Governor McAuliffe's Proposed Amendments to FY 2016 of the 2014-2016 Biennial Budget and the Proposed Biennial Budget for the 2016-2018 Biennium

A briefing for the Joint Meeting of the Senate Finance Committee, House Appropriations Committee, and the House Finance Committee

December 17, 2015

Daniel S. Timberlake
Director
Virginia Department of Planning and Budget

HB/SB 29 –
The “Caboose” Budget

Overview of Available Resources for FY 2016

The current budget, Chapter 665, included a planned carryover balance from FY 2015 to FY 2016 of $247.2 million, which is the starting point . . .

Chapter 665, 2015 Acts of Assembly
General Fund Only

	FY 2015		FY 2016	
General Fund Resources				
Prior Year Balance	$405.8		$247.2	
Additions to Balance	(219.4)		1.9	
Revenue Forecast - May 2015 Official forecast	17,186.0		17,720.6	
Revenue Stabilization Fund	470.0		235.0	
Transfers	645.0		564.5	
Total GF Resources		**$18,487.4**		**$18,769.2**
General Fund Appropriations				
Operating	$18,240.0		$18,622.7	
Capital	0.2		141.4	
Total GF Appropriations		**$18,240.2**		**$18,764.2**
General Fund Balance at Year-End		**$247.2**		**$5.1**

***Amounts shown in millions**

FY 2015 unrestricted year-end balances exceed previously anticipated balances by $429.3 million . . .

- The unrestricted cash balance reported by the State Comptroller as of June 30, 2015, was $1.8 billion.

- This balance includes:
  - *a revenue surplus of $549.6 million;*
  - *an unexpended general fund appropriation balance of $354.8 million;*
  - *other cash on deposit in the Treasury that is counted as general fund cash according to GASB standards.*

- After adjusting this balance for liabilities based on new GASB requirements and required restrictions for the Revenue Stabilization Fund and the Lottery Proceeds Fund, the State Comptroller reported an unrestricted general fund cash balance as of June 30, 2015, of approximately **$676.5 million**, which replaces the $247.2 million previously anticipated – approximately $429.3 million more than in Chapter 665.

The FY 2016 beginning balance must be adjusted before determining the amounts available for appropriation . . .

Adjustments to Balance

	FY2016
Adjustments to Balance - CH 665	
Intergovernmental Cash Management Act	(500,000)
Reverse vetoed Ethics Commission amounts	300,000
Reverse vetoed Chesterfield-Petersburg school amendment	600,000
Indigent Commission Balances	300,000
SCC Plan Management Reimbursement	1,200,446
Subtotal of Adjustments per Chapter 665	**1,900,446**
New Adjustments to Balance	
Reappropriation of Capital Projects	(20,986,863)
Restoration of Capital Projects	(500,000)
Virginia Health Care Fund	(8,820,548)
Central Capital Planning Fund	(14,198,308)
Communication Sales and Use Tax	(36,349,304)
Commonwealth's Development Opportunity Fund	(23,543,251)
Natural Disaster Sum Sufficient	(24,109,544)
Amount Required for Mandatory GF Reappropriation	(36,194,453)
Amount Required for Mandatory 0300 Reappropriation	(22,348,897)
Federal Action Contingency Trust Fund	(436,998)
Virginia Water Quality Improvement Fund	(32,883,902)
Virginia Water Quality Improvement Fund - Part A	(54,961,000)
Virginia Water Quality Improvement Fund - Part B	(6,747,000)
Economic and Technological Development - committed	(32,632,506)
Health and Public Safety	(15,587,527)
Economic and Technological Development - assigned	(8,985,943)
Environmental Quality and Natural Resource Preservation	(5,883,209)
Other Nongeneral Funds - committed and assigned	(23,446,743)
Amount Required for Discretionary Reappropriations	(60,727,312)
Adjust SCC Plan Management Reimbursement	(1,000,000)
Subtotal of New Adjustments	**(430,343,308)**
TOTAL Adjustments to Balance	**(428,442,862)**

Total changes to resources provide a net increase of $591.6 million in new funds available for spending . . .

		FY 2016
RESOURCES - CH 665, 2015 Acts of Assembly		
Prior Year Balance	$247.2	
Additions to Balance	1.9	
Revenue Forecast - May 2015 Official forecast	17,720.6	
Revenue Stabilization Fund	235.0	
Transfers	564.5	
Total GF Resources		**$18,769.2**
Revisions		
Prior Year Balance	$429.3	
Additions to Balance	(430.3)	
Revenue Forecast - post GACRE	588.2	
Revenue Stabilization Fund	0.0	
Transfers	4.4	
Total Revisions		**$591.6**
Revised Resource Forecast		
Prior Year Balance	$676.5	
Additions to Balance	(428.4)	
Revenue Forecast - post GACRE	18,308.9	
Revenue Stabilization Fund	235.0	
Transfers	568.9	
Total GF Resources		**$19,360.9**

***Amounts shown in millions**

HB/SB 29 –
The “Caboose” Budget

Summary of Proposed Spending Changes for FY 2016

The proposed caboose budget contains 47 individual general fund amendments that result in a net increase in spending of $169.2 million in FY 2016 . . .

- 33 individual amendments increase general fund spending by $238.4 million.
- 14 individual amendments decrease spending by $69.1 million.
  - *Over half ($35.8 million) of the decrease is due to enrollment and technical revisions in Direct Aid to Public Education.*
- The result is a net increase in operating spending of $169.2 million over Chapter 665.
- One capital amendment will increase spending by $1.5 million.

The top 10 operating amendments increase general fund spending by $229.8 million . . .

Agency	Description	FY 2016
Department of Medical Assistance Services	Fund Medicaid utilization and inflation	$166,636,134
Children's Services Act	Fund anticipated expenditure and caseload growth	$18,082,051
Compensation Board	Provide funding to support per diem payments to local and regional jails.	$11,275,032
Department of Medical Assistance Services	Rebase training center budgets to reflect anticipated closures	$7,296,656
Department of Social Services	Fund required eligibility system operating costs	$7,131,072
Mental Health Treatment Centers	Transfer funds to support Hancock Geriatric Treatment Center	$4,661,987
Mental Health Treatment Centers	Address revenue shortfall at Hancock Geriatric Treatment Center (offset by an equal amount reflected in reductions below)	$4,432,600
Department of Medical Assistance Services	Adjust Medicaid funding for Piedmont and Catawba Geriatric Hospitals	$3,969,902
Central Appropriations	Provide funding for reimbursement of presidential primary expenses	$3,830,000
Direct Aid to Public Education	Update sales tax revenues for public education	$2,461,307
	Subtotal of Top 10 Spending Increases	**$229,776,741**
	Subtotal of Remaining 23 Spending Increases	$8,611,588
	Subtotal of 14 Spending Reductions (Savings)	($69,138,541)
	GRAND TOTAL OF ALL SPENDING	**$169,249,788**

After adjusting for all resource and spending changes, the Caboose bill produces a $426.0 million balance that rolls to the 2016-2018 biennium . . .

Revised Resource Forecast		
Prior Year Balance	$676.5	
Additions to Balance	(428.4)	
Revenue Forecast - post GACRE	18,308.9	
Revenue Stabilization Fund	235.0	
Transfers	568.9	
Total GF Resources		**$19,360.9**
Expenditures		
Current Operating	$18,622.7	
Current Capital	141.4	
CH 665 Base		$18,764.2
New Operating	$169.2	
New Capital	1.5	
Subtotal of New Spending		$170.7
Revised Spending Proposed in HB/SB 29		**$18,934.9**
Unexpended Balance in HB/SB 29		**$426.0**

***Amounts shown in millions**

HB/SB 30
The 2016-2018
Biennial Budget

Overview of Available Resources

Virginia will have improved revenue growth to address high priority spending requirements . . .

	FY 2017		FY 2018	
RESOURCES - CH 665, 2015 Acts of Assembly				
Prior Year Balance	$0.0		$0.0	
Additions to Balance	(0.5)		(0.5)	
Revenue Forecast - May 2015 Official forecast	17,720.6		17,720.6	
Revenue Stabilization Fund	0.0		0.0	
Transfers	564.5		564.5	
Total GF Resources		**$18,284.6**		**$18,284.6**
Revisions				
Prior Year Balance	$426.0		$0.0	
Additions to Balance	667.3		0.0	
Revenue Forecast - post GACRE	1,139.7		1,830.8	
Revenue Stabilization Fund	0.0		0.0	
Transfers	5.6		19.7	
Total Revisions		**$2,238.5**		**$1,850.5**
Revised Resource Forecast				
Prior Year Balance	$426.0		$0.0	
Additions to Balance	666.8		(0.5)	
Revenue Forecast - post GACRE	18,860.3		19,551.4	
Revenue Stabilization Fund	0.0		0.0	
Transfers	570.1		584.2	
Total GF Resources		**$20,523.2**		**$20,135.1**

***Amounts shown in millions**

HB/SB 30
The 2016-2018
Biennial Budget

Summary of Proposed
Spending Changes

The proposed budget contains three forms of spending changes which add and subtract to overall spending for a net increase of $3.2 billion in operating spending over the new biennium . . .

	FY 2017	FY 2018
New Expenditures		
Base Budget Adjustments	$10.9	$10.1
Technical Adjustments	(45.8)	(56.3)
Policy-Based Decision Packages	1,704.0	1,621.0
Total Operating	**$1,669.0**	**$1,574.8**
		Biennial Total **$3,243.9**

*Amounts shown in millions

While education leads the pack in new spending, most secretarial areas will experience a net increase in general fund operating appropriations . . .

	General Fund Base Budgets (Equivalent to Chapter 665, FY 2016)			Governor's Introduced 2016-18 General Fund Budget			Proposed General Fund Changes					
	FY 2017	FY 2018	Biennial Total	FY 2017	FY 2018	Biennial Total	FY 2017		FY 2018		Biennial Total	
Legislative Department	$74.8	$74.8	$149.7	$78.8	$78.8	$157.5	$3.9	5.2%	$3.9	5.3%	$7.9	5.3%
Judicial Department	$455.4	$455.4	$910.9	$480.4	$480.0	$960.4	$25.0	5.5%	$24.6	5.4%	$49.6	5.4%
Executive Offices	$32.9	$32.9	$65.8	$35.4	$35.5	$70.9	$2.5	7.7%	$2.6	7.8%	$5.1	7.8%
Office of Administration	$680.5	$680.5	$1,360.9	$702.3	$706.7	$1,409.0	$21.8	3.2%	$26.3	3.9%	$48.1	3.5%
Office of Agriculture and Forestry	$51.0	$51.0	$102.1	$57.2	$57.9	$115.1	$6.2	12.1%	$6.9	13.4%	$13.0	12.8%
Office of Commerce and Trade	$197.0	$197.0	$394.1	$252.6	$259.0	$511.6	$55.5	28.2%	$62.0	31.5%	$117.5	29.8%
Office of Education	$7,480.7	$7,480.7	$14,961.4	$7,935.0	$8,249.5	$16,184.5	$454.2	6.1%	$768.8	10.3%	$1,223.0	8.2%
Office of Finance	$1,804.3	$1,804.3	$3,608.5	$2,470.4	$1,891.9	$4,362.3	$666.1	36.9%	$87.7	4.9%	$753.8	20.9%
Office of Health & Human Resources	$5,645.2	$5,645.2	$11,290.5	$5,996.6	$6,118.1	$12,114.7	$351.4	6.2%	$472.9	8.4%	$824.3	7.3%
Office of Natural Resources	$123.4	$123.4	$246.7	$186.2	$123.9	$310.1	$62.8	51.0%	$0.5	0.4%	$63.3	25.7%
Office of Public Safety and Homeland Security	$1,821.3	$1,821.3	$3,642.5	$1,906.9	$1,902.4	$3,809.3	$85.6	4.7%	$81.1	4.5%	$166.8	4.6%
Office of Technology	$10.9	$10.9	$21.9	$11.8	$11.4	$23.2	$0.8	7.8%	$0.5	4.3%	$1.3	6.0%
Office of Transportation	$69.1	$69.1	$138.2	$43.0	$43.0	$86.0	($26.1)	-37.8%	($26.1)	-37.8%	($52.3)	-37.8%
Office of Veterans and Defense Affairs	$14.8	$14.8	$29.6	$19.2	$20.4	$39.6	$4.4	30.0%	$5.6	37.9%	$10.0	33.9%
Central Appropriations	$160.2	$160.2	$320.4	$115.9	$218.9	$334.7	($44.4)	-27.7%	$58.6	36.6%	$14.3	4.5%
Independent Agencies	$1.2	$1.2	$2.4	$0.2	$0.3	$0.5	($1.0)	-80.5%	($0.9)	-79.1%	($1.9)	-79.8%
Total Operating General Fund Appropriations	**$18,622.7**	**$18,622.7**	**$37,245.5**	**$20,291.8**	**$20,197.6**	**$40,489.4**	**$1,669.0**	**9.0%**	**$1,574.8**	**8.5%**	**$3,243.9**	**8.7%**

***Amounts shown in millions**

The top 10 agencies received 87.4 percent of the policy-based new funding recommended . . .

Agency	FY 2017	FY 2018	Biennial Total	
Direct Aid to Public Education	272,183,693	582,687,836	854,871,529	
Department of Medical Assistance Services	265,210,628	404,268,718	669,479,346	
Department of Accounts Transfer Payments	605,652,819	100,000	605,752,819	
Central Appropriations	113,553,124	216,552,912	330,106,036	
Treasury Board	51,162,590	82,532,758	133,695,348	
Department of Conservation and Recreation	74,755,650	12,742,788	87,498,438	
Economic Development Incentive Payments	38,350,065	41,850,074	80,200,139	
Department of Housing and Community Development	20,602,527	34,470,685	55,073,212	
Virginia Community College System	20,979,826	28,126,778	49,106,604	
Higher Education Research Initiative	20,000,000	20,000,000	40,000,000	
Subtotal of Top 10 Agencies	**1,482,450,922**	**1,423,332,549**	**2,905,783,471**	**87.4%**
Subtotal of Remaining Agencies	221,515,128	197,688,638	419,203,766	12.6%
Grand Total of All Policy-Based Spending	**1,703,966,050**	**1,621,021,187**	**3,324,987,237**	

The top 10 policy-based amendments account for 74.7 percent of the total increased spending . . .

Agency	Title	FY 2017	FY 2018	Biennial Total	
Department of Medical Assistance Services	Fund Medicaid utilization and inflation	327,417,073	461,668,747	789,085,820	
Department of Accounts Transfer Payments	Provide general fund appropriation for mandatory deposit to the Revenue Stabilization Fund	605,552,819	-	605,552,819	
Direct Aid to Public Education	Update costs of the Standards of Quality (SOQ)	183,204,394	214,902,227	398,106,621	
Direct Aid to Public Education	Add instructional positions in local schools	42,675,933	96,410,489	139,086,422	
Central Appropriations	Provide additional funding for the state employee health insurance program	45,575,724	91,731,143	137,306,867	
Treasury Board	Provide debt service for projects and equipment	51,162,590	56,595,851	107,758,441	
Direct Aid to Public Education	Update sales tax revenues for public education	31,285,554	53,317,636	84,603,190	
Direct Aid to Public Education	Increase salaries for public school positions	-	83,152,074	83,152,074	
Central Appropriations	Provide a two percent salary increase for state employees and state supported local employees	-	76,165,132	76,165,132	
Department of Conservation and Recreation	Deposit funding to the Water Quality Improvement Fund and Virginia Natural Resources Commitment Fund from the FY 2015 surplus	61,708,800	-	61,708,800	
	Subtotal of Top 10 Amendments	**1,348,582,887**	**1,133,943,299**	**2,482,526,186**	**74.7%**
	Subtotal of Remaining Amendments	355,383,163	487,077,888	842,461,051	25.3%
	Grand Total of All Policy-Based Amendments	**1,703,966,050**	**1,621,021,187**	**3,324,987,237**	

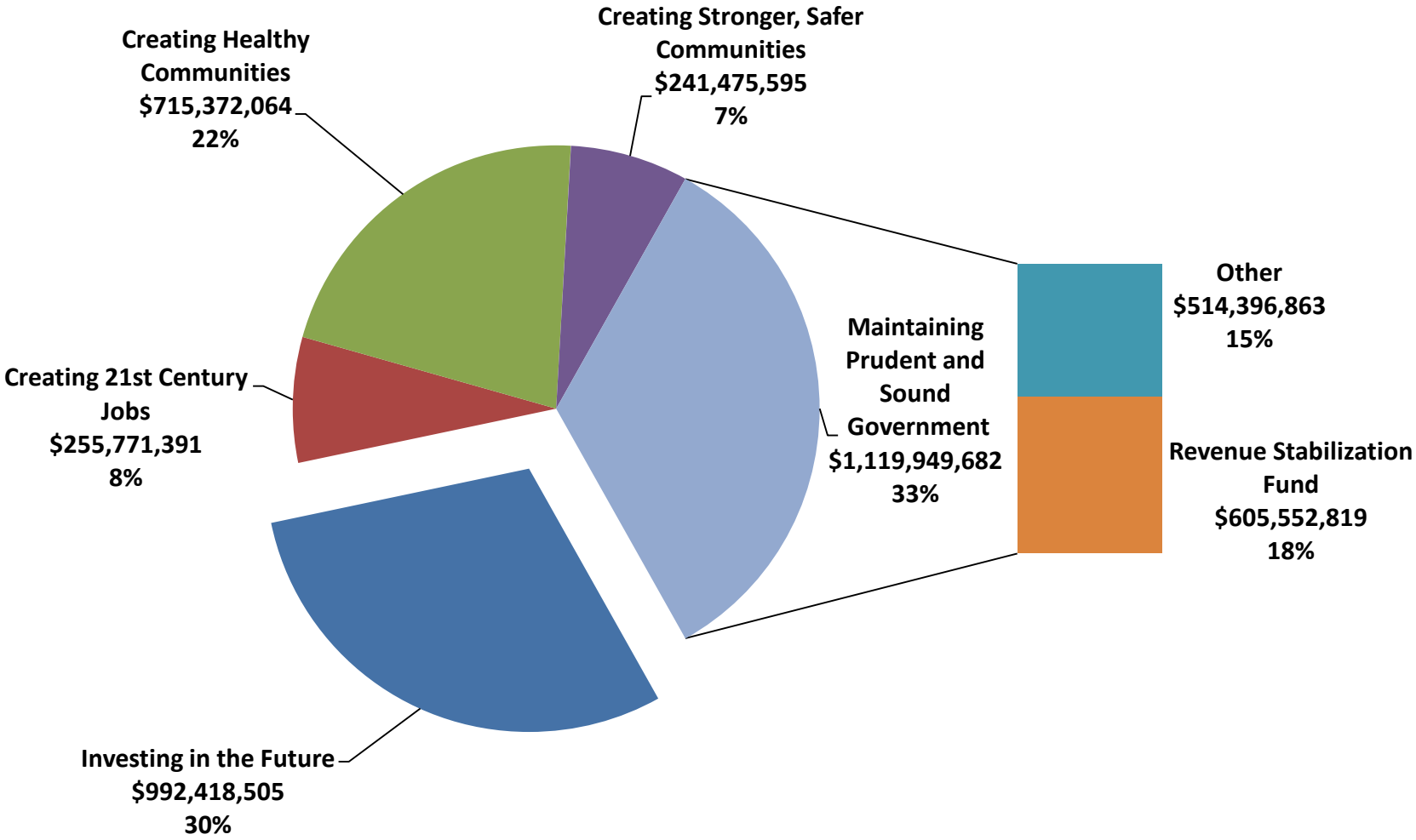
NOTE: These amendments reflect discrete changes and may need to be read with other amendments to obtain a comprehensive result.

New spending focuses on five themes to “Build the New Virginia Economy . . .”

- Investing in the Future
- Creating 21st Century Jobs
- Creating healthier communities
- Creating stronger, safer communities
- Maintaining prudent and sound government

Several of these themes include funds that are spread across secretarial areas.

After adjusting for the deposit to the revenue stabilization fund, "Investing in the Future" dominates spending across the themes . . .



“Investing in the Future” focuses on the education needs of the Commonwealth . . .

Public Education - Invests $864 million from the general fund over the biennium.

Highlights include:

- *$429.8 million to rebenchmark the Standards of Quality (SOQ). See detail on next page.*
- *$139.1 million for 2,500 additional teachers.*
- *$83.2 million for a two percent salary increase for all state-supported SOQ positions.*
- *$55.1 million to increase VRS retirement rates to 100 percent of the actuarially required rates in FY 2018.*
- *$49.7 million to increase the at-risk add-on program aiding school divisions with high concentrations of at-risk students.*
- *$40.6 million to restore the Cost of Competing adjustment for support positions in FY 2018.*
- *$30.0 million to reduce the transfer of Literary Fund for teacher retirement.*
- *$5.6 million for a new funding formula for Academic-Year Governor’s Schools.*
- *$5.0 million to increase funding for career and technical education credentialing and equipment.*
- *Other funding: increases support for the school breakfast program, provides for automating more Standards of Learning tests, increases the availability of online education, and establishes pilots to encourage public-private service delivery of services to high risk children and communities participating in the Virginia Preschool Initiative.*

Revisions to rebenchmarking public education funding adds to Board of Education's proposed levels . . .

Title	FY 2017	FY 2018
Update costs of the Standards of Quality (SOQ)	$183,204,394	$214,902,227
Update costs of categorical programs	$31,645	($267,412)
Update costs of incentive programs	($224,934)	($74,698)
Update costs of Lottery programs	($4,460,096)	($4,921,799)
Adjust funding for retirement, retiree health care credit, and group life changes	$15,857,781	$15,959,609
Update composite index of local ability-to-pay	$25,175,521	$25,315,414
Update Lottery proceeds for public education	($9,559,863)	($9,559,972)
Update sales tax revenues for public education	$31,285,554	$53,317,636
Update sales tax distribution for school age population	$1,360,521	$1,360,518
Capture savings from nonparticipation in the Virginia Preschool Initiative	($24,304,370)	($24,389,404)
Capture savings from revised student enrollment projections	($28,016,265)	($32,211,175)
Total General Fund Cost of Rebenchmarking	**$190,349,888**	**$239,430,944**

“Investing in the Future” also focuses on higher education needs in the Commonwealth . . .

Higher Education

- *$50.0 million to incentivize institutions of higher education to improve access and completion rates of under-represented populations and to improve the number of students receiving degrees.*
- *$48.0 million to provide greater financial assistance.*
- *$5.0 million to establish an innovation grant fund to encourage collaboration among public school divisions, community colleges, and universities to create and expand affordable student pathways through higher education.*
- *$2.5 million to ensure Virginia’s higher education institutions have access to electronic databases and periodicals, as well as a greater number of electronic books, reducing costs to all higher education institutions and lessening textbook costs to students.*
- *$2.0 million to increase the Tuition Assistance Grant from $3,100 to $3,400.*
- *$1.7 million to establish Centers for Sea Level Rise and Coastal Resiliency to better educate the public and protect Virginia’s natural and manmade resources along its coast associated with the rise of sea levels.*
- *A two percent salary increase for faculty to help Virginia remain competitive in attracting highly qualified individuals.*

(NOTE: Additional new funding for higher education also appears under the theme “Creating 21st Century Jobs.”)

"Creating 21st Century Jobs" strengthens the economy and grows the workforce . . .

- Cybersecurity
  - *$15.1 million to increase Virginia's higher education institutions' capability to educate and train more individuals in cybersecurity.*
  - *$2.8 million to enhance the State Police's capacity to conduct cyber crime investigations, digital forensic analysis, and other crime investigations that have a cyber component.*
  - *$1.8 million to establish the Information Sharing and Analysis Organization (ISAO) in Virginia to promote the sharing of critical cybersecurity threat information across all levels of government and industry sectors in the Commonwealth and enhance the Cyber Virginia web portal to serve as a platform to share information among V-ISAO members.*
  - *$650,000 to support four cybersecurity analysts to expand the cyber intelligence sharing capabilities at the Virginia Fusion Center.*
- Workforce
  - *$24.6 million to build capacity and accessibility to noncredit workforce development in our community colleges.*
  - *$1.6 million to continue and grow workforce programs at the Institute for Advanced Learning and Research and Southern Virginia Higher Education Center.*
- Energy
  - *$2.1 million to expand the solar and wind industries in the Commonwealth.*

"Creating 21st Century Jobs" – continued . . .

- Bioscience Research
  - *$60 million for a collaboration to create biotechnology spinoff companies. The funding will be on a competitive grant basis. Proposals will be vetted through the Virginia Biosciences Health Research Corporation to evaluate merit, and reviewed by the Major Employment and Investment (MEI) Project Approval Commission for financial and programmatic value before being approved for funding.*
  - *$40 million in general fund support and $100 million in state-supported debt to create a new competitive research pool.*
  - *$12.5 million to support the bioscience industry in Virginia through the Virginia Biosciences Health Research Corporation.*
- Economic Development
  - *$19.4 million to expand trade opportunities for Virginia's businesses, international and domestic marketing and advertising.*
  - *$4.0 million to increase tourism.*
  - *$3.1 million for the Agriculture and Forestry Industries Development Fund, and the Reforestation of Timberlands Program.*
  - *$2.4 million to support the research and development associated with Jefferson Lab's design proposal that will be submitted to the United States Department of Energy (USDOE) for the approximately $1 billion electron ion collider (EIC) project.*
  - *$30.0 million in bonds to purchase research-related equipment in research institutions.*

"Creating 21st Century Jobs" – continued . . .

- Veterans
  - *$4.0 million for services to improve outcomes for veterans and their families in the areas of behavioral health, rehabilitative services, supportive services, health, and financial stability.*
  - *$2.4 million to assist mission-ready, relevantly skilled veterans by creating seamless transitions for veterans with high quality education and workforce skills to accelerate career opportunities.*
  - *$2.2 million to establish positions at seven community colleges dedicated to supporting veterans as they enter and progress through their community college education.*
  - *1.0 million for educational and outreach initiatives to ensure that veterans and their families are familiar with all services offered in the Commonwealth. This also will provide a dedicated 2-1-1 hotline for veterans who require referral and information for services.*
  - *$800,000 to attract and train veterans for careers in cybersecurity.*
  - *$270,000 and one position to address anticipated growth in the Virginia Military Survivors and Dependents Program.*
  - *$34.0 million in bond proceeds to support two previously authorized capital projects: an additional $4.7 million dollars for the expansion of the Virginia War Memorial, and an additional $29.3 million for the construction of the Hampton Roads and Northern Virginia Veterans Care Centers.*

“Creating 21st Century Jobs” – continued . . .

- Broadband
  - *$5.7 million for communities to develop comprehensive, community-based telecommunications plans and to implement telecommunications networks.*
  - *$0.7 million to expand Wi-Fi capabilities in the State Park System.*

- Go Virginia
  - *$38.9 million to establish a new, bipartisan, private-sector driven program to grow and diversify Virginia's economy through a regional, collaborative approach.*

“Creating healthier communities” improves the quality of life and attracts businesses . . .

- Medicaid
  - *$790.7 million to fund the cost of current Medicaid services.*
  - *$71.1 million in cost reduction strategies, most of which involve withholding inflation to hospitals and nursing homes.*
  - *Authorizes the expansion of Medicaid on January 1, 2017, to non-elderly adults with incomes up to 133 percent of the federal poverty level providing health insurance to over 350,000 Virginians. In addition, savings would be achieved as new Medicaid funding would supplant state-supported indigent care costs, services provided by Community Services Boards, and inpatient hospital costs for incarcerated individuals. After accounting for the administrative costs to implement, the net general fund savings to the Commonwealth would be approximately $59.2 million in FY 2017 and $97.7 in FY 2018. This coverage expansion would result in reduced indigent care costs for hospitals across the Commonwealth, resulting in improvements to their financial condition, especially for rural hospitals.*
  - *$2.6 million to help local eligibility workers handle an increase of Medicaid applications.*
  - *$44.5 million reduction in costs associated with several health care related forecasts, including children’s health insurance and involuntary mental commitments.*

“Creating healthier communities”– continued . . .

- DOJ settlement issues
  - *$102.9 million to meet the requirements of the settlement agreement with the U.S. Department of Justice, including funds to expand crisis services, implement a program of rental subsidies, redesign the existing IDD support waivers by moving toward a service needs-based system as opposed to a diagnosis-based waiver system, and adding a total of 955 new slots over the course of the biennium.*
- Children’s services
  - *$36.2 million to support caseload and expenditure growth for services provided to at-risk children and youth through the Children’s Services Act.*
  - *$18.5 million to provide assistance and services for children in foster care or adoptive homes in the Commonwealth and protective services to children and child support enforcement services to families.*
  - *$4.2 million to support growth in the Early Intervention – Part C program operated by the Department of Behavioral Health and Developmental Services.*
  - *$0.2 million to support the Pediatric Comprehensive Sickle Cell program, coordination, and social work staff that provide core public health functions such as screening newborns and reducing infant mortality.*

“Creating healthier communities”– continued . . .

- Public assistance and health
  - *$0.6 million to increase support for the regulation of healthcare facilities and provides funding for the State Office of Rural Health to draw down federal match dollars*
  - *$0.5 million to provide additional staff resources to the Onsite Sewage and Water environmental health programs to address internal and external customer service difficulties, regulatory inconsistencies, and support information management. These positons will support onsite sewage systems, alternative onsite sewage systems, alternative discharging sewage systems, private wells, and marinas.*
- Nutrition
  - *$10.0 million to launch a program to create 10 retail food establishments in areas without supermarkets or other places where citizens can access fresh and nutritious foods.*
  - *$0.5 million and two positions to promote Virginia grown products and to establish a specialist position for the emerging organic grown products market.*

“Creating stronger, safer communities” helps jails address mental health issues and supports law enforcement . . .

- Mental Health in Jails
  - *$5.0 million to establish pilot programs in local and regional jails to provide assistance to offenders needing mental health services.*
  - *$4.4 million and 11 positions for mental health specialists for district probation and parole offices, emergency psychiatric services for offenders under community supervision, and establishment of pilot peer support groups in probation and parole districts. Also included is funding for the establishment of cognitive programming in pilot local or regional jails for offenders who will be released directly from jail to probation supervision by the Department of Corrections.*
  - *$4.4 million to free up much needed space in state facilities and address the backlog of individuals in jails waiting for mental health services by providing discharge assistance planning funds to enable 21 individuals currently residing in state mental health facilities and determined ready for discharge to be placed in the community. In addition, two new 8-bed treatment homes will be constructed in the Eastern State Hospital region, allowing an additional number of individuals to be transitioned into community settings.*
  - *$0.2 million to hire a coordinator in the Department of Behavioral Health and Developmental Services central office who will be charged with managing and prioritizing the waitlist, aiding in the reduction of critical incidents.*

“Creating stronger, safer communities” – continued . . .

- Safer communities
  - *$39.3 million and 255 positions to open the Culpeper Correctional Center for Women.*
  - *$13.4 million in increased financial aid to localities with police departments (HB599).*
  - *$12.3 million to address salary compression for sworn and non-sworn employees of sheriffs’ offices and regional jails.*
  - *$6.9 million to support career development programs for eligible constitutional officers.*
  - *$5.0 million to provide contingency funding for critical information technology infrastructure that may be needed by the state police.*
  - *$4.3 million and four positions for the state police to maintain and modernize critical information technology systems used by Virginia law enforcement agencies to ensure reliable and adequate daily operations.*
  - *$4.2 million and eighteen positions to adequately staff the expanded operations at the Virginia State Police Driver and Firearms Training Facility in Blackstone.*
  - *$4.1 million to support the staffing costs of jail expansion projects (Pamunkey Regional Jail and Central Virginia Regional Jail).*
  - *$4.0 million for local pre-trial and local probation programs.*
  - *$4.0 million to support 36 positions to increase security staffing capabilities in prisons.*

“Creating stronger, safer communities” – continued . . .

- Safer communities - continued
  - *$3.2 million and 19 positions to establish pilot re-entry programs in local and regional jails.*
  - *$2.4 million to maintain the level of contracted community residential placement beds. available, on a short-term basis, for offenders on community supervision who do not have a place to live.*
  - *$2.0 million to support the technology needs in the offices of Circuit Court.*
  - *$1.8 million to support six new scientists at the Department of Forensics.*
  - *$1.0 million to support six forensic toxicology scientists at four regional laboratories.*
- Housing
  - *$12.0 million to more than double the amount of funding for the Housing Trust Fund to reduce homelessness in the Commonwealth.*
- Natural Resources
  - *$61.7 million from the FY 2015 surplus for the Water Quality Improvement Fund.*
  - *$24.0 million for the Land Conservation Fund.*
  - *$59.0 million in bond proceeds for DEQ to address wastewater issues.*
  - *$140 million in bond proceeds for state park acquisition and improvement projects.*

“Maintaining prudent and sound government” keeps commitments and invests in employees and infrastructure . . .

- Commitments
  - *$605.5 million for the mandatory deposit to the Revenue Stabilization Fund.*
  - *$107.8 million to provide debt service for previously approved projects and equipment.*
- Employee Compensation and Benefits
  - *$143.2 million to provide additional funding for the state employee health insurance ($137.3 million) and the employee share of the increase in FY 2017 ($5.9 million).*
  - *$76.2 million to provide two percent salary increase for state employees and state-supported local employees.*
  - *$35.9 million to fully fund the actuarial rates of state employee retirement and other benefits.*
- Investments
  - *$25.9 million for debt service on new projects.*
  - *$8.3 million to implement the new Cardinal financial system.*
  - *$8.2 million for changes in agency information technology costs.*
  - *$6.8 million to support information technology auditors and security officers and to create an information technology shared security center.*

Summary of Proposed Capital

Capital Outlay – 2016-18 Biennium

Fund Maintenance Reserve *Addresses maintenance needs that are critical to continued use of buildings, systems, or equipment.* *Agency allocation equal to an agency's FY2016 proportionate share of total maintenance reserve funding.*	**$60 million VCBA/VPBA** **$129.4 million GF**
Move critical projects to construction stage *Provides funding for projects as follows:* *Higher Education: $849.6 million* *Community colleges/SVHEC/RHEC: $221.6 million* *Higher Education Research Initiative: $100 million* *Non-higher education agencies: $1.02 billion*	**$2.25 billion VCBA/VPBA** **$1.9 million GF**
Fund planning from Central Capital Planning Fund *Funds detailed planning for 23 projects to refine project scope and provide better cost estimates for decision makers*.	**$20 million GF**
Fund equipment for previously authorized projects being completed in the 2016 - 2018.	**$13.1 million VCBA/VPBA**
Fund 16 projects at institutions of higher education with revenue bonds.	**$14.4 million 9(C) Bonds** **$211.2 million 9(D) Bonds**
Higher Education Equipment Trust Fund	**$160 million VCBA**

Additional debt authorizations will address a variety of state needs . . .

Total Debt Proposed for Authorization

Institutions of Higher Education	Amount
Four-year institutions	$849,639,000
Community College System/Roanoke Higher Education Authority/Southern Virginia Higher Education Center	$221,558,000
Higher Education Research Initiative	$100,000,000
Higher Education Equipment Trust Fund	$160,000,000
Subtotal	**$1,331,197,000**
Non-education capital	$1,089,936,000
Subtotal	**$1,089,936,000**
TOTAL - DEBT TO BE ISSUED	**$2,421,133,000**
Virginia Port Authority - Virginia International Gateway Terminal Capital Lease	$20,000,000
Department of the Treasury - Local Jail Construction	$5,629,457
Revert Unused Bond Balances from Existing Projects (Corrections/Juvenile Justice)	-$18,318,000
TOTAL - OTHER ACTIONS IMPACTING DEBT CAPACITY	**$7,311,457**

GRAND TOTAL IMPACTING DEBT CAPACITY	**$2,428,444,457**

The introduced budget combines new revenues and spending to yield an unappropriated general fund balance of $17.6 million . . .

General Fund Only

		FY 2017		FY 2018	
Revised Resource Forecast					
Prior Year Balance		$426.0		$178.5	
Additions to Balance		666.8		(0.5)	
Revenue Forecast - post GACRE		18,860.3		19,551.4	
Revenue Stabilization Fund		0.0		0.0	
Transfers		570.1		584.2	
Total GF Resources			**$20,523.2**		**$20,313.6**
Expenditures					
Operating - base		$18,622.7		$18,622.7	
Capital - base		0.0		0.0	
	CH 665 Base		$18,622.7		$18,622.7
New Operating		$1,669.0		$1,574.8	
New Capital		52.9		98.4	
	Subtotal of New Spending		$1,721.9		$1,673.2
Revised Spending Proposed in HB/SB 30			**$20,344.7**		**$20,296.0**
Unexpended Balance in HB/SB 30			**$178.5**		**$17.6**

***Amounts shown in millions**

Structural balance is achieved in FY 2018, which serves as the base going forward . . .

General Fund Only - FY 2018 Adjustments

Total Resources in HB/SB 30		**$20,313.6**
Adjustments to Resources		
Add-back ending balance	17.6	
Adjust for accelerated sales tax	27.0	
Less prior year carryover	(178.5)	
		($133.9)
Base Resources Going Forward		**$20,179.7**
Total Expenditures in HB/SB 30		**$20,296.0**
Adjustments to Expenditures		
Less capital	(98.4)	
Less one-time payments for equipment - State Police and parks	(0.5)	
Less one-time payments for bioscience projects	(30.0)	
Less one-time payment to Jefferson Lab	(1.0)	
Less one-time costs for computer adaptive testing in DOE	(1.6)	
Less one-time costs for redesign of school performance report card in DOE	(0.3)	
Less sun-setting payments for biofuels	(1.5)	
Costs of waiver reform at full implementation	0.3	
Net changes in economic development	0.1	
Add annualization of state employee and state-supported local salary increases	8.6	
		($124.4)
Base Expenditures Going Forward		**$20,171.6**
Balance of Remaining Resources		**$8.1**

***Amounts shown in millions**

Summary of budget changes . . .

- All required spending is met and tax relief is proposed.
- Structural balance is achieved in FY 2018, which is the base going forward.
- Key spending items:
  - *Provide increases to support instructional spending in public education and continue investments in higher education.*
  - *Fully fund actuarial requirements of the Virginia Retirement System in FY 2018 – a full biennium ahead of schedule.*
  - *Provide compensation increases to state employees and state supported local employees.*
  - *Provide liquidity to guard against future economic uncertainty and the potential impact of federal actions.*
  - *Maintain and improve commitments to public safety and health and human services.*
  - *Continue support for local constitutional officers and law enforcement.*
- The unappropriated balance of $17.6 million provides a budget surplus.

For More Details About Governor McAuliffe's Introduced Budget

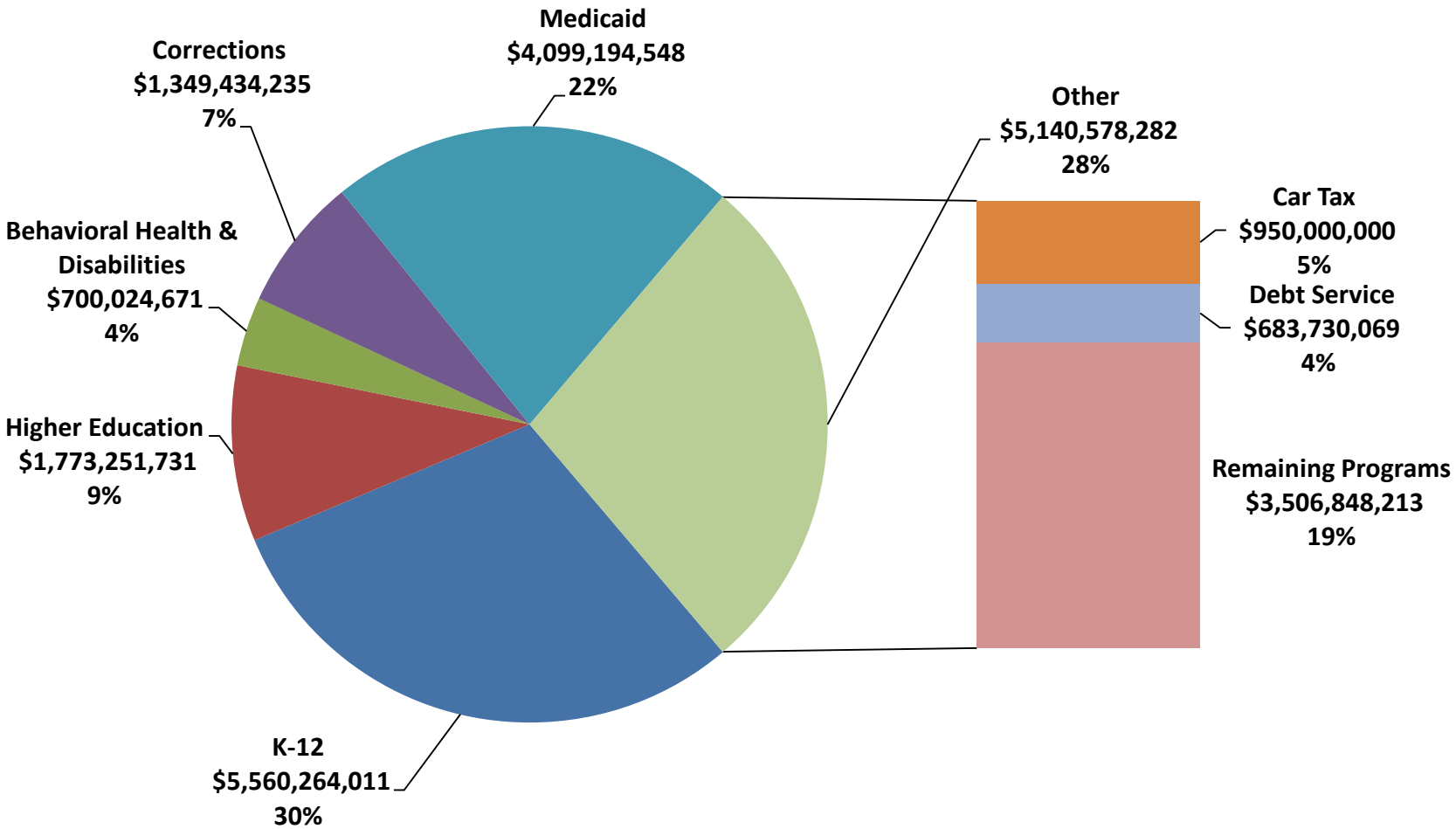
including specific language amendments, please refer to the Department of Planning and Budget's Web site at:

http://dpb.virginia.gov/

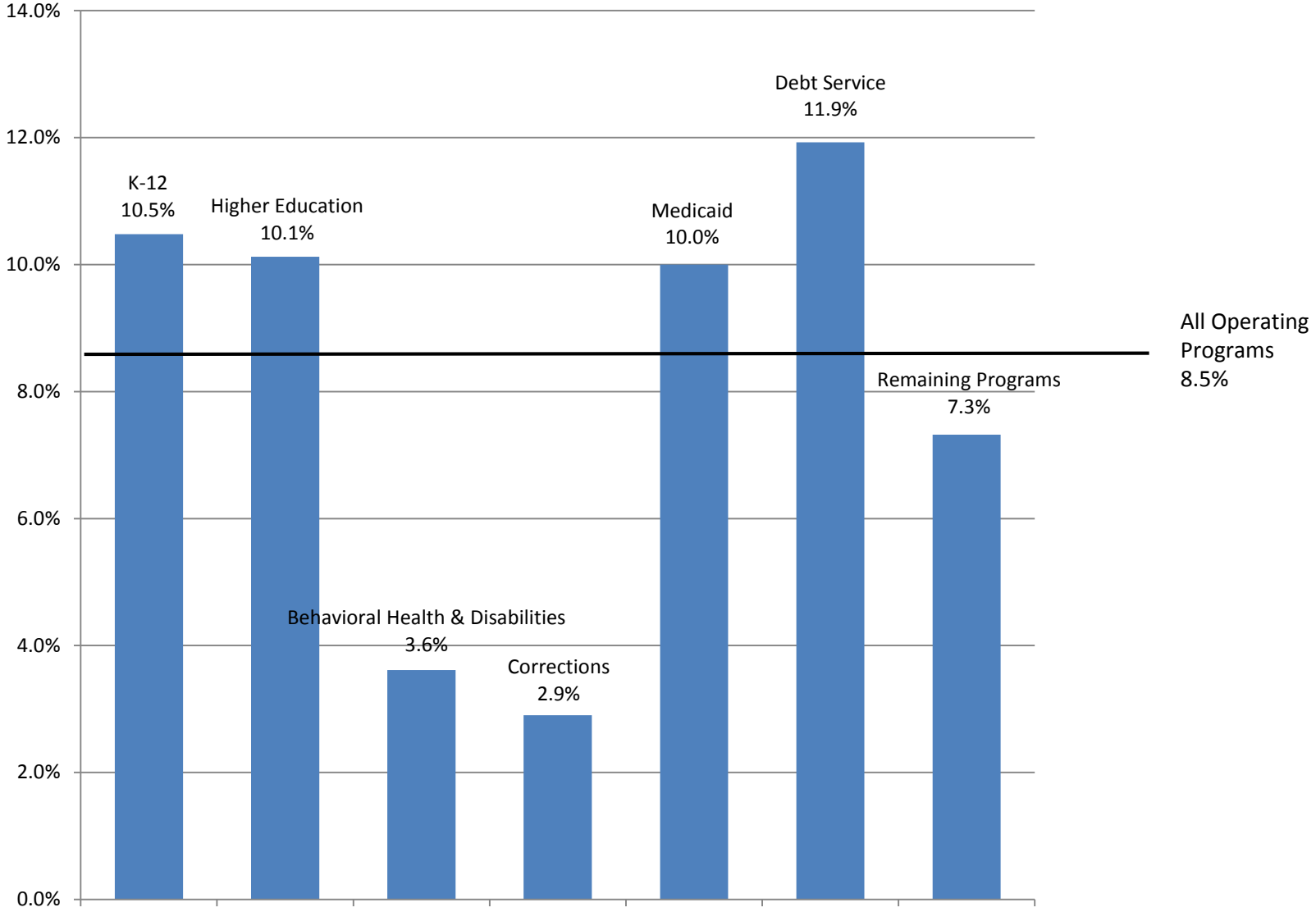
Appendix

Summary of Changes in Budget Drivers

Five budget drivers make up 72 percent of the FY 2016 general fund budget in Chapter 665 . . .

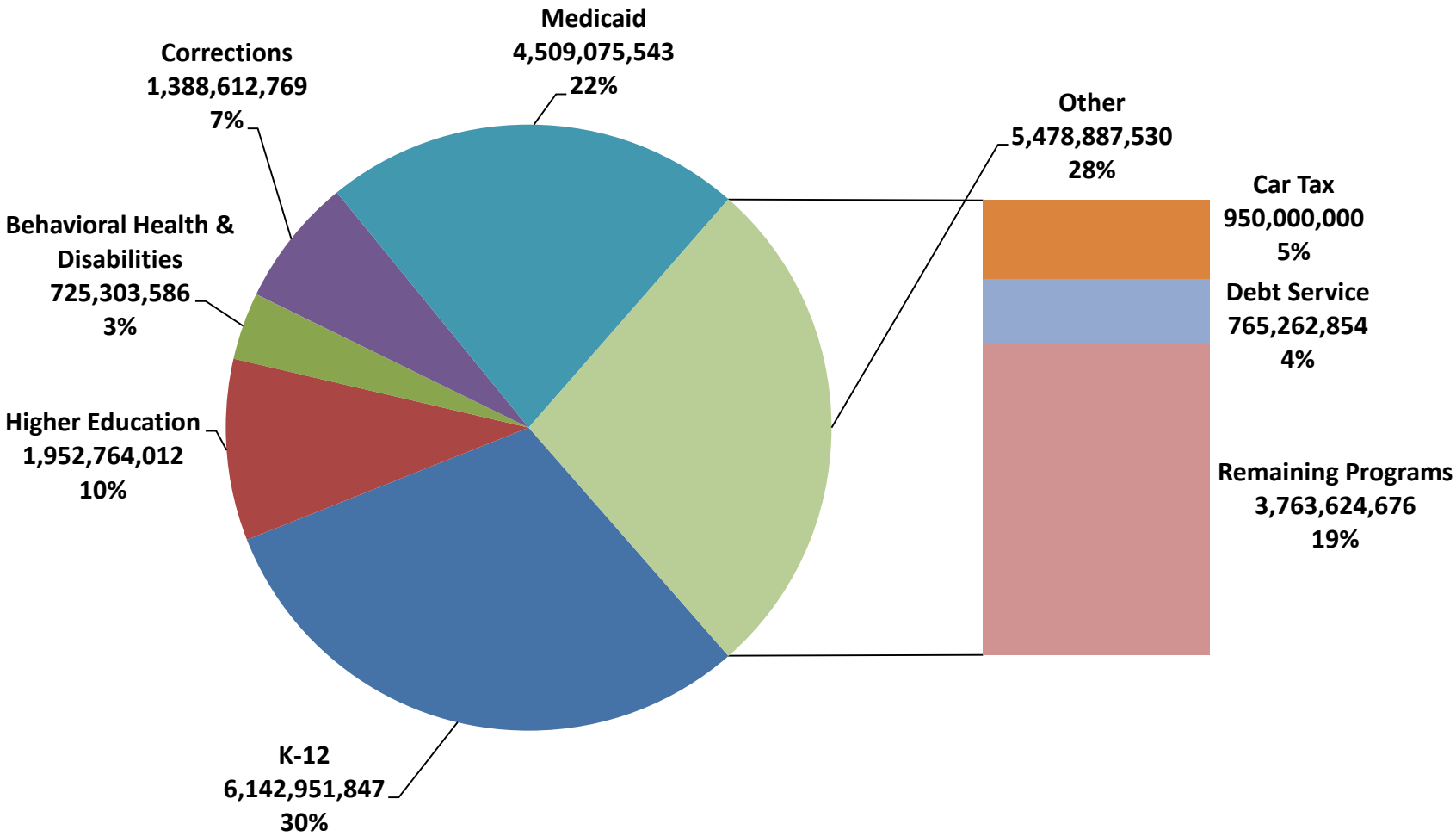


Three of the main drivers are growing at essentially the same rate from FY 2016 to FY 2018 . . .

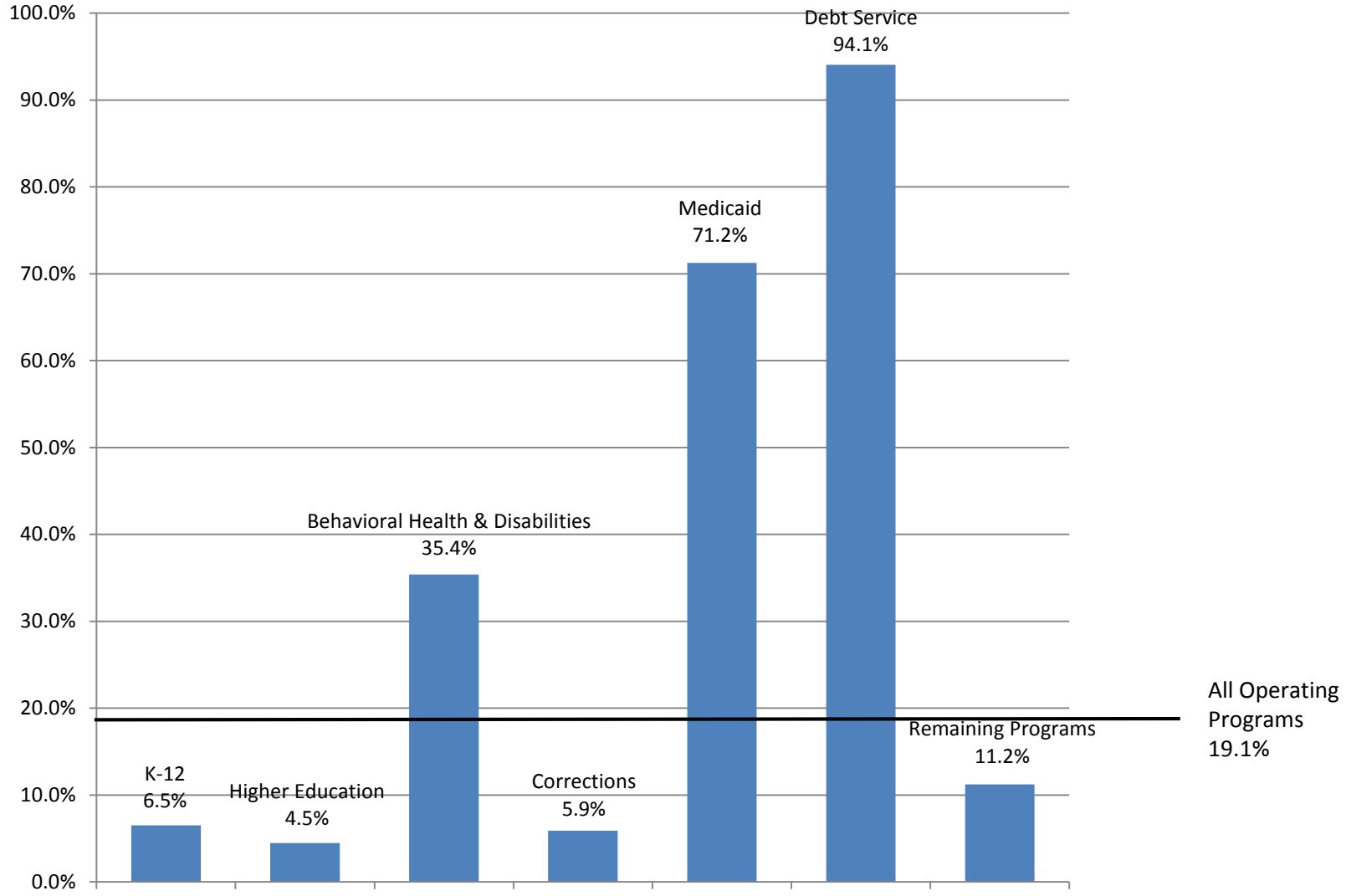


CH 665 is the FY 2016 base from which growth is measured.

In FY 2018, the budget drivers remain unchanged at 72 percent of the general fund in HB/SB 30 (introduced) . . .



Growth in general fund spending on budget drivers from FY 2008 to FY 2018 ranges from 4.5 percent to 94.1 percent …



Summary of Changes in Authorized Position Levels

The education Secretariat accounts for the majority of the increase in position levels in the proposed budget for FY 2018 . . .

Secretarial Area	FY 2016 FTE (Chapter 665)	FY 2018 FTE (HB/SB 30 Introduced)	Proposed Net Changes FY 2018
Legislative Department	614.0	611.0	-3.0
Judicial Department	3,364.7	3,370.7	6.0
Executive Offices	509.0	547.0	38.0
Office of Administration	837.5	840.5	3.0
Office of Agriculture and Forestry	827.0	834.0	7.0
Office of Commerce and Trade	1,683.5	1,689.0	5.5
Office of Education	57,491.3	58,468.2	976.9
Office of Finance	1,299.0	1,310.0	11.0
Office of Health & Human Resources	15,987.3	15,282.0	-705.2
Office of Natural Resources	2,183.0	2,183.0	0.0
Office of Public Safety and Homeland Security	20,163.0	20,052.5	-110.5
Office of Technology	275.0	249.0	-26.0
Office of Transportation	9,855.0	10,178.0	323.0
Office of Veterans and Defense Affairs	696.0	771.0	75.0
Central Appropriations	0.0		0.0
Independent Agencies	1,701.0	1,717.0	16.0
Grand Total	**117,486.29**	**118,102.95**	**616.66**

Note: Positions eliminated and new positions proposed include positions being transferred to and from agencies being eliminated.