



# **2018 Session Budget Overview Amendments to FY 2016-18 Budget Proposed FY 2018-20 Budget**

**House Appropriations Committee  
January 11, 2018**



# Economic Assumptions in HB 29/30

- Governor McAuliffe's budget proposal is based on IHS Economic's October economic outlook, adjusted to reflect recommendations made by the Governor's Advisory Council on Revenue Estimates (GACRE)
- Overall, growth rates for FY 2018 remain consistent with expectations one year ago, with Virginia assumed to slightly underperform the national overall
  - Factors project marginally improved job growth in the current year, and slightly lower growth in the upcoming biennium than previously projected

Economic Indicator	Forecast Date	FY 2018	FY 2019	FY 2020
Employment	Oct 16	1.0%	0.9%	0.9%
	Oct 17	1.3%	1.0%	0.8%
Personal Income	Oct 16	4.2%	4.2%	4.8%
	Oct 17	3.3%	3.3%	4.6%
Average Wage	Oct 16	3.9%	3.9%	5.0%
	Oct 17	3.6%	3.6%	4.0%

- In addition, because FY 2017 revenues exceeded the estimate by \$136.6 million, even prior to any changes to the growth rates, the increased base translates to additional revenue in the current year

# FY 2018 Forecast Revisions

- Prior to the Fall reforecasting process, the FY 2018 forecast anticipated growth of 2.7%
- Adjusted for the higher than anticipated FY 2017 base, the December revisions to FY 2018 result in a 3.4% growth rate
  - The economic-based growth rate is 3.7% prior to accounting for shortfall in Tax Amnesty collections
- The net result, after technical revisions, is an additional \$134.9 million in available GF revenue for FY 2018
- The most substantial adjustments included in the December revision increased the assumed collections for our largest sources
  - Growth rate for withholding taxes increased from 3.3% to 3.5%
  - Sales tax now assumed to grow 3.0%, compared to prior assumption of 1.9% growth

# FY 2018: Where Do We Stand Year-To-Date?

- Through December, revenue collections grew 5.9%, well ahead of the 3.4% forecasted growth rate
  - December revenue growth was 10.0% - an anomaly based on exceptionally high nonwithholding payments which appear to be driven by changes in federal tax law that will cap the deductability of state and local taxes beginning in TY 2018
    - Are taxpayers accelerating payment or taking gains after 3 years of strong market growth, or both?
    - Will this impact final payments in May?
  - Only source lagging is payroll withholding, which had been ahead of the forecast until December which included one less deposit day, effecting year to date growth. Will have an extra deposit day in January which should provide a more accurate picture
- January is a key month for revenue collections
  - Sales taxes for Christmas season are remitted in January
  - Nonwithholding: Fourth Quarter payments are due on January 15 but need to look at December and January combined in order to get a fuller understanding
  - Will have the opportunity to consider Mid-Session adjustments to the forecast if revenue collections continue to show strength in January
- If annual growth exceeds 3.99% this will trigger a Constitutionally-mandated Revenue Stabilization Fund deposit

# FY 2018: Where Do We Stand Year-To-Date?

General Fund Revenue Forecast for Fiscal Year 2018			
<b>Major Source</b>	<b>YTD Actual Growth Through December</b>	<b>Revised December Forecast</b>	<b>Jan-Jun Required to Meet Estimate</b>
Withholding	3.0%	3.5%	4.0%
Nonwithholding	30.6%	4.3%	-1.5%
Refunds	6.4%	5.8%	4.8%
<b>Net Individual</b>	<b>12.1%</b>	<b>3.4%</b>	<b>0.8%</b>
Sales	3.8%	3.0%	2.4%
Corporate	22.1%	5.7%	(4.6%)
Wills (Recordation)	(3.3%)	3.3%	10.5%
Insurance	4.9%	6.2%	6.7%
<b>Total GF Revenues</b>	<b>5.9%</b>	<b>3.4%</b>	<b>1.2%</b>

# Potential Effects of Federal Tax Reform

- Virginia traditionally has been a “conformity” state, meaning we amend the state tax code to mirror federal law
  - Each year, legislation is introduced to advance the fixed date conformity another year, giving the General Assembly the opportunity to decide if there have been federal law changes from which they wish to deconform
  - HB 30 as introduced assumes conformity will move forward to December 1, 2017, and reflects minor revenue losses associated with provisions adopted by that date
  - The Tax Cut and Jobs Act was not adopted until December 22, 2017 and thus is not impacted by the conformity bill as drafted
    - However, if the bill were amended to move forward the fixed conformity date, there is one provision affecting TY 2017 that would result in a revenue loss of an estimated \$23.0 million in the current fiscal year
- The Department of Taxation has hired a consultant to help estimate the potential fiscal impacts of the recent federal tax reform bill
  - Expect some preliminary figures in the next couple of weeks but because of the complex interplay of the provisions and the potential scale of the revenue impact need to move forward with some caution

# Potential Effects of Federal Tax Reform

- One major change is the reduction in the number of filers who are likely to itemize based on the elimination of deductions and increase in the federal standard deduction
- Which means that if a citizen does not itemize deductions on their federal return they may not itemize on their Virginia return
- Major provisions with a positive impact on Virginia revenues:
  - Capping the state and local income tax deductions (SALT) at a maximum of \$10,000
  - Eliminating personal exemptions
  - Modifying the itemized deduction for home mortgage interest
  - Eliminating many individual income tax deductions
  - Modifying the exclusion for gains from sale of a principal residence
  - Eliminating exclusions for dependent care/adoption assistance programs
  - Modifying rules regarding net operating losses
- Provisions with a negative impact on Virginia revenues:
  - Increasing the amount that small businesses may exempt under IRC § 179 (depreciable assets)
  - Increasing the annual deduction limitation for certain charitable contributions
  - Modifying accounting methods used by certain small businesses

# HOUSE BILL 29

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# HB 29 – Budgetary Adjustments in FY 2018

	(\$ in millions)
<b>Assumed Resources: Chapter 836</b>	<b>\$20,363.0</b>
<b>Revised Resources</b>	
Prior Year Balance	\$ 782.8
Additions to Balance	(348.8)
Revenue Forecast (Offset by Policy Adjustments)	19,328.2
Revenue Stabilization Fund	272.5
Transfers	622.7
<b>Total GF Resources in HB 29 as Proposed</b>	<b>\$20,657.4</b>
<b>Appropriations</b>	
Chapter 836 FY 2018 Base	\$20,354.6
Net Adjustment to Appropriations	101.2
<b>Total FY 18 Appropriations in HB 29 as Proposed</b>	<b>\$20,455.8</b>
<b>Unappropriated Balance</b> (Carried forward into FY 2018-2020 Biennium)	<b>\$ 201.6</b>

# HB 29 Savings and Spending Proposals

- HB 29 reflects a net appropriation adjustment of \$101.2 million GF
- 18 reductions total \$136.9 million. The 2 largest savings are:
  - \$57.3 million due to technical revisions in Direct Aid to Public Education such as additional Lottery revenue
  - \$40.5 million in Health Care Fund revenues that offset GF Medicaid costs
- 25 proposed new spending items for FY 2018 total \$238.1 million GF. The two largest are:
  - \$121.4 million for the Revenue Cash Reserve based on FY 2017 surplus revenues
  - \$86.7 million for Medicaid utilization and inflation

# HOUSE BILL 30

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# FY 2018-20 Biennial Forecast

- Consistent with the economic indicators, the overall GF economic growth rates (excluding transfers) are expected to be in the 4.0% range each year of the biennium
- Total growth mirrors revenue growth in FY 2017, reflecting sustained modest economic growth
  - Continued concern regarding Virginia's reliance on federal spending
  - Potential for short-term revenue gains based on federal tax reform
- Revenue estimates continue the use of a “modified collar” on nonwithholding which reduces revenues by \$201.0 million in FY 2019 and \$209.0 million in FY 2020
- HB 30 assumes few tax policy changes impacting revenues
  - Revenue reduction of \$3.3 million in FY 2019 based on conformity for federal provisions passed in CY 2017 relating to deductions for charitable contributions for hurricane relief
  - Offset by assumed revenue increases of \$19.1 million over biennium from tax audit initiatives and additional notifications of payroll system breaches
- No assumptions are made regarding conformity with federal tax reform

# GF Forecast: Fiscal Years 2019 & 2020

Source	FY 2019 Forecast	FY 2019 % Growth	FY 2020 Forecast	FY 2020 % Growth
Withholding	\$12,810.2	4.0%	\$13,308.5	3.9%
Nonwithholding	3,361.5	6.8%	3,631.0	8.0%
Refunds	(2,061.3)	4.7%	(2,153.9)	4.5%
Net Individual	14,110.4	4.6%	14,785.6	4.8%
Sales	3,547.1	2.6%	3,625.0	2.2%
Corporate	912.0	4.3%	926.4	1.6%
Recordation	407.2	0.0%	407.2	0.0%
Insurance	376.6	4.0%	384.6	2.1%
All Other	743.2	1.1%	763.5	2.7%
<b>Total GF Revenue</b>	<b>\$20,096.5</b>	<b>4.0%</b>	<b>\$20,892.3</b>	<b>4.0%</b>
ABC Profits	109.8	5.5%	115.5	5.2%
Sales Tax (0.375%)	386.7	2.0%	395.2	2.2%
Transfers Per Act	119.2	(14.6%)	115.0	(3.5%)
<b>Total Transfers</b>	<b>615.7</b>	<b>(1.1%)</b>	<b>625.7</b>	<b>1.6%</b>
<b>Total General Fund</b>	<b>\$20,712.2</b>	<b>3.8%</b>	<b>\$21,518.0</b>	<b>3.9%</b>

# **OVERVIEW: SAVINGS AND SPENDING IN HB 30**

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# Overview: Spending Proposals in HB 30

- The Governor's proposed biennial budget includes net spending increases of \$1.78 billion compared to the FY 2016-18 biennium
  - This includes \$2.5 billion in increased spending, offset by \$711.7 million in savings, the largest of which reflects assumed savings from Medicaid Expansion
- Medicaid and K-12 alone comprise about 50%, or \$1.2 billion, of the adjusted new spending with total mandated services making up 60% of spending
- Other areas of focus in HB 30 are listed below:
  - Deposits to the Revenue Cash Reserve
  - Funding for employee health insurance and state, local and teacher pay raises in the second year (only partial year funding provided)
  - Expanded costs of core servicers in health and human resources, public safety, education and veteran's services
- The spending proposals in HB 30 would leave an unappropriated balance of \$12.1 million at the end of the biennium

# Major New Spending Proposed in HB 30

## Top 19 Proposals Make up 85% of Spending

(\$ in Millions)	Biennial
Medicaid Utilization and Inflation	\$575.8
K-12: Update Costs of Standards of Quality	481.0
Revenue Cash Reserve	270.7
State Employer Health Insurance	118.2
2% FY 20 Salary Increase (State, State-Supported, Teachers) effective Dec. 1, 2019	100.7
Children's Services Act	54.2
Agency IT Costs	50.5
HHR Other Mandated Services (over \$5.0 million each)	50.5
Higher Education Need-Based Financial Aid	45.5
Additional Waiver Slots Required by DOJ Settlement	45.0
Net Additional Debt Costs	39.2
Inmate Medical	38.3
Higher Education: Base Operations	35.1
CSBs: Same Day Access, Prim. Care Screening, Discharge Services	33.1
FAMIS Forecast	27.2
K12: No Loss, Small Elem. Principals and At-Risk Add-On	26.3
Water Quality Fund VA Nat. Res. Commitment Fund	22.5
Economic Development Grants (Workforce, VIP, VEDIG, Port)	21.6
Assistance to Localities with Police Departments (HB 599 Program)	20.4
Consumer-Directed Attendants Rates and Overtime	19.4
Children's Health Insurance Forecast	18.5
<b>Total: Major Items</b>	<b>\$2,093.7</b>



# DETAILS BY SECRETARIAL AREAS

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# HEALTH & HUMAN RESOURCES

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# HB 29: HHR Funding Initiatives

- New general fund spending totals \$105.2 million in FY 2018, mostly driven by forecast changes:
  - \$86.7 million for the Medicaid forecast (7.8% increase in FY 2018)
  - \$3.4 million in FAMIS/MCHIP children's health insurance forecast
    - Assumes continuation of FAMIS/MCHIP through June 2018
  - \$2.2 million for increased costs of child welfare services
  - \$2.2 million for increased costs of involuntary mental commitments
  - \$881,716 for Part C Early Intervention Services
  - \$796,839 for TANF unemployed parents program
- Other significant new general fund spending includes:
  - \$3.0 million to backfill a nongeneral fund decrease in Child Support Enforcement revenue
  - \$611,953 for administrative costs related to Medicaid expansion on Oct. 1, 2018
- Reductions proposed in the introduced budget total \$43.7 million GF, are driven by technical adjustments
  - \$40.5 million in Medicaid general fund savings to reflect increased revenues in the Virginia Health Care Fund
    - Includes a cash balance of \$28.1 million from FY 2017
- Caboose bill assumes the continuation of CHIP

# HB 30: HHR Major Funding Initiatives

- General fund spending increases total almost \$1.1 billion over the biennium
  - 77% of new funding driven by mandated programs, primarily Medicaid
  - \$575.8 million GF for Medicaid forecast (2.1% growth in FY 19 and 4.2% in FY 20)
  - \$60.9 million GF over biennium to address the DOJ Settlement Agreement
    - \$45.0 million GF for the 825 DOJ required I/DD waiver slots
    - \$2.8 million GF for 50 reserve I/DD waiver slots
    - \$13.1 million GF for DOJ related services and administrative costs
    - Required funding is offset by savings from training center closures
  - \$54.2 million for projected expenditure growth in the CSA program
  - \$27.2 million for FAMIS (children's health insurance) forecast
  - \$18.5 million for MCHIP (Medicaid children's health insurance) forecast
  - \$8.2 million to correct funding for DSS information systems
  - \$6.9 million for projected costs of involuntary mental commitments
  - \$6.2 million for projected foster care and adoption subsidy payments
- Savings total \$435.5 million GF over the biennium
  - \$373.9 million GF in savings related to Medicaid expansion to 138% FPL
  - \$28.5 million in savings from the closure of state training centers as part of the DOJ Settlement Agreement (offset to DOJ costs above)
  - \$18.7 million in forecast adjustments to the Virginia Health Care Fund

# HB 29/30 DMAS Forecasts

DMAS Forecasts (GF \$ in millions)	FY 2018	FY 2019	FY 2020
Medicaid Utilization and Inflation Official Forecast*	\$86.7	\$199.5	\$384.4
Adjusted for ACA premium tax and CSA spending	0	(22.4)	14.4
Adjust Medicaid funding for revenue changes in the Virginia Health Care Fund (comprised of Tobacco MSA, tobacco taxes, Medicaid recoveries)	0	(12.2)	(6.5)
<b>Adjusted Medicaid Forecast</b>	<b>\$86.7</b>	<b>\$164.9</b>	<b>\$392.3</b>
Involuntary mental commitment forecast	2.2	3.0	3.9
FAMIS children's health insurance forecast	2.7	3.8	23.4
Medicaid children's health insurance (SCHIP) forecast	0.7	1.9	16.6
<b>Total DMAS Health Care Forecasts</b>	<b>\$92.3</b>	<b>\$173.6</b>	<b>\$436.2</b>

\*Official forecast is completed and transmitted on November 1, 2017. Adjustments to the forecast were made subsequent to the date the official forecast was transmitted and included in the Governor's proposed budget as a separate policy decision.

# Proposed ACA Medicaid Expansion

- Proposes to expand Medicaid to individuals with incomes up to 138% of the federal poverty level pursuant to the Affordable Care Act (ACA)
  - Effective October 1, 2018
  - 300,000 individuals are projected to enroll
- Cost of expanded coverage is \$80.8 million GF in FY 2019 and \$226.1 million GF in FY 2020
  - Costs covered by a provider assessment on private acute care hospitals
  - Language in Central Accounts provides DMAS with authority to impose the assessment through a formula that is roughly equal to 0.5% of net patient revenue in FY 2019 and 1.4% in FY 2020
  - Revenue would be deposited in the Virginia Health Care Fund
  - Federal match rate of 94% in 2018, 93% in 2019 and 90% in 2020
- Total savings for state programs are projected to be \$152.0 GF in FY 2019 and \$269.7 million in FY 2020 (includes programs outside HHR)
  - Savings based on the elimination of state general fund dollars for health care programs for individuals who may become eligible under expanded eligibility (majority of savings comprised from DMAS programs)

# Projected GF Costs/Savings of Medicaid Expansion

Estimated GF Costs and Savings (\$ in millions)	FY 2019	FY 2020
Coverage of Newly Eligible Adults to 138% FPL	\$60.7	\$194.7
Coverage for Additional Eligible but Unenrolled "Woodwork"	0.8	4.9
Coverage of Dept. of Corrections Inmates	1.7	3.5
ACA Insurance Tax (Newly Eligible & Woodwork)	0.6	2.1
DMAS Additional Administrative Costs for Expansion	14.8	17.3
DSS Eligibility Determinations	<u>2.2</u>	<u>3.6</u>
<b>Estimated Costs of ACA Medicaid Expansion</b>	<b>\$80.8</b>	<b>\$226.1</b>
Substitution of Medicaid Coverage for Indigent Care Funding	(\$71.2)	(\$110.3)
State-Funded Community Behavioral Health Services	(16.6)	(25.0)
Incarcerated Populations (DOC Prisons/State Inmates in Jails)	(15.5)	(23.4)
FAMIS Pregnant Women Enrollees	(15.7)	(47.6)
GAP Program for Seriously Mentally Ill up to 60% FPL	(26.9)	(42.0)
Divert Disabled/Medically Needy Enrollments	(2.5)	(12.9)
Medicaid Breast & Cervical Cancer Enrollees	(1.5)	(4.8)
Medicaid Family Planning (0-100%) Program Enrollees	(1.6)	(2.8)
Services for Individuals w/Temporary Detention Orders	<u>(0.5)</u>	<u>(0.9)</u>
<b>Estimated Program Savings of ACA Medicaid Expansion</b>	<b>(\$152.0)</b>	<b>(\$269.7)</b>

# HB 30: Other DMAS / Medicaid Spending

Targeted Spending Items*	2018-20 (GF \$ in millions)
<b>Rates and Services:</b>	
2% Increase Consumer-directed Personal Care Rates	\$9.8
16 Hours Paid Overtime for Consumer-Directed Personal Care Attendants	9.6
Medicaid costs for CSB Same Day Access to Services	3.2
<b>Administrative and Technical:</b>	
Re-procure Contract for the Cover Virginia Call Center	4.9
Training for Consumer-Directed Attendants	1.0
Fund External Quality Review of Managed Care Oversight	0.9
<b>Total</b>	<b>\$29.4</b>

\*Does not include base adjustments and targeted spending for the U.S. DOJ Settlement Agreement.



# HB 30: DMAS & Medicaid Savings

Targeted Reductions	2018-20 (GF \$ in millions)
DMAS/Medicaid savings from Medicaid expansion	(\$373.9)
Savings from training center closures and discharges	(\$27.5)
Reduce Payments to Piedmont Geriatric and Catawba Hospitals to reflect federal ACA Disproportionate Share Hospital (DSH) payment reductions	(1.1)
<b>Total</b>	<b>(\$402.5)</b>

# Dept. of Behavioral Health & Developmental Svs.

- Total spending of \$162.6 million GF over the biennium for behavioral health and developmental services
- Major spending items include:
  - \$60.9 million GF for items related to compliance with the U.S. DOJ Settlement Agreement
    - \$47.8 million in DMAS for 825 I/DD waiver slots and 50 reserve slots
    - \$13.1 million for other services in DBHDS
  - \$51.4 million for community mental health services
  - \$18.0 million for behavioral health facility capacity and operating costs
  - \$15.3 million for Virginia Center for Behavioral Rehabilitation capacity and facility expansion and services
  - \$4.6 million for Part C early intervention services
- Savings total \$56.5 million GF over the biennium
  - \$41.6 million in savings for CSB funding due to Medicaid expansion
  - \$1.0 million in savings from training center closures (\$27.5 million in savings from closures in DMAS budget)

# DOJ Settlement Agreement Spending

DOJ Settlement Agreement Related Items (GF \$ in millions)	FY 2019	FY 2020
DMAS: ID/DD Waiver slots – 180 ID slots for facility discharges; 625 ID waiver slots and 50 DD waiver slots for community waiting list	\$14.5	\$30.5
DMAS: 50 Reserve emergency waiver slots	0.9	1.9
DBHDS: Crisis services	2.4	3.2
DBHDS: Rental Assistance	1.5	4.1
DBHDS: Add DD support network in Central Virginia	0	1.3
DBHDS: Services for non-Medicaid eligible training ctr. Discharges	0.2	0.2
DBHDS: Increased workload costs of Independent Reviewer	0.1	0.1
DBHDS: Provider training, compliance review, quality mgmt., IT	NGF*	0
DBHDS: Increase Community Capacity for Individuals with Medically Complex Support Needs	NGF*	0
DBHDS: Savings from planned training center closures	0	(1.0)
DMAS: Medicaid savings from planned training center closures	(10.5)	(17.0)
<b>Total Costs of U.S. DOJ Settlement Agreement Related Items</b>	<b>\$9.1</b>	<b>\$23.3</b>

\*Additional nongeneral funds are also proposed for related DOJ activities through federal Medical matching funds for waiver and reserve slots as well as \$5.0 million from the BHDS Trust Fund for increasing community capacity for individuals with complex medical support needs and the provider training, compliance reviews, quality management and IT improvements/

# DBHDS Community Behavioral Health Services

GF \$ in millions	FY 2019	FY 2020
STEP-VA CSB Same Day Access to Services	\$5.9	\$5.9
STEP-VA CSB Primary Care Screening	3.7	7.4
Backfill federal funds-medication assisted treatment	5.0	5.0
Discharge assistance plans for 92 individuals on extraordinary barrier list at state hospitals	2.3	4.6
Expand permanent supportive housing <ul style="list-style-type: none"> <li>- 200 individuals with serious mental illness</li> <li>- 75 pregnant women &amp; women with children who have substance use disorders</li> </ul>	2.3	4.8
Develop community capacity for facility discharges <ul style="list-style-type: none"> <li>- Assisted living facility to address complex medical and behavioral needs</li> <li>- 2 community support teams</li> </ul>	1.8	2.8
<b>Total</b>	<b>\$21.0</b>	<b>\$30.5</b>

# DBHDS Behavioral Health Facilities

GF \$ in millions	FY 2019	FY 2020
Electronic health records at all DBHDS facilities	\$5.1	\$5.1
Operating support for new 56-bed expansion at Western State Hospital	0.0	5.6
Backfill reduction in Medicaid DSH payments at Piedmont Geriatric and Catawba Hospitals	0.9	1.3
VCBR: Fund 22 temporary beds at Piedmont Geriatric Hospital for residents with significant medical needs	2.8	2.9
VCBR: Fund operating costs of new 72-bed expansion and 147 positions	0.0	7.8
VCBR: Fund Hepatitis C treatment	0.5	0.5
Supervision/monitoring of conditionally released	0.3	0.5
<b>Total</b>	<b>\$9.6</b>	<b>\$23.7</b>

\*Introduced budget removes language prohibiting transferring funds within DBHDS to VCBR as facility approaches capacity

# Department of Social Services

- Spending increases total \$50.1 million GF over the biennium
  - \$6.6 million GF and \$13.4 million NGF over the biennium for foster care and adoption subsidies caseload forecast
    - Assumes growth of Title IV-E adoption subsidies of about 10% each year, level growth in Title IV-E foster care and continued decline in state funded adoptions of about 11% each year
  - \$8.8 million GF over the biennium to reinvest savings from extending federal IV-E foster care funding to services for children previously fully state supported
    - \$6.2 million to implement a new comprehensive child welfare information system for case management to replace four information systems
    - \$2.6 million to fund ongoing programs such as prevention and post-adoption case management services
  - \$5.9 million GF and \$44.2 million NGF to add local eligibility workers to assist with additional workload as a result of Medicaid expansion
  - \$5.9 million GF to backfill the loss of nongeneral fund revenue in the Division of Child Support Enforcement due to TANF caseload decline
  - \$2.8 million GF over the biennium to increase the Auxiliary Grant rate by \$35 per month from \$1,236 to \$1,271 per month
  - \$1.6 million GF over the biennium for TANF unemployed parents cash assistance
- Savings total \$11.1 million GF over the biennium
  - Captures unexpended balances of \$1.8 million GF each year in the Auxiliary Grant program due to the declining participation and reinvests it in a rate increase and funding for seriously mentally ill residents of the newly developed assisted living facility

# Temporary Assistance to Needy Families ( TANF) Block Grant

- Realigns funding in the TANF block grant to balance spending with resources leaving a balance of \$107.1 million NGF by the end of FY 2020
  - TANF spending continues to exceed the block grant amount but spending is more closely aligned with the annual grant award
  - Continued caseload decline is projected to result in the accumulation of balances
- Mandated benefit costs are expected to decrease by 12% in FY 2018 due to a decline in the TANF caseload and are expected to decline by another 17% over the 2018-20 biennium
- Proposes \$6.0 million in FY 2019 and \$6.0 million in FY 2020 in surplus TANF funds for a pilot program at the Virginia Department of Health for education on and access to long-acting reversible contraceptives

# Department of Health

Health Department Spending Items (GF \$ in millions)	FY 2019	FY 2020
Electronic health records at local health departments	\$1.8	\$4.2
Add 12 staff in the Office of the Chief Medical Examiner (OCME)	1.5	1.5
Increase decedent transport fee in the OCME from \$100 to \$250	0.7	0.7
Add 6 positions to supervise health system merger coop. agreement (legislation to raise cap of \$75,000 to oversee agreement)	0.6	0.6
Support for free clinics	0.5	0.5
Increased rents at local health departments	0.3	0.2
Meningococcal vaccine for children entering 6 <sup>th</sup> grade (legislation)	0	0.5
Cover increased costs for a new contract costs for Virginia Environmental Information System	0.2	0.2
Fund autopsy services for sudden infant deaths	0.1	0.1
Establish new fees for onsite sewage systems to cover costs for repairs, voluntary upgrades and requests for written authorization	Language	
Authorize study of food safety and restaurant inspection programs to develop long-term plan for funding these programs	Language	
<b>Total</b>	<b>\$5.7</b>	<b>\$8.5</b>



# PUBLIC EDUCATION

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## HB 29 Technical Updates to Direct Aid (\$5.6) Million Net All Funds: (\$57.3) Million GF and \$51.7 Million NGF

Amendments in public education reflect increases to Sales Tax and Lottery Proceeds that are offset by decreases for lower student enrollments and program participation levels

- Lottery revenue is estimated to increase by \$52.0 million and is used to save an equal amount of general fund revenue
  - \$11.8 million from carryforward and \$40.2 million from revised Forecast
- Sales Tax Revenue adjustment has a net increase of \$728,263 GF
  - Reflects change in the Sales Tax forecast estimate of \$1.7 million, revised total of \$1.4 billion
  - Offsetting adjustment decrease to the SOQ Basic Aid of \$929,938
- LCI data correction for Charlottesville, adds \$384,476
- GF backfill for decrease in DMV driver education revenue projections, \$285,000
- Student Enrollment and Program Participation Updates, net decrease of \$7.3 million
  - Actual Sept 30<sup>th</sup> enrollment & March 31<sup>st</sup> ADM estimate: net decrease of \$5.0 million
    - Projected decrease of 1,099 students, or (0.09%), down to 1,247,837
  - Incentive, Categorical and Lottery-funded programs' participation: (\$1.9) million
  - Actual Remedial Summer School student enrollment: (\$2.0) million
  - English as a Second Language students: \$1.6 million
- Lower teacher eligibility for National Board certification bonuses: (\$0.5) million

# HB 30: Direct Aid to Public Education Total Biennial Budget Equals \$16.2 Billion

- The Governor's proposed 2018-20 biennial budget for Direct Aid to Public Education totals \$12.6 billion GF and \$3.6 billion NGF (Lottery, literary and federal)
  - FY 2019: \$6,236.5 million GF and \$1,802.9 million NGF
  - FY 2020: \$6,339.4 million GF and \$1,792.9 million NGF
- The GF biennial budget has a net increase of \$515.9 million above the FY 2018 base – which includes rebenchmarking, policy changes, and new and expanded initiatives
  - \$206.5 million in FY 2019, 4.9% increase
  - \$309.4 million in FY 2020, 10.5% increase
- The NGF biennial budget has a net increase of \$358.7 million, primarily driven by adjustments to the federal grant awards and Lottery revenues
  - \$184.4 million in FY 2019
  - \$174.3 million in FY 2020

## Summary of All Proposed Revenues for Direct Aid to Education

(\$ in millions)

	<b>FY 2018 CH836</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>Biennium</b>
General Fund	\$6,030.0	\$6,236.5	\$6,339.4	<b>\$12,575.9</b>
Special Fund	0.9	0.9	0.8	<b>1.7</b>
Commonwealth Transportation	2.4	2.1	2.1	<b>4.2</b>
Trust & Agency				
Lottery Proceeds Fund	546.5	586.7	586.7	<b>1,173.4</b>
Literary Fund	181.3	146.3	136.3	<b>282.6</b>
Local Tuition – Virtual VA*	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<b><u>0.8</u></b>
Federal Trust Fund	<u>887.1</u>	<u>1,066.5</u>	<u>1,066.5</u>	<b><u>\$2,133.0</u></b>
<b>Total for all Revenue Sources</b>	<b>\$7,648.6</b>	<b>\$8,039.4</b>	<b>\$8,132.3</b>	<b>\$16,171.8</b>
* Local Tuition funding for Virtual Va. collected from school divisions, private schools, etc. that participate in the program				

# Revised Rebenchmarking Total \$481.0 Million GF

- In September, DOE reported the preliminary rebenchmarking costs at \$491.8 million GF for the FY 2018-20 biennium noting that several other data costs were not updated yet
- Then in December, the introduced budget reflected cost adjustments for the remaining data that reduce the costs by \$10.8 million GF over the two years
- In total, the revised total rebenchmarking costs break down into net increases of \$690.1 million and \$209.1 million net decreases

## Rebenchmarking Upward Adjustments: \$690.1 Million GF

- Adds \$191.5 million for Prevailing Salaries & annualization of the 2.0% Salary Incentive provided in FY 2018
- Adds \$139.3 million for ASR base year non-personal expenditures, & applying October 2017 inflation rates
- Proposes \$72.0 million for Student Enrollments and ADM Projection updates
  - September 30<sup>th</sup> enrollment and March 31<sup>st</sup> ADM: \$32.9 million
  - Special Education Child Count from Dec. 1, 2016 report: \$14.6 million
  - Career and Technical Education enrollment: \$14.4 million
  - English as a Second Language (ESL) membership: \$12.5 million
  - Gifted and Support/Instructional Technology positions based on enrollments: (\$0.9) million
  - Remedial Summer School enrollment: (\$1.5) million

# Rebenchmarking Upward Adjustments: \$690.1 Million GF

- Allocates \$58.0 million for Health Care premium costs:
  - From \$4,604 per position to \$5,086, a \$482 increase, or 10.5%
- Reflects adding \$48.4 million to reset the Virginia Preschool Initiative non-participation rate back to 0%
- Proposes \$44.1 million for updates to Lottery-funded programs for projected student enrollments
- Adds a net total of \$42.7 million from updating the Sales Tax revenue forecast and applying the offsetting Basic Aid savings over the biennium
  - Sales Tax proposed increase of \$96.7 million
  - Basic Aid offset total of \$54.0 million

# Rebenchmarking Upward Adjustments: \$690.1 Million GF

- Includes a \$5.2 million increase to reflect the distribution update changes to the school-aged population census count of as of July 1, 2016
- Adds \$7.1 million for updating Free Lunch Eligibility & SOL Failure Rate Data
- Adds \$811,748 for projected increases to the School Breakfast Meal Reimbursement Incentive program
- Includes \$366,661 for National Board Certification Bonuses for Eligible Teachers



## Other Rebenchmarking Adjustments:

- Increases GF costs by \$80.6 million to backfill equal decreases from other revenue sources – these fund swaps do not impact funding totals allocated to school divisions
  - \$80.0 million to supplant and reduce an equal amount from available Literary Fund dollars to pay for VRS costs
  - \$570,000 to offset a reduction of DMV revenues used for Student Driver's Education course costs
- Uses the \$40.2 million increase each year from the revised Lottery Proceeds Fund Revenue Forecast to offset an equal amount of GF revenues
  - This fund swap does not impact funding totals allocated to school divisions
  - Revised Lottery Proceeds Fund revenue equals \$586.7 million each year
  - Supplemental Lottery PPA allocation remains unchanged at \$191.3 million, which is 32.6% of the estimated lottery revenue total

# Downward Adjustments to GF Rebenchmarking

## Costs: \$209.1 Million GF

- Captures \$45.1 million generated from the VRS rates changes
  - Professional Teacher rate from 16.32% to 15.68%: saves (\$40.8) million
  - Non-professional rate from 7.11% to 6.20%: saves (\$2.4) million
  - Retiree Health Care Credit rate from 1.23% to 1.20%: saves (\$1.9) million
  - Group Life rate remains unchanged at 0.52%
- Saves \$24.1 million from updating the Pupil Transportation expenditures
- Saves \$21.3 million from updating the three-year average of latest available F/R lunch percentages for those schools and divisions participating in Community Eligibility Program (CEP) prior to enrolling
- Reflects \$18.9 million decrease from the updated calculation for the Support Position Ratio costs that are based on total support positions reported from divisions
- Reduces costs by \$14.4 million to reflect Textbooks expenditures
- Saves \$2.3 million from the revised Federal Revenue Deduct
- Reflects \$1.7 million savings for the Local Composite Index (LCI) update
- Saves \$0.9 million in Incentive & Categorical program accounts updates

# Proposed Policy Initiative: \$51.3 Million Total for a 2.0% Salary Incentive

- Teachers and Support Salary Incentive for the state's share of a 2.0% salary incentive, effective December 1, 2019:
  - Adds \$50.9 million GF for all funded SOQ instructional and support positions in school divisions
  - Adds \$221,903 GF for the Governor's School funded SOQ instructional and support positions
  - Allocates \$168,584 NGF for the Regional Alternative Education Program funded SOQ instructional and support positions
- Participation is optional and requires at least a 2.0% salary increase be given during the FY 2018-2020 biennium – either in the first or second year or through a combination of the two years

## Other Proposed Policy Initiatives: Net Total (\$16.6) Million GF

- Includes \$11.5 million the first year for a one-time ‘No Loss’ or hold harmless supplement to ensure divisions receive at least the same amount of funding in FY 2019 compared to levels in the proposed Caboose budget for FY 2018
  - 32 Divisions would receive a ‘No Loss’ supplement
    - ‘No Loss’ Supplement PPA ranges from \$10.07 to \$698.55
- Reflects \$7.7 million the second year to provide funding for 1.0 principal position instead of 0.5 position in elementary schools that have less than 300 students
  - There is no requirement for divisions to hire or staff the small schools with a full-time position
  - Current SOQ state code (§ 22.1-253.13:2, H2) sets out requirements for an elementary school principal in schools with less than 300 at 0.5 position

# Other Proposed Policy Initiatives

- Adds \$7.1 million GF the second year to expand the At-Risk Add-on supplement by increasing the top percentage from 13.0% to 14.0%
  - A division's add-on percent range is based on an adjusted free lunch percentage multiplied by ADM and the SOQ Basic Aid per pupil amount
- Provides \$1.3 million GF each year to extend the one-time funding supplement to the Governor's Schools that is based on adding an additional 2.5% on the revised tuition amount for each student plus an extra \$50.00 per student, per course
- Recognizes a Virginia Preschool Initiative non-participation rate of 25.4%, reducing costs by \$23.9 million GF the first year and \$24.0 million GF the second year

# Proposed Policy Changes

## Virginia Preschool Initiative:

- Directs DOE to provide additional slots each year to school divisions that meet the following criteria:
  - 1) Used 100% of their slots in the previous school year
  - 2) Certified to DOE that they had a waiting list for unserved eligible children for the same previous school year (VPI Fall Verification Report submitted on October 1<sup>st</sup>)
  - 3) and, then report on May 15<sup>th</sup>, for the upcoming school year, that they plan to use 100% of their new allocated slots (VPI Grant Proposal submission)
- Funding for the ‘redirected’ slots will be based on the difference between the total slots that are calculated each year for the VPI program minus the number of slots that are reported in the May 15 grant proposals that divisions plan to use in the same upcoming school year
  - Available funding for any additional slots will fluctuate each year
- Expands student eligibility to at-risk five-year-olds who are not eligible to attend kindergarten
- Aligns the VPI curriculum with the kindergarten SOLs

# Proposed Language Changes

## **Breakfast After-the-Bell:**

- Expands the model to permit middle and high schools to apply
- Doubles the meal reimbursement amount for just middle and high schools
- Directs DOE to establish priorities for submitted applications for funding

## **Early Reading Specialists Initiative:**

- Changes eligibility such that schools that rank lowest statewide on 3<sup>rd</sup> grade reading SOL will be given funding priority and prior year funding may not automatically continue for a subsequent year

## **Math/Reading Instructional Specialists Initiative:**

- Changes eligibility such that schools that rank lowest on Spring 2017 math or reading SOL assessment will be given funding priority and prior year funding may not automatically continue for a subsequent year

## **Virginia Teacher Scholarship Loan Program:**

- Doubles the annual tuition amount to \$20,000 for students pursuing teacher education programs

# COMPENSATION AND RETIREMENT

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# VRS Rates

## **Retirement Rates**

- Introduced budget proposes funding all contribution rates for VRS administered programs at 100% of the Board certified rates
- Captures savings of \$6.5 million GF in FY 2019 and \$6.8 million GF in FY 2020 reflecting the net impact of lower VRS employer retirement contribution rates for the state employee plans
- Captures savings, within the Department of Education, of approximately \$20.4 million GF each year from the decrease in the retirement contribution rate for the teacher plan
  - Captures additional savings of approximately \$1.2 million GF each year for retirement contributions for “non-professional” school employees

## **Other Post Employment Benefits (OPEB)**

- Reflects net savings of \$676,148 GF the first year and \$705,521 GF the second year from changes in the VRS board-certified rates for the OPEB programs for state employees
  - Savings for state employee OPEB contributions is partially offset by an increase of \$317,863 GF in each year for the state share of the increase in the rates for the retiree health credit for state supported local employees funded through the Compensation Board, the Department of Social Services, and the Department of Elections
- Realizes savings of \$954,569 the first year and \$956,356 the second year within the Department of Education based on the updated OPEB rates for members of the teachers plan

# VRS Rates

VRS Program	Chapter 836 FY 2018	HB 30 FY 2019 & 2020
VRS (State Employees)	13.49%	13.52%
State Police Officers Retirement System (SPORS)	28.54%	24.88%
Va. Law Officers Retirement System (VALRS)	21.05%	21.61%
Judicial Retirement System (SPORS)	41.97%	34.39%
VRS (Teachers)	16.32%	15.68%
State Employee – Retiree Health Credit	1.18%	1.17%
State Employee - Group Life Insurance	1.31%	1.31%
VSDP	0.66%	0.62%
Teacher – Retiree Health Credit	1.23%	1.20%
Teacher – Group Life Insurance (employer rate)	0.52%	0.52%

# FY 2020 Proposed Salary Increase

- Includes \$49.4 million GF in the second year to provide a 2.0% salary adjustment for state and state-supported local employees in the second year
  - Includes \$39.7 million GF for a 2% raise for state employees, including university faculty, effective November 10, 2019
  - Includes \$9.7 million GF for a 2% raise for state supported local employees effective December 1, 2019
- Introduced budget does not include any targeted salary increases

# State Employee Health Insurance

- Includes a net increase of \$33.6 million GF in FY 2019 and \$84.6 million GF in FY 2020 to fund the employers' share of the increase in health insurance premiums for the State Employee Health Insurance Program
  - Funding is based on an assumed 6.0% rate increase in FY 2019 and an 8.5% increase in FY 2020
  - The budget assumes no plan changes for the program
- Includes \$3.9 million GF in FY 2019 and \$10.0 million GF in FY 2020 to fund what is normally the employee share of the increase in the health insurance premiums
  - Under the introduced budget, employees will not receive a salary increase until the middle of FY 2020 (November 10, 2019)

# Other Employee Compensation & Benefit Actions

- Includes \$1.1 million GF each year to reflect estimated changes in enrollment and the premiums charged for the Line of Duty Act (LODA) program
  - The annual premium charged per FTE covered position is proposed to increase from \$567.37 per FTE to \$705.77 per FTE, a 24% increase
- Proposes \$1.8 million GF the first year and \$2.4 million GF the second year to fund workers' compensation premiums based on the latest actuarial report
  - Beginning in the first year, the premium amount includes the payback of the working capital advance used to settle workers' compensation claims
- Language amendment in HB 29 provides modest salary adjustment for incoming cabinet positions
  - Governor's chief of staff salary set at \$175,000 and the salary for all cabinet secretaries set at \$172,000

# NGF Appropriation Adjustments

- HB 29 and HB 30 both include significant NGF amendments tied to projected expenditures for employee benefit programs

## NGF Funding Amendments Impacting DHRM (\$ in millions)

	FY 2018	FY 2019	FY 2020
Adjust Appropriation for State Employee Health Program	(\$200.0)	(\$100.0)	\$0.0
Increase Appropriation for Line of Duty Act Health Plan	\$20.0	\$23.4	\$23.4
Increase Appropriation for The Local Choice Plan	\$45.2	\$74.8	\$74.8
Establish Appropriations for New Local Choice Health Insurance Option for school div & local govt	\$0.0	\$500.0	\$500.9
Establish Appropriation for Workers' Compensation Claims and Program Expenses	<u>\$0.0</u>	<u>\$85.0</u>	<u>\$90.0</u>
Total	(\$134.8)	\$583.2	\$689.1

# COMMERCE AND TRADE

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# HB 30: Commerce and Trade Agencies

- Spending for agencies in the Secretariat increases \$3.3 million GF in FY 2019 and \$4.6 million in FY 2020. Overall spending in the Secretariat increases 1.6% in the first year and 2.3% in the second year
- The increased GF spending is partially offset by net reductions in the economic development incentives payments holding account of \$2.5 million GF the first year and \$5.2 million GF the second year based on reductions in performance-based grants

## **Virginia Economic Development Partnership**

- Proposes \$3.0 million GF the first year and \$5.5 million GF the second year for workforce training, incentives management, and trade and marketing programs
  - \$2.5 million GF the first year and \$5.0 million the second year for the biennium is allocated for a new, customized workforce training program
  - Additional operating funds of \$364,000 GF each year to support a new Incentives Division that was created in the VEDP reform act passed in the 2017 Session of the General Assembly
  - \$200,000 GF each year for marketing initiatives
- Maintains baseline funding at \$4.8 million GF each year of the biennium budget for various economic development initiatives, including but not limited to the following:
  - \$950,000 GF each year for the Virginia International Trade Alliance
  - \$1.9 million GF each year to match federal grants for the Going Global Defense initiative and State Trade Export Promotion (STEP)
  - \$600,000 GF each year to Support Virginia Exporters, and
  - \$795,000 GF each year to support US and international business attraction



# Economic Development Incentive Payments \$107.3 million GF

Economic Development Incentives – (\$ in millions)		FY 2019	FY 2020
<b>Performance-Based Agreements</b>			
	VA Economic Development Incentive Grant (VEDIG)	\$4.4	\$3.0
	Virginia Investment Partnership (VIP) Grants	4.9	5.4
	Major Eligible Employers Grants (VIP Subfund)	1.8	0.0
	Virginia Jobs Incentive Program (VJIP)	5.7	5.7
	Aerospace Facility & Workforce Training Incentive Grants	\$ 6.1 (NGF)	\$5.7 (NGF)
<b>Other Economic Development Incentives</b>			
	Commonwealth Opportunity Fund	19.8	19.8
	Commonwealth Research Commercialization Fund	2.8	2.8
	Virginia Research Investment Fund	8.0	8.0
	Motion Picture Opportunity Fund	3.0	3.0
	Life Sciences Consortium (VBHRC)	3.75	3.75
	Spending for Marketing and Trade Missions	0.5	0.5
	Tourism Grant	0.15	0.15
	Virginia-Israel Advisory Board	<u>0.2</u>	<u>0.2</u>
<b>Total General Fund</b>		<b>\$55.0</b>	<b>\$52.3</b>

# HB 30: Commerce and Trade Agencies

## **Department of Housing and Community Development**

- Provides \$5.5 million GF each year for the Housing Trust Fund, which includes increases by \$100,000 GF each year funding for Rapid Re-Housing efforts for a total of \$2.2 million for the biennial budget for this program
  - New language doubles the amount dedicated for assisting veterans in this program from \$100,000 GF each year to \$200,000 GF each year
- Proposes \$7.5 million GF over the biennium budget to establish a new initiative - the Virginia Grocery Investment Fund - to incentivize development of development of supermarkets and healthy food retailers in underserved communities
- Proposes \$2.0 million GF increase over the biennium to double the annual allocation of \$1.0 million GF for the Virginia Telecommunications Initiative (VATI) to assist in developing enhanced broadband infrastructure in the Commonwealth
- Eliminates the Building Collaborative Communities and the Building Entrepreneurial Economies programs saving \$637,000 each year of the biennium, but transfers these annual savings to the GO Virginia initiative in order to provide additional administrative support for this endeavor
- Proposes new spending of \$1.7 million GF the second year to fund the Commonwealth's required match as part of the National Disaster Resilience Grants, a commitment that totals \$5.0 million over a three year period through FY 2022

# GO Virginia

- Total funds for GO Virginia are \$52.2 million over the biennium
  - \$49.0 million GF = \$24.5 million per year
  - \$3.2 million NGF = \$1.6 million per year (carryover)
- The appropriation is to be deposited into the Virginia Growth and Opportunity Fund and be distributed as follows:
  - \$2.3 million GF each year to be allocated to qualifying regions to support organizational and capacity building activities and workforce gap analyses
  - \$10.9 million GF each year to qualifying regions based on each region's share of state population
  - \$11.3 million GF each year to be awarded to regional councils on a competitive basis
- In addition to this specific funding, there are carry-over funds of \$3.2 million NGF for the biennium that are permitted to be deposited in the capacity building account
  - Intended to provide a minimum \$750,000 per year for each regional council
  - Regions receiving the minimum \$750,000 allocation would be required to a match on the GF portion only

# HB 30: Commerce and Trade Agencies

## **Virginia Tourism Authority**

- Proposes increase of \$200,000 GF each year to expand tourism marketing
- Fulfills Commonwealth's obligation for three year agreement with Air India to establish nonstop air service between Washington Dulles International Airport and Delhi, India by making final two payments \$400,000 GF the first year and \$450,000 GF the second year

## **Department of Mines, Minerals and Energy**

- Proposes new spending of \$1.0 million GF each year to establish programs for subsidizing solar energy projects
  - \$350,000 for revolving loan program
  - \$650,000 for loan loss reserve program
- Proposes new spending of \$120,000 GF each year to upgrade the support and development of pumped storage hydro-electric energy systems in Virginia

## **Fort Monroe Authority**

- Increases annual appropriation \$628,000 each year to supplant the loss of federal funding
- Provides \$2.0 million the first year for maintenance reserve out of bond proceeds for capital costs for building and utility repairs at Fort Monroe

# TECHNOLOGY

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# Technology

## **Innovation and Entrepreneurship Investment Authority (CIT)**

- Program levels are unchanged at the agency, with base program funding levels as follows:
  - \$500,000 GF each year for broadband planning assistance for localities
  - \$3.1 million GF each year for the Growth Accelerator Program (GAP) to underwrite early stage financing for new, Virginia-based companies
  - \$500,000 GF each year for Unmanned Systems Industry support
  - \$400,000 each year for the Virginia Cyber Security Commission

## **Virginia Information Technologies Agency**

- Adjusts estimated spending for vendor pass-through payments to \$22.0 million each year reflecting the forecast of state agencies' utilization in various service areas
- NGF increases of \$800,000 the first year, \$750,000 the second year, and four FTE for the Shared Security Center due to the increased workload
- Provides \$4.1 million the first year and \$1.3 million the second year for continued transition costs related to the new IT environment
  - The smaller increase in the second year is due to the expected termination of consultant contract services
- Proposes an increase to the agency line of credit from \$75.0 million to \$95.0 million to offset anticipated funding needs related to the transition currently underway from the existing statewide IT contract

# TRANSPORTATION

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# HB 30: Transportation

- The proposed budget for transportation includes net increases of \$957.1 million NGF (14.9%) the first year and \$630.5 million NGF (9.8%) the second year
  - Proposed allocation provides majority of increased revenue to highway construction programs
- Major proposed initiatives within the Secretariat focus on:
  - Revenue enhancements to provide additional support for capital improvements for the Washington Metropolitan Area Transit Authority (WMATA)
  - Authorizing additional state tax-supported bonds to fund statewide transit capital costs
  - Expediting the dredging of the Norfolk Harbor and Elizabeth River channels to facilitate continued competitiveness of the Virginia Ports
  - Funding improvements necessary to comply with the federal REAL ID Act at DMV



# WMATA and Other Transit Proposals

- Regional Funding to support WMATA and VRE
  - Increases the “congestion relief fee,” or grantors tax, imposed in the NVTAs jurisdictions from \$0.15 to \$0.25 per \$100 value
  - Increases the NVTAs transient occupancy tax from 2% to 3%
  - Applies the statewide motor fuel sales tax “floor” to the additional regional motor fuel sales taxes in the Northern Virginia Transportation Authority and Hampton Roads Transportation Accountability Commission jurisdictions
    - These 3 increases are anticipated to generate \$65.0 million of the \$150.0 million sought for Virginia’s share of WMATA improvements with the remainder coming from existing NVTAs revenues to be set out in stand-alone legislation
- Statewide Transit Capital Bonds
  - Includes an authorization for \$110 million of Commonwealth Transportation Capital Projects Revenue bonds in FY 2020 to support statewide transit capital needs
    - Repayment would come from the Priority Transportation Fund
    - Bonds do count against the state’s overall debt capacity

# Virginia Ports Authority

- Provides \$20.0 million in bond proceeds for transportation capital projects in FY 2019 and transfers a like amount of Commonwealth Transportation Funds to the Virginia Port Authority to advance the planning and preliminary engineering requirements for widening and dredging of the Norfolk Harbor Channel to 55 feet and dredging the Southern Branch of the Elizabeth River to 45 feet
- Additional nongeneral funds of \$4.0 million the first year and \$8.0 million NGF the second year is authorized to finance increased rent at the Virginia International Gateway reflecting increased container traffic
- \$2.0 million GF in each year is proposed for the Port of Virginia Economic Development Zone Grant Program to supplant funding currently authorized from the Commonwealth Opportunity Fund
- Appropriates an additional \$1.7 million the first year and \$2.3 million the second year of nongeneral funds to support 21.00 additional FTE positions
- \$37.0 million the first year and \$30.0 million the second year is provided from terminal revenues to support equipment required for the increased container volumes and operational changes planned at the expanded APM terminal

# Department of Motor Vehicles

- Proposes a nongeneral fund increase of \$7.0 million the first year, \$11.6 million the second year and 71.00 FTE positions to cover the estimated costs and increased workloads associated with the development and issuance of federal REAL ID Act compliant credentials
  - An additional 25.00 FTE positions are proposed in HB 29 as the department phases in the program
- It is the intent of the department to begin issuing voluntary compliant credentials on October 1, 2018
- Costs associated with the new credentials would be covered by a one-time \$10.00 charge for each compliant credential
- Language in both HB 29 and 30 authorizes a \$20.7 million line of credit to cover the upfront costs of the system changes to be repaid by those choosing to purchase compliant credentials so that they may continue to use their Virginia driver's license as a valid form of identification at airports and federal facilities

# NATURAL RESOURCES

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# HB 30: Natural Resources

- The proposed budget for Natural Resources includes proposed new GF spending of \$25.6 million in the first year - primarily from the statutorily-mandated deposit of FY 2017 surplus revenues to the Water Quality Improvement Fund - and \$2.7 million in the second year
  - Also included are NGF increases of \$9.5 million in FY 2019 and \$8.9 million in FY 2020
- Land Conservation programs total \$5.75 million GF in each year and mirror the levels included in FY 2018. These amounts are distributed as follows:
  - Virginia Land Conservation Fund (DCR) - \$4.5 million each year
  - Battlefields Preservation Fund (DHR) - \$1.0 million each year
  - Farmland Preservation (VDACS) - \$250,000 each year

# Water Quality Improvement Programs

- The statutory deposit to the Water Quality Improvement Fund totals \$22.5 million GF the first year for allocation to nonpoint source programs:
  - \$2.0 million (15% of Part A deposit) set aside for the WQIF Reserve Fund
  - \$19.8 million for the Natural Resources Commitment Fund
    - \$17.4 million for agricultural best management practices and remainder for technical assistance
  - \$500,000 for federal Conservation Reserve Enhancement Program (CREP)
  - \$250,000 for Information Systems improvements
- Also continues dedicating recordation fee revenues to the Natural Resources Commitment Fund totaling \$10.0 million NGF in each year for the Natural Resources Commitment Fund
  - \$8.8 million of this is dedicated to Ag BMP cost share programs, which added to the WQIF funding brings the total Ag BMP funding to \$27.4 million (all funds) in FY 2019
- \$6.2 million GF each year is provided for Soil and Water Conservation Districts administration and operational expenses, plus an additional \$1.2 million for technical assistance from the recordation tax fee
- \$20.0 million in bond proceeds are proposed in Capital Outlay to fund a portion of the Alexandria Combined Sewer Overflow (CSO) project

# DCR Funding Proposals

- Within the operating budget, \$509,955 the first year, \$317,124 the second year and 3.00 nongeneral fund FTE positions are authorized for operating costs at Middle Peninsula State Park
  - The NGF amounts come from the Skiffes Creek mitigation agreement and cover operating costs through the biennium
  - Beginning in FY 2021, the costs would have to be borne by the general fund
- \$526,888 the first year and \$9,460 the second year from the general fund is proposed to provide broadband in 8 state parks and expand Wi-Fi in 14 other state parks
- \$250,000 GF each year is provided for the Virginia Outdoors Foundation to establish an urban open space preservation program
- Continued funding levels of \$500,000 GF each year is proposed for DCR Natural Area Preserves, \$200,000 GF each year for shoreline erosion, and \$464,294 GF each year for the Dam Safety Fund

# DCR Funding Proposals

- There are 5 cash and bond funded Capital Outlay proposals for DCR totaling \$16.6 million in FY 2019, as follows:
  - Bond proceeds of \$7.5 million are proposed to build additional cabins at Douthat, First Landing, and Fairy Stone state parks
  - \$4.0 million of bond proceeds requested for infrastructure improvements at a variety of state parks across the state
  - \$1.5 million of NGF revenue to acquire a parcel of land from the U.S. Navy to expand York River State Park
  - \$3.6 million of NGF settlement revenues are appropriated to acquire land for 3 new Natural Area Preserves
  - Language authorizes the acquisition of land to expand Middle Peninsula State Park. The revenues come from the Skiffes-Creek mitigation agreement with Dominion Energy



# Other Natural Resources Agencies

- The Department of Game and Inland Fisheries includes five Capital Outlay proposals totaling \$19.8 million NGF as follows:
  - \$5.0 million each year for land acquisition projects
  - \$1.0 million the first year and \$2.0 million the second year to improve boating access
  - \$1.0 million each year for improvements to wildlife management areas
  - \$1.9 million each year for maintenance reserve projects
  - \$500,000 each year for dam repairs and upgrades
- VMRC's budget includes a one-time appropriation of \$190,000 GF in the second year to fund the removal of a derelict barge in Belmont Bay
- Also proposed at VMRC is \$52,000 GF each year to cover additional information technology costs at the agency's new headquarters at Fort Monroe
- At Department of Historic Resources, proposes funding a new easement coordinator at a cost of \$97,799 GF each year and 1.00 FTE and recommends \$93,004 GF each year one 1.00 FTE for a project review archeologist

# AGRICULTURE AND FORESTRY

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# HB 30: Secretariat Agriculture and Forestry

- Proposed appropriations for Agriculture and Forestry programs make only modest changes to the budget for the Secretariat and include no major new initiatives
- Within VDACS, the proposed budget includes \$156,395 and 2.00 FTE positions each year to support expanded industrial hemp research and establish a registration program
  - Stand-alone legislation will be introduced to authorize this program
- Language amendments authorize the sale of the Eastern Shore produce market and office owned by VDACS and require a study of food safety programs run by VDACS and the Department of Health
- Within the Department of Forestry, the only new appropriation is \$236,000 GF the first year to match federal and private grants to produce containerized longleaf and loblolly pine seedlings
- In the Virginia Racing Commission, language amends the Code definition of simulcast racing to include pre-recorded horse races and authorizing the Commission to regulate the wagering handle on pre-recorded races

# HIGHER EDUCATION

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# HB 30: Higher Education Institutions

- The introduced budget proposes \$88.7 million in new general fund support for colleges & universities, extension and VIMS in the 2018-20 biennium as follows:
  - \$45.5 million is proposed for increased undergraduate financial aid
  - \$33.8 million is for increased base operating support at GMU, ODU, UVA-Wise, VMI & RBC
  - \$4.3 million is proposed for technology infrastructure improvements at VSU, UVA-Wise, & VIMS, primarily to leverage debt through the MELP
  - \$5.1 million is proposed for various institution-specific initiatives including:
    - \$1.3 million for cyber & biofuels research at NSU;
    - \$0.9 million at VIMS to model water quality in the Chesapeake Bay;
    - \$0.7 million to support the Weldon Cooper Ctr and Foundation for Humanities at UVA;
    - \$0.4 million at CWM to support a new veterans counseling program;
    - \$0.5 million for RBC for financial management positions recommended by the APA;
    - \$1.1 million at the VCCS to implement computer science teacher training; and,
    - \$200,000 at the VCCS to plan for free tuition initiative

# HB 30: Biennial Allocations to Colleges and Universities for Operating Costs & Financial Aid

Inst	Operating Support	Fin Aid	Inst	Operating Support	Fin Aid
CNU	\$0.0	\$0.8	UVA	\$0.7	\$1.2
CWM	0.4	0.8	UVA-W	5.5	0.6
GMU	14.0	14.7	VCU	0.0	7.2
JMU	0.0	3.7	VMI	0.8	0.2
LU	0.0	1.5	VT	0.0	2.0
UMW	0.0	0.5	VSU	1.7	0.9
NSU	1.3	1.2	RBC	0.7	1.2
ODU	15.1	2.3	VCCS	1.3	4.5
RU	0.0	2.2	VIMS	1.7	0.0

## HB 30: State Council of Higher Education Initiatives

- \$8.7 million GF is proposed for new spending at SCHEV as follows:
  - \$4.0 million increase to the workforce credential grant program
  - \$1.6 million for TAG with goal of increasing the annual award of by \$50 from \$3,300 to \$3,350 in FY 2020
  - \$1.0 million to restore funding for the cyber security scholarship program
  - \$0.9 million for the virtual library
  - \$0.3 million for two-year college transfer grant
  - \$0.5 million for staff support for the Virginia Research Incentive Fund
  - \$225,000 to provide an additional \$500 TAG award in FY 2020 for students pursuing a teaching career
    - This could accommodate at most 450 awards however, private colleges average at least 500 teaching degrees annually
  - \$239,333 to create a new student loan ombudsman position

# HB 30: Other Higher Education Actions

- \$7.1 million GF is proposed for new spending for other higher education agencies and centers
  - \$5.1 million for increased operating support for EVMS
  - \$1.0 million for the Southern VA HEC primarily for new workforce training
  - \$0.6 million for IALR for new workforce credential training
  - \$0.5 million to support Jefferson Labs creation of a new nuclear femtology center and continue efforts to secure federal funding
    - Nearly \$7.0 million provided for this purpose since FY 2016
  - \$172,000 for operating support at Roanoke HEC
  - Reduces New College by \$200,000 related to funding provided by 2017 Session
- About \$13.1 million GF in central accounts to restore interest earnings and credit card rebate financial incentive
- Central Accounts also includes funds for a 2% FY 2020 salary increase



# Key Policy Language

- Language authorizing colleges to establish an institutional reserve fund from unexpended E & G balances
- Changes maximum limit on mandatory fee increases from 5% to 3%

# State Library and Museums

- \$4.4 million in new spending for:
  - \$1.8 million for increased grants for the arts
  - \$1.2 million to replace LOV digital management system
  - \$1.0 million for a grant for Eastern Shore library construction
  - \$0.4 million for O & M at VMFA
- \$1.6 million reduction related to Jamestown-Yorktown 2019 Commemoration

# CAPITAL OUTLAY

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# Treasury Board

- HB 29:
  - Debt service savings in Treasury Board of \$24.3 million GF due to refinancing to lower than anticipated interest rates and issuance delays
- HB 30:
  - Proposes a net of \$4.7 million GF savings in FY 2019 from refunding and issuance delays
  - Proposes \$43.9 million GF in FY 2020 for previously authorized projects and new projects proposed in the introduced budget
  - Provides VPBA authority for two regional jail projects (Northwestern Regional and Southside Regional)

# HB 30: Capital Outlay

- Introduced budget proposes \$974.0 million in new capital outlay spending including:
  - \$453.7 million in VCBA / VPBA tax-supported bonds
  - \$15.0 million in general fund for planning five new projects with an estimated value in excess of \$400 million
  - \$223.6 million in nongeneral funds
  - \$21.0 million in 9 (c) NGF revenue bonds
  - \$260.7 million in 9 (d) NGF revenue bonds

# HB 30 Proposed Projects By Type & Fund Source

Project Type	GF	VCBA/VPBA	NGF	9 (c)	9 (d)	Total
Construction, Renov. & Acq.		\$64,159,000	\$25,600,000			\$89,759,000
Alexandria CSO		20,000,000				20,000,000
Higher Ed			41,976,000	21,000,000	260,653,000	323,629,000
Maintenance Reserve		252,000,000	5,050,000			257,050,000
VDOT		20,000,000	151,000,000			171,000,000
Equipment for New Buildings		52,088,000				52,088,000
Project Supplements		45,449,000				45,449,000
Project Planning	15,000,000					15,000,000
<b>Total</b>	<b>\$15,000,000</b>	<b>\$453,696,000</b>	<b>\$223,626,000</b>	<b>\$21,000,000</b>	<b>\$260,653,000</b>	<b>\$973,975,000</b>

# Proposed Bond Program

- The introduced budget for capital outlay includes \$453.7 million in tax-supported bonds through the VCBA & VPBA
  - \$252.0 million for maintenance reserve
  - \$20.0 million at VDOT for agency facilities allowing for a transfer of TTF to the VPA for planning the widening and dredging of the Norfolk Harbor channel
  - \$64.2 million for various construction, renovation & acquisition projects including DMA, DBHDS, DOC & State Parks
  - \$45.4 million to supplement current projects
  - \$52.1 million for equipment in new buildings coming on-line
  - \$20.0 million for a Combined Sewer Overflow project in Alexandria

# Other Actions Impacting Debt Capacity

- Two local jail projects have been added or supplemented in Treasury Board at a cost of \$1.3 million
  - Northwestern Regional Jail - \$1.2 million
  - Southside Regional Jail - \$0.1 million
- Language in DRPT allows for \$110 million in CTB debt for public transportation
- Higher Education Equipment Trust Fund (HEETF) at \$166 million
- Use of the Master Equipment Lease Program (MELP) across state government



# Project Planning

- HB 30 proposes \$15.0 million GF to conduct preplanning and detailed planning for five new projects with an estimated total construction cost in excess of \$350 million
  - DSP – Replace Training Academy
  - WWRC – Renovate Watson Theater
  - DBHDS – Replace Central State Hospital
  - DOC – Renovate / Expand Deerfield CC
  - IALR – Construct Ctr. for Manufacturing Advancement
- As noted in the November HAC Retreat, 21 projects have already been approved for planning in the 2016 Capital Program with an estimated value of \$800 million

## HB 30: Nongeneral Fund Supported Capital Projects

- Projects funded through nongeneral funds (e.g. gifts, federal funds, auxiliary enterprise revenues, and port revenues)
- HB 30:
  - \$223.6 million NGF revenue projects primarily in transportation and higher education
  - \$21.0 million in 9(c) revenue bonds for higher education projects
  - \$260.7 million in 9(d) revenue bonds for higher education projects

# PUBLIC SAFETY

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# Department of Corrections

- Adds \$14.1 million GF and \$3.7 million NGF in FY 2019 and \$24.2 million GF in FY 2020 for increased inmate medical costs
  - HB 29 adds \$5.0 million GF for inmate medical costs
  - Reduces appropriation for inmate health care by \$17.2 million GF in FY 2019 and \$26.9 million GF in FY 2020 based upon assumed savings related to proposal to expand Medicaid
- Adds \$600,000 GF and 15 positions in FY 2019 and \$2.3 million GF and 36 positions in FY 2020 to establish units for seriously mentally ill inmates at River North, Marion, and Wallens Ridge Correctional Centers
- Includes \$541,000 GF and 17.0 positions in FY 2019 and \$1.8 million and 35 positions in FY 2020 for additional probation and parole officers
- Provides \$439,000 GF both years to establish a residential opioid treatment program at the Cold Springs Detention and Diversion Center

# Department of Corrections (cont'd)

- Adds \$235,000 GF and 3.0 positions each year for additional medical and mental health staff at Central Virginia Correctional Unit
  - Will increase capacity by 140 beds by allowing Unit to house low-level female offenders with minor medical needs
- Provides \$175,000 GF over the biennium and one position to hire an additional jail death investigator to assist the Board of Corrections
- Includes \$350,000 GF the first year to reflect the “Woodrum” impact of seven sentencing bills to be introduced, which are budgeted at \$50,000 each

# State Police

- Provides \$2.1 million NGF each year for improvements to the Department's Computerized Criminal History System
- Includes \$1.9 million GF each year for the purchase of two new helicopters through the Master Equipment Lease Program (MELP)
  - One to replace the helicopter lost in August 2017 accident, and the second to replace the Department's existing med-flight helicopter
  - Total purchase cost of two helicopters estimated to be \$16 million, offset by \$2.4 million insurance recovery and sale of existing med-flight helicopter
- Adds \$1.7 million GF in FY 2019 and \$1.1 million in FY 2020 and 10 positions each year for the Special Operations Division
- Includes \$392,000 GF in FY 2019 and \$523,000 GF in FY 2020 and 7 positions in response to proposed legislation requiring criminal background checks for all firearms purchases
- Provides \$340,000 GF each year for management of the COMLINC radio interoperability system
- Includes \$371,000 GF and 4 positions in FY 2019 and \$571,000 GF and 6 positions in FY 2020 for new staff at the Fusion Center and in the polygraph testing section

# Department of Alcoholic Beverage Control

- Increases nongeneral fund appropriation by \$75.0 million over the biennium to reflect increased cost of goods sold
- Language in Part 3 increases net profit transfer by \$6.8 million in FY 2019 and \$12.5 million in FY 2020
  - Caboose bill increases net profit transfer by \$1.1 million in FY 2018
- Provides \$7.7 million NGF each year to replace agency's audit and point-of-sale systems, which are nearing end-of-life
- Adds \$2.8 million NGF in FY 2019 and 19.0 positions and \$5.7 million NGF in FY 2020 and 38.0 positions to adjust staffing levels at existing stores, and to staff new stores as they open
- Includes \$1.9 million NGF each year for enforcement, reflecting estimated revenue generated by proposed bill that would increase several licensing fees
- Provides \$1.5 million NGF over the biennium and 50.0 positions to convert part-time employees to full-time status in high-volume stores
- Adds \$1.2 million NGF over the biennium to acquire new email and office productivity software due to transition from VITA

# Other Public Safety

## **Secretary of Public Safety and Homeland Security**

- Includes \$1.0 million GF in FY 2019 to reassess statewide radio interoperability plan and make improvements to COMLINC
- Includes \$500,000 GF each year toward state match for U.S. Army Corps of Engineers study of flood control for Hampton Roads and Northern Neck regions
  - When combined with balance of \$500,000 GF remaining for this purpose in FY 2018, sufficient to meet \$1.5 million cost of required match

## **Department of Criminal Justice Services**

- Adds \$6.6 million GF in FY 2019 and \$13.8 million GF in FY 2020 for aid to localities with police departments (“HB 599”)
- Includes \$2.5 million GF each year to extend six jail mental health pilot programs first approved by 2016 General Assembly
  - Final report evaluating pilot outcomes due to General Assembly in October 2018
- Increases nongeneral fund appropriation by \$35.0 million each year to reflect substantial increase in federal Victim of Crime Act funding



# Other Public Safety

## Department of Emergency Management

- Includes \$1.2 million GF in FY 2019 and \$1.8 million GF in FY 2020 for training and exercises related to man-made and natural disaster preparedness
- Includes \$96,000 GF and 1.0 position over the biennium for dedicated position to manage state and federal reporting requirements

## Department of Forensic Science

- Includes \$595,000 GF in FY 2019 and \$660,000 GF in FY 2020 and 6.0 positions to provide for overtime costs and additional forensic scientist positions to address backlog in controlled substances section
- Provides \$571,000 GF over the biennium in order to purchase or update a total of \$2.7 million in equipment using the Master Equipment Lease Program (MELP)
- Adds \$385,000 GF over the biennium and 2.0 positions for additional scientists in the digital multimedia evidence and DNA analysis sections

# Other Public Safety

## **Department of Military Affairs**

- Provides \$100,000 GF each year to conduct cyber-security assessments for local governments and state agencies
- Includes \$193,000 GF over the biennium and one position to establish a deputy director position for the information technology and cyber unit
- Adds \$162,000 GF over the biennium and one position to create the position of deputy emergency coordinator
- Provides \$56,000 GF and one position in FY 2020 to support the emergency operations center

# Sheriffs and Jails

## **Compensation Board**

- Adds \$1.5 million GF the second year for staffing costs associated with expansion of the Prince William/Manassas Adult Detention Center
- Includes \$374,000 GF in FY 2019 and \$1.4 million GF in FY 2020 to reflect estimated increase in inmate per diem payments to local and regional jails

# Veterans and Defense Affairs

## Department of Veterans Services

- Increases \$818,000 NGF in FY 2019 and \$1.3 million NGF in FY 2020 and 29.0 positions for existing Roanoke and Richmond veterans care centers
- Provides \$12.3 million NGF and 240.0 positions to the new veterans care centers in the City of Virginia Beach and Fauquier County
- Includes \$725,000 NGF and \$300,000 GF in FY 2019 and \$790,000 NGF in FY 2020 and 4.0 positions for maintenance of veterans cemeteries
- Adds \$171,000 GF in FY 2019 and \$370,000 GF in FY 2020 to open new, expanded veterans benefits offices in Virginia Beach and Fairfax County
- Provides \$62,000 GF in FY 2019 and \$124,000 GF in FY 2020 and one position to hire employee dedicated to assisting veterans become successful business owners
- Includes \$152,000 GF over the biennium and one position to develop programs and services targeted at women veterans

# Judicial

- Provides \$500,000 GF each year to create new mental health dockets, or to expand existing mental health dockets
  - The nine existing mental health dockets are currently funded using a combination of special funds and grants
- Adds \$400,000 GF each year to expand the number of drug treatment court programs
- Provides \$175,000 GF each year and 2.0 positions to monitor and evaluate drug court programs, and to support grant applications
- Includes \$289,000 GF each year to fund one authorized but vacant judgeship in the 20<sup>th</sup> Judicial Circuit
- For the Indigent Defense Commission, includes \$371,000 GF over the biennium to replace computer equipment through the master equipment lease program
  - Total replacement cost of equipment is \$926,000

# GENERAL GOVERNMENT

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# General Government Spending Initiatives

## **Department of Elections**

- Includes \$5.2 million GF and 12.00 FTEs each year to continue the federal Help America Vote Act (HAVA) funded elections activities, the nongeneral fund support for which will be fully depleted in FY 2018
  - Amendment decreases the NGF appropriation by \$7.1 million and 12.00 FTEs each year to reflect the depletion of the federal funds
- Proposes \$100,000 GF each year to cover ongoing costs of the online ballot delivery system that is used to provide ballots electronically to military and other overseas voters
  - Chapter 836 included \$570,000 GF in FY 2018 to implement the system

# Spending Initiatives (Continued)

## **Office of the Attorney General**

- Proposes increasing the NGF appropriation of the Regulatory, Consumer Advocacy, Litigation, and Enforcement Revolving Trust Fund by \$500,000 and the NGF appropriation for the Division of Debt Collection by \$200,000 each year
  - These actions reduce GF resources by \$700,000 each year from a decrease in transfers to the general fund
  - HB 29 assumes a \$500,000 decrease in resources in FY 2018 from increasing the appropriation for the revolving trust fund

## **Compensation Board**

- Proposes \$500,000 GF the second year to support information technology improvements in Circuit Court Clerks' offices



# Spending Initiatives (Continued)

## **Department of Taxation**

- Budget provides \$564,276 GF the first year and \$655,616 GF the second year, and 8.00 FTEs to increase auditing staff
  - Budget assumes additional general fund resources of \$7.9 million the first year and \$10.6 million the second year resulting from hiring the additional audit staff
- Proposes \$583,500 GF and \$32,160 NGF the first year for one-time costs associated with moving the agency's file image storage and retrieval system to a cloud-based solution
  - Expected to generate long-term savings, beginning in the second year
- Provides \$662,781 GF and \$36,529 NGF the first year, and \$450,070 GF and \$24,805 NGF the second year to design, develop and administer an Identity and Access Management Program
  - Amendment adds 2.0 FTEs

# Central Appropriations General Government Spending

## **Central Appropriations**

- Provides \$311,000 GF the first year and \$415,000 GF the second year in increased funding for Joint Management Fellows Program
  - Proposes total funding for the program of \$1.1 million GF in FY 2019 and \$1.2 million GF in FY 2020
- Includes \$3.5 million GF the first year and \$10.4 million GF the second year for projected increases in internal service fund charges for finance and budget systems
  - \$1.0 million GF the first year and \$1.3 million GF the second year for increased charges for the Cardinal accounting system
  - \$2.3 million GF the first year and \$8.9 million GF the second year for the new payroll system being integrated into Cardinal
  - \$0.2 million GF each year for increased charges for the performance budgeting system