public education

\$12.0

Offset teacher retirement costs in public education with Literary Fund revenue

\$25.0

# Targeted actions in higher education recover the nongeneral fund cost of VRS payments deferred during the great recession . . .

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Recover NGF cost of VRS payment from institutions of higher education -

Amounts required in FY 2017 represent 60% of the nongeneral fund portion of each institutions share of the \$172 million paid on their behalf to VRS in FY 2016

\$24.8

Reverse credit card and interest restoration to institutions of higher education

\$4.0

# The remaining savings required in FY 2017 are balanced by savings plans totaling \$73 million in executive branch agencies . . .

Savings Category	2017 GF Resources	2017 GF Appropriation Reduction	2017 Total Impact To The GF
Transfer of NGF operating balances	\$16.7	\$0.0	\$16.7
Reduce or Delay New Spending	\$0.0	\$15.5	\$15.5
Reduce discretionary expenses	\$0.2	\$11.5	\$11.7
Supplant GF with NGF	\$0.0	\$10.8	\$10.8
Reduce or eliminate current services	\$0.0	\$6.4	\$6.4
Turnover and Vacancy Savings	\$0.0	\$5.6	\$5.6
Revert GF Balances	\$0.0	\$2.6	\$2.6
Improved business practices and efficiencies	\$0.0	\$2.0	\$2.0
Reduce personnel costs	\$0.0	\$1.6	\$1.6
New Fees or Change to Existing Fees	\$0.1	\$0.0	\$0.0
<b>Totals</b>	<b>\$16.9</b>	<b>\$56.1</b>	<b>\$73.0</b>

# Executive agency savings plans include the potential for up to 26 layoffs . . .

Agency	Potential 2017 Layoffs
The Library Of Virginia (202)	15
Department of Conservation and Recreation (199)	4
Department of Forensic Science (778)	2
Department of Health (601)	2
Department for Aging and Rehabilitative Services (262)	2
Department of Behavioral Health and Developmental Services (720)	1
<b>Total Potential Layoffs</b>	<b>26</b>

# After applying all strategies, the remaining balance in FY 2017 is approximately \$13.7 million . . .

## Solving the Shortfall

\$\$ in millions

	FY 2016 - actual	FY 2017
<b><u>Shortfall</u></b>		
Revised Interim Forecast – Post GACRE	\$18,040.1	\$18,338.0
Official Forecast – CH 780	\$18,309.0	\$18,902.4
Projected Revenue Shortfall	<u>-\$268.9</u>	<u>-\$564.4</u>
Change Transfers	<u>-\$10.4</u>	<u>-\$17.7</u>
Total Annual Shortfall	-\$279.3	-\$582.1
<b>Shortfall to Recognize in Fiscal Year 2017</b>		<b>-\$861.4</b>
<b><u>Strategies to Address Shortfall</u></b>		
Remove pay increase		\$125.1
Transfers from Revenue Stabilization Fund		\$392.3
Apply Credit for FY 2016 Pledges submitted by state agencies		\$23.5
Revert unexpended discretionary general fund balances from FY 2016		\$43.3
Adjust accelerated sales tax		\$35.1
Adjust carryover balance from FY 2017 to FY 2018		\$70.0
Use additional Lottery revenue for public education - collected in FY 2016		\$33.2
Use additional Lottery revenue for public education - projected for FY 2017		\$5.3
Use additional Lottery revenue for public education - cash on balance sheet		\$8.6
Capture net changes in sales tax dedicated to public education		\$12.0
Offset teacher retirement costs in public education with Literary Fund revenue		\$25.0
Recover NGF cost of VRS payment from institutions of higher education		\$24.8
Reverse credit card and interest restoration to institutions of higher education		\$4.0
Across-the-board agency savings - excludes institutions of higher education		\$73.0
Subtotal of Strategies *		<u>\$875.1</u>
<b>BALANCE</b>		<b>\$13.7</b>

\* May not add due to rounding.

## **Next steps – the path ahead . . .**

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- October 7, 2016 – agencies submitted requests for new spending for FY 2017 and FY 2018
- Targets will be sent to executive branch agencies for FY 2018 savings plans
- October 31, 2016 – agencies submit FY 2018 savings plans
- December 16, 2016 – Governor introduces proposed budget to amend CH 780