Recommended Amendments to the 2014-16 Budget (HB 29) and to the 2016-18 Budget (HB 30)

House Appropriations Committee

February 23, 2016

Committee's General Guidance

- Committee's objectives were developed based on input from small group meetings, as well as individual and collective meetings of the Subcommittee Chairs
- Initial items guiding the process:
  - No Medicaid expansion
  - Maintain a structurally balanced budget
  - Continue addressing previously identified spending priorities of the House
  - Redirect discretionary funding in Governor's proposed budget to meet Committee priorities
    - Scrutinize new programs

Overall Funding Priorities

- Addressing structural imbalances in the budget
- Providing schools with flexibility while minimizing the burden on local government
- Improving access and affordability in Higher Education by limiting tuition increases
- Investing in strategic opportunities for to focus resources on regional economic development and research partnerships with universities and private partners
- Continuing efforts to address domestic violence, mental health and substance abuse treatment needs, and the ID/DD waiver wait list
- Address Employee Salary Compression

Improving Structural Integrity of Budget

- Revenue forecast embedded in House Bills 29 and 30 reflects utilization of a “collar” on nonwithholding tax revenues
  - Collar equals 1% of GF revenue growth
  - Intended to offset any potential revenue shortfalls
- Amendments accelerate the $189.5 million repayment to the VRS for the deferral approved in 2010 for state-sponsored retirement plans
  - Reduces the VRS future contribution requirements, saving the General Fund $44 million in 2016 -18 budget and provides similar savings to nongeneral fund agencies (higher education, transportation, etc.)
- Fully funds 100% of the VRS Board-certified contribution rates
- Deposits $605 million into the Rainy Day Fund, bringing Fund balance to approximately $845 million by the end of FY 2017
- Eliminates the Accelerated Sales Tax on over 90% of businesses by the end of FY 2018
- Fully funds “hole” in the jail per diem payments totaling $21 million over the 2016-18 budget
- Triggers a reduction in authorized debt in FY 2017 and FY 2018 if general fund revenue growth meets the underlying “un-collared” growth rates
  - Must first meet any Rainy Day Fund or WQIF requirements at the end of each fiscal year

Reducing the Local Tax Burden By Returning a Portion of the Lottery Proceeds Directly Back To Schools

- Re-establishes the policy of distributing a portion of the Lottery Proceeds back to schools
- Distribution based on a per-pupil amount using ADM and LCI
  - Unlike the Governor's proposal, no required match by local governments
  - Maintenance of Effort
  - 50% of funding may used for operating and 50% for capital, maintenance or equipment

Increasing Higher Education Affordability and Access through Lower Tuition

- The Committee's funding directly targets in-state tuition increases by providing an average increase in state support of $687 per Virginia student in FY 2017 and $864 per student in FY 2018 at our 4-year schools
  - Increases state support per Virginia student at our Community Colleges by $264 in FY 2017 and $317 in FY 2018
- Moves state funding toward meeting the goal of providing 67% of the in-state cost of attendance
- Actions will limit in-state tuition to no more than 3% each year

Promoting Regional Economic Development and Collaborative University Research

- Invests $73 million to promote regional economic development through the Go Virginia legislation (HB 834) and the Virginia Research, Development and Commercialization Fund (HB 1343)
- These legislative initiatives accomplish two objectives:
  - HB 834 strategically focuses dollars to encourage cooperation among communities to promote economic development projects and workforce training needs through competitive grants to regions of the state approved by the Virginia Growth and Opportunity Board
  - HB 1343 establishes a formalized process to encourage collaboration among Virginia's research institutions and private partners to fund efforts to commercialize research
    - Requests for funding will be vetted by the appropriate scientific review panel along with scoring recommendations, prior to review of the Research Proposal Review Committee and ultimate approval by the Virginia Growth and Opportunity Board

Continued Investment to Combat Domestic Violence, Treat Serious Mental Illness and Addressing the Waiting List for DD Waivers

- Domestic Violence: Package includes $5.3 million dollars to 1) fully fund the Correctional impact on legislation to address Domestic Violence; and, 2) expand programs that serve women and children
- Mental Health/Substance Abuse Treatment: $28.9 million to: provide substance abuse treatment, expand the number of PACT teams, and to expand coverage from 60% to 80% of FPL for severely mentally ill under the GAP program
- Waiver Waiting List: Funds 150 additional DD waiver slots to address the waiting list

Employee Compensation

- Committee redirects all compensation related funding for state employees, faculty, and state supported employees contained in HB 30 as introduced to provide a 3% increase in FY 2017
  - Introduced budget contained no raise until the second year
- Includes a revenue reserve that would fund an additional 1% salary adjustment in FY 2018.
  - If the reserve fund is not needed to address a downward revision in revenues, the funds may be used to implement findings and recommendations of the Speaker's Workforce Commission

Resource and Revenue Changes	FY 2016	FY 2017	FY 2018	FY 2016-18
ADDITIONS TO BALANCES				
Judicial Vacancy Savings	400,000	0	0	0
DSS - Auxiliary Grant Expenditure Adj.	1,000,000	0	0	0
DSS - Unemployed Parent Prog Expenditure Adj.	500,000	0	0	0
ADDITIONAL REVENUES				
Reverse Proposed Corporate Income Tax Reduction	0	17,200,000	46,500,000	63,700,000
Reverse Proposed Personal Exemption Increase	0	13,900,000	28,100,000	42,000,000
Reverse Proposed Increase Angel Investor Tax Credit	0	4,000,000	4,000,000	8,000,000
HB 22: Political Contribution Tax Credit	0	0	670,000	670,000
HB 398: Sales Tax Exemption Refunds	0	1,900,000	1,900,000	3,800,000
HB 812: Air B&B Taxation	0	308,021	420,962	728,983
Reverse Increase Neighbhorhood Asst. Tax Credit	0	5,000,000	5,000,000	10,000,000
HB 884: Research and Development Tax Credit	0	0	(5,000,000)	(5,000,000)
HB 298: Coal Employment & Production Credit Cap	0	900,000	200,000	1,100,000
HB 402: Federal Tax Conformity	0	(220,000)	(80,000)	(300,000)
TRANSFERS				
VASAP Balance Transfer	1,000,000	0	0	0
Additional ABC Profits	3,800,000	4,700,000	9,600,000	14,300,000
DMV - VRS Repayment	0	764,459	797,698	1,562,157
Total Committee Resource Adjustments	**6,700,000**	**50,096,975**	**92,108,660**	**140,561,140**
Grand Total- Spending Adjustments	**183,541,307**	**(31,509,289)**	**7,626,195**	**(23,883,094)**
Unappropriated Balance	**249,120,771**	**81,606,264**	**(76,404,110)**	**5,202,154**

REPORT OF THE PUBLIC EDUCATION SUBCOMMITTEE

HB 29: Updates Reflect Total Savings of $11.8 million GF

- The Committee's recommendations include the technical adjustments in the caboose budget that reflect revenue increases to Lottery Proceeds that are offset by the adjustments from decreases in sales tax revenues, lower student enrollments and program participation levels: saves a net total of $11.8 million
  - Lottery Proceeds revenue reflects an estimated increase of $7.3 million, and saved an equal amount of general funds
  - Update to Sales Tax Revenue: net decrease of $2.3 million
  - Other technical data updates: saves a total of $1.3 million
    - Foster Care projections: adds $290,808
    - Remedial Summer School: adds $259,007
    - Special Education – Regional Tuition projection: saves $1.8 million
  - Savings from 1.5% Salary Supplement: ($0.5) million
  - Lower teacher eligibility for National Board certification bonuses: ($0.5) million
  - The Committee recommends spending $123,000 to address a disparity in the school-aged population estimate for Norton City school division

HB 30: Direct Aid
Total Biennial Budget Equals $15.2 Billion

- The Committee's recommended 2016-18 biennial budget for Direct Aid to Public Education totals $12.0 billion GF and $3.2 billion NGF (Lottery, literary and federal)
  - FY 2017: $5,829.5 million GF and $1,615.9 million NGF
  - FY 2018: $6,148.4 million GF and $1,585.6 million NGF
- The biennial budget has a net increase of $897.7 million higher than the FY 2016 base budget – which includes rebenchmarking, policy changes, new and expanded initiatives
  - $269.4 million GF and $20.3 million NGF in FY 2017
  - $588.1 million GF and $20.0 million NGF in FY 2018

Revised Rebenchmarking Total – Decrease of $29.1 Million

- The Committee's recommended budget reflects the rebenchmarking from December that total cost of $429.8 million GF for the FY 2016-18 biennium
- Since then, DOE has provided a number of additional technical updates that decreased the introduced budget by $19.5 million GF
  - Revisions to the Free Lunch data used: saves ($14.6) million
    - Update for K-3 Class Size Reduction: adds $1.0 million
    - Update Emporia free lunch percentage data: saves ($227,943)
    - Remove Bedford City from At-Risk Add-on free lunch percentage data: saves ($15.3) million
  - Special Education Regional Tuition estimated payment cost: saves ($5.4) million
  - Manassas City Vocational Education PPA: adds $386,854
  - Norfolk's total building count for the Additional Instructional Positions: adds $94,897
  - Rappahannock's supplemental Basic Aid: adds $27,918
  - Foster Care projections: saves ($38,905)
  - Remedial Summer School projections for Norton, Colonial Beach, Galax, and Winchester: saves a net ($4,084)
- Further, the technical update for revised Sales Tax revenue estimate has also decreased the introduced budget by a net of $9.6 million

Reinstate Lottery Per Pupil Funding: $272.7 million

The Committee's budget package re-establishes the policy of distributing part of the Lottery Proceeds on a per pupil amount basis

- Provides a total of $272.7 million of Lottery Proceeds revenues to schools on a per pupil amount (PPA) basis:
- Generates the $272.7 million by:
  - Repurposing $202.9 million of proposed funding for new or expanded initiatives:
    - $139.1 million - Additional school-based FTEs
    - $49.7 million - At-Risk Add-on range increase
    - $5.6 million - Formula change to Governor Schools
    - $4.7 million - Supplemental education initiatives
    - $3.8 million - FY 2016 to FY 2017 Hold Harmless funding
  - Adding $50.3 million in new funding above the introduced budget
    - $20.3 million - FY 2016 carryover of additional lottery revenues – reforecast
    - $20.0 million - Literary Fund revenues
    - $10.0 million of additional General Fund revenue support
  - Adding additional GF to backfill $19.5 million decrease from technical updates related to the recent revised data submissions & corrections, that otherwise would have been a reduction to schools
- Gives schools more local flexibility for spending – not limited to hiring certain positions
  - Consistent with the practice of the previous policy, permits up to 50% of the new lottery PPA allocation to be used on any recurring expenses and at least 50% on non-recurring expenses (capital, equipment, and maintenance)
  - Requires maintenance of effort so revenue cannot to be used to supplant local funding
- Reduces the local tax burden and decreases the local government's financial pressure and stress by not requiring a local match in order to receive the PPA state funding

Salary and Benefit Increases: $140.0 million

- Recommendations include $83.2 million GF for the state's share of a 2.0% salary incentive for all funded SOQ instructional and support positions, with an effective date of July 10, 2017
  - Participation is optional and requires a local match – must provide at least a 2.0% increase by January 1, 2018, and would be eligible for the state funding
  - New language allows schools to apply salary increases given during the 2016-2017 school year to count toward satisfying the local match requirement
  - A collective 2.0% pay increase has to be provided between July 1, 2016 and January 1, 2018 – this action will help lessen financial stress to localities in the second year and still receive the state funding
  - School divisions cannot use the phase-in of the VRS swap as part of its local match
  - Includes revenue contingency language
- Recommends $55.1 million GF in the second year, for the state's share of funding, to advance the VRS scheduled rates to 100% of the VRS Board actuarial recommended rates for teacher retirement & retiree health care credit
- In addition, adds $1.7 million GF in the first year to advance the VRS Group Life up to 100% of the Board rate of 0.52%

Recommended Policy Changes

- Recommends $40.6 million GF in the second year for the Cost of Competing Adjustment (COCA) for support positions
- Swaps $10.0 million GF in the second year to backfill Literary funds used to pay a portion of the teacher retirement costs
  - $165 million in first year and $155 million in the second year is earmarked from the Literary Funds for VRS payments
- Adds $4.6 million GF over the biennium for the Virginia Early Childhood Foundation
  - $3.0 million for a new pilot program to provide grants to incentivize additional public-private partnerships in preschool services
  - $1.6 million would be used to develop and operate a scholarship grant program at community colleges to increase skills of the early education workforce
- Adds $2.5 million GF each year for additional support toward increasing Career and Technical credentialing and equipment
  - $2.0 million for equipment & $500,000 for tests & materials costs of earning industry certifications
- Recommends $1.6 million GF for Virtual Virginia to expand the full-time Virtual Virginia pilot initiative from 90 to 200 students and to fund a Virtual Virginia Math Outreach Algebra I Pilot

Recommended Policy Changes

- Recommends $1.0 million GF for computer science training for teachers
- Includes $1.0 million GF for the Breakfast-After-the-Bell
  - Adds clarifying language to ensure that the funding will be focused specifically on elementary schools with at least 45% of students eligible for free or reduced lunch and the traditional breakfast program
- Adds $1.0 million GF each year for supplemental education programs:
  - Communities In Schools: $450,000 each year
  - High School Innovation grants: $250,000 each year
  - Summer and CTE Governor's Schools: $200,000 each year
  - Virginia Student Training and Refurbishment program: $50,000 each year
  - Planning funds for new CTE Governor School: $100,000 the first year
- Provides $340,000 GF each year for 5 additional teachers for the Special Education State-Operated Program
- Adds $100,000 GF each year for the Newport News Aviation Academy, a STEM program that focusing primarily on piloting, aircraft maintenance and electronics
- Recommends saving $1.0 million GF each year from reducing or eliminating:
  - Reduces: GRASP: ($187,500), and Southside Va. Technology: ($50,000)
  - Eliminates: Youth Development Academies ($543,200), STEAM ($100,000), Governor's School Planning ($100,000), and Virginia Career Education Foundation ($31,003)

Recommended Language Changes

The Committee's recommended language amendments include:

- Allows for up to 15% of VPI slots to be filled based on locally defined eligibility criteria for at-risk four-old-years
- Allows the Board of Education to withhold a portion of the At-Risk Add-on funding from a school division that has been determined by the Board to have failed to meet its obligations for progress in implementing corrective action plans
- Provides flexibility to allow school divisions that receive funding for Reading and Math Specialists to use the money for tuition costs for school staff to earn credentials necessary to meet licensure requirements to be endorsed as a reading or instructional specialist
- Clarifies the support position funding ratio methodology
  - Based on the number of actual instructional and support per 1,000 and applied to the number of funded instructional and support positions

Recommended Language Changes

The Committee's recommended language amendments include:

- New language establishes a process for DOE, in coordination with the College Saving Plan agency, to transfer 90% of the total of the state's share of the per pupil amount of SOQ, sales tax and any applicable special education funding into a Parental Choice Education Saving Account, for a public education student who elects to participate in the program (HB 389)
- Directs DOE to review the equity issue regarding the length of program day and the distribution methodology used to determine the governor's school tuition payments and report to Chairmen of House Appropriations and Senate Finance Committees before the 2017 Session
- Directs DOE, in collaboration with the Virginia Community College System, to ensure that the policy regarding dual enrollment tuition-free waiver option shall be applied in the same manner for public school and home-schooled students

DOE - Central Office

- The Committee recommends providing $5.0 million for a one-time development cost for expanding the Computer Adaptive Testing (CAT) to grades 3-5 for math and grades 3-8 for reading
- Adds $1.0 million each year and eight positions to support school divisions
- Adds $400,000 each year for eMediaVA to handle the digital content development and on-line portal access for Virtual Virginia contract with WHRO
- Adds a total of $414,000 to provide dyslexia training to teachers seeking an initial licensure or a renewal (HB 842)
- Adds $275,000 the first year to provide start-up funding for the first year implementation costs of the new Virginia Virtual School (HB 8)
  - Language directs DOE to transfer the statewide average of SOQ, sales tax, and any appropriate special education funding from a resident school division to Virginia Virtual School for each enrolled student
- Adds $200,000 each year to replace federal funds that had paid for the PreK PALS Literary Screening contract with UVA
- Adds $127,429 and one position dedicated to a statewide review of the use of technology in the classroom, all digital content, and on-line based curriculum to determine best practices and benefits
- Adds $250,000 over the biennium to complete the School Report Card redesign (Chapter 367 from 2015 legislation) and to add a second phase that would add additional data points in FY 2018

REPORT OF THE COMPENSATION AND RETIREMENT SUBCOMMITTEE

Expedited Repayment to VRS

- Committee recommendations include a lump sum payment of $188.9 GF million in FY 2016 to fully repay the VRS for the 2010-12 biennium deferred contributions for the 4 state employee plans
  - In addition, includes $598,327 NGF transfer from the Department of Game and Inland Fisheries to the VRS to repay their portion of the remaining debt
- In HB 30, Committee recommends funding the VRS retirement rates for the state employee plan at 100% of the VRS Board certified rates beginning in FY 2017
  - As rate no longer includes an adjustment for the repayment of the deferred contributions, the retirement contribution rate for the state employee plan will decrease compared to FY 2016 even though the recommendation moves from 90% to 100% of the VRS Board certified rates
  - Recommended rates result in a net savings, compared to the FY 2016 rates, of $10.1 million GF in FY 2017 and $10.5 million GF in FY 2018
    - Savings of $21 million GF in FY 2017 and $22 million in FY 2018 compared to introduced budget
  - Recommendations include a transfer to the general fund of $1.6 million over the biennium from the DMV to reflect the savings the DMV will realize as a result of the lower VRS rates

3% Salary Adjustment in the First Year

- Committee recommends $71.5 million GF in FY 2017 and $126.5 million GF in FY 2018 to provide a 3% salary adjustment for state and state-supported local employees in FY 2017
  - Funding is contingent on the actual FY 2016 general fund revenues not resulting in a shortfall of greater than one percent compared to the official revenue forecast included in the Appropriation Act
  - Includes $57.4 million GF in FY 2017 and $98.4 million GF in FY 2018 for a 3% raise for state employees, including university faculty, effective November 10, 2016
  - Includes $14.0 million GF in FY 2017 and $28.0 million GF in FY 2018 for a 3% raise for state-supported local employees effective December 1, 2016
  - Language in Central Appropriations ties the $83.3 million GF included under the Department of Education for the state share of a 2% teacher salary adjustment to the FY 2016 general fund revenue requirement
- In addition the Committee recommends a reserve account of $28.2 million GF the second year to provide an additional 1% salary adjustment for state and state-supported local employees in FY 2018
  - Funding is contingent on the actual FY 2017 general fund revenues not resulting in a shortfall of greater than one percent compared to the official revenue forecast included in the Appropriation Act

Compensation Package

- In total, recommendations from Committee provides $226.1 million from the general fund for across-the-board salary actions over the 2 years
  - Introduced budget included $76.2 million in revenue reserve for second year raise
  - FY 2016 VRS lump sum payment allows Committee to redirect $21 million GF in FY 2017 and $22 million in FY 2018 from VRS contributions to pay raise
- Committee recommends redirecting $26.1 million GF in targeted compensation actions to support the overall compensation package
  - Redirect $6.9 million GF from proposal to add individuals employed at by the constitutional officers to Career Development Programs
  - Redirect $12.3 million GF from proposal for salary compression adjustment for employees in sheriffs' offices and regional jails
  - Redirect $5.9 million GF from proposal to pick-up employee share of health insurance premium increase in for one year (FY 2017)
  - Redirect $900,000 GF from proposal for Veteran Services for career development salary adjustments for benefit services field office staff

VRS Rates

VRS Program	Chapter 665 FY 2016 *	HB 30 FY 2017	HB 30 FY 2018
VRS (State Employees)	14.22%	13.49%	13.49%
State Police Officers Retirement System (SPORS)	27.83%	28.54%	28.54%
Va. Law Officers Retirement System (VALORS)	19.00%	21.05%	21.05%
Judicial Retirement System (SPORS)	50.02%	41.97%	41.97%
VRS (Teachers)	14.06%	14.66%	16.32%
State Employee – Retiree Health Credit	1.05%	1.18%	1.18%
State Employee - Group Life Insurance	1.19%	1.31%	1.31%
VSDP	0.56%	0.55%	0.55%
Teacher – Retiree Health Credit	1.06%	1.11%	1.23%
Teacher – Group Life Insurance (employer rate)	0.48%	0.52%	0.52%

* Rates shown for FY 2016 for the retirement plans for state employees reflect the rates in effect for the last 11 months of the fiscal year.

Other Funding Recommendations

Other Post Employment Benefits

- Committee recommends $6.1 million GF in FY 2017 and $6.3 million GF in FY 2018 to fund 100% of the VRS board-certified rates for the OPEB programs for state employees
  - In addition, recommendations include $661,062 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, Department of Social Services, and the Department of Elections

State Employee Health Insurance Premiums

- Committee recommends $45.6 million GF in FY 2017 and $91.7 million GF in FY 2018 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 9.6% rate increase in FY 2017 and an 8.7% increase in FY 2018

Second Phase of State Police Salary Compression Plan

- Committee recommends $3.7 million GF in FY 2017 and $8.5 million GF in FY 2018 to complete the implementation of the salary compression adjustment plan for the State Police which began in Chapter 665
  - Chapter 665 included $3.7 million in FY 2016 to begin the plan

Funding For Legislation

HB 665 (Speaker Howell)

- Committee recommends $150,000 GF each year for the Department of Human Resource Management to provide administrative support to the Commission on Employee Retirement Security and Pension Reform

HB 378 (Farrell)

- Committee recommends $1.0 million GF the first year for the Workers Compensation Commission to support the cost of actuarial work that will be incurred pursuant to the passage of HB 378

REPORT OF THE COMMERCE, AGRICULTURE, NATURAL RESOURCES AND TECHNOLOGY SUBCOMMITTEE

Recommendations Within Commerce and Trade

- Committee amendments within the Commerce and Trade Secretariat redirect approximately $98 million GF from Commerce and Trade to enhance funding for public education and Higher Education included in the Committee amendments
  - Even with reductions, Committee recommendations included approximately $71.6 million in new or increased funding for programs within the Commerce and Trade Secretariat

GO Virginia

- Pursuant to the passage of HB 834 (Cox) and HB 846 (Hugo) the Committee recommendations include $5.7 million GF the first year and $27.2 million GF the second year for the Department of Housing and Community Development to establish the GO Virginia Initiative to foster job growth by encouraging regional collaboration among business, education and government
  - Funding includes two positions and $225,000 GF each year for administration
  - The remainder of the appropriation is to be deposited into the Virginia Growth and Opportunity Fund and be distributed as follows:

	FY 2017	FY 2018
Support organizational and capacity building activities and workforce gap analyses	$5.5	$3.5
Based on each qualifying region's share of the state population		$10.7
Awarded to regional councils on a competitive basis		$12.8

Spending Recommendations

Department of Housing and Community Development

- Committee recommends increasing funding for rapid rehousing from $1.0 million GF each year to $2.5 million each year
  - Language prioritizes spending for veterans, victims of domestic abuse, and individuals with serious mental illness
- Includes $600,000 GF the first year and $325,797 GF the second year to restore funding for the Center for Advanced Engineering and Research
  - Contingent on the Center receiving a grant of at least $20.0 million from the federal Department of Energy

Virginia Economic Development Partnership

- Includes $750,000 GF in FY 2017 and $1.25 million GF in FY 2018 for to develop a pilot project to support the development of sites which have been included in the Virginia Business Ready Sites Program
- Includes $5.2 million GF each year in additional funding for the VEDP

Virginia Tourism Authority

- Committee recommends increasing funding the Motion Picture Opportunity Fund from $3.0 million to $7.5 million in FY 2017 to meet commitments to on-going television series
- Recommends $1.0 million GF each year to increase advertising
- Recommends $300,000 GF each year to support the further the development of the Spearhead Trails

Other Committee Spending Recommendations

Commonwealth Opportunity Fund

- Committee recommends providing an additional $1.0 million GF in FY 2016 (HB 29) to the Commonwealth Opportunity Fund
  - Governor given the authority to utilize up to $1.5 million to assist localities in the Roanoke Valley region undertake site development for an economic development project

Innovation and Entrepreneurship Investment Authority

- Recommends $800,000 in FY 2016 for the Innovation and Entrepreneurship Investment Authority to address their projected budget shortfall
- Committee recommends $500,000 GF in FY 2017 for the Innovation and Entrepreneurship Investment Authority to continue support of the MACH 37 Cyber Accelerator program
  - Language makes the funding contingent on the Authority developing a financial plan ensuring there will not be the need for additional operational funding in FY 2017

Virginia International Trade Corporation

- Committee recommends $150,000 GF each year to support the creation of the Virginia International Trade Corporation pursuant to the passage of HB 858 (Landes)
  - Recommendations also include language amendment requiring a significant portion of the VEDP increased administrative funding be used to support international trade efforts

Economic Development Incentive Payments: $122.5 million GF

	Economic Development Incentives - $ in millions	FY 2017	FY 2018
Performance-Based Agreements			
	Aerospace Facility Incentive Grants	$ 8.9	$3.7
	Advanced Shipbuilding Training Facility Grant	7.2	0.0
	Virginia Investment Partnership (VIP) Grants	3.7	5.3
	Pulp, Paper, and Fertilizer Advanced Manf. Grant	2.0	3.0
	Major Eligible Employers Grants (VIP Subfund)	1.8	1.8
	VA Economic Development Incentive Grant (VEDIG)	4.2	4.4
	Virginia Jobs Incentive Program (VJIP)	5.7	5.7
Other Economic Development Incentives			
	Commonwealth Opportunity Fund	20.8	20.8
	Commonwealth Research Commercialization Fund	2.8	2.8
	Motion Picture Opportunity Fund	7.5	3.0
	Life Sciences Consortium (VBHRC)	2.5	2.5
	New Spending for Marketing and Trade Missions	0.5	0.5
	Tourism Grant	0.5	0.5
	Virginia-Israel Advisory Board	0.2	0.2
Total		**$54.2**	**$68.3**

Secretariat Agriculture and Forestry

- Appropriations for Agriculture and Forestry programs include increases of $6.0 million GF (11.7%) the first year and $6.5 million GF (12.9%) the second year compared to Chapter 665

<u>VDACS:</u>

- The budget increases funding for the Agriculture and Forestry Industries Development Fund (AFID) by $1.0 million GF each year, doubling the size of the grant program
  - Additional funding of $200,000 GF and 2.0 FTE is proposed to provide program support
- $747,888 and 2.0 FTE positions over the biennium are included to establish a domestic agricultural marketing and business expansion planning
  - $150,000 each year would be used to support $5,000 grants to agribusinesses for marketing and business planning
- $500,000 over the biennium to establish an in-state program to support expanded exports by helping Virginia producers identify buyers and distributors and providing producers with trade representation
  - Also included is $150,000 GF each year to support additional marketing presence in North Africa and Southeast Asia and $150,000 GF each year for reverse trade missions and strategic marketing

Agriculture and Forestry

VDACS continued:

- Contains funding to support accreditation of Virginia's animal labs totaling $474,236 over the biennium to protect our export market
- Includes $259,955 GF and 1 FTE position over the biennium for an organic agriculture specialist to promote this burgeoning market
- Adds $542,802 over the biennium to hire two additional weights and measures technicians and related equipment to help reduce time between inspections
- Includes GF and federal funds to support two additional meat inspector positions and one compliance specialist – totals $207,910 each GF and NGF each year
- $707,788 GF each year and 5 FTE positions for business application improvements outside the scope of VITA
- Provides $1.5 million GF each year for the Office of Farmland Preservation's Purchase of Development Rights matching program
- Language directs VDACS to work with the Departments of Education and Health to develop a proposal to consolidate the administration of federal food-aid programs within VDACS with a report to the General Assembly due November 15

Agriculture and Forestry

<u>Forestry:</u>

- Within the Department of Forestry, fully funds the state match for the Reforestation of Timberlands (RT) program by adding $0.9 million GF in the first year and $0.8 million GF in the second year
  - First time in more than a decade that required match has been fully funded
- Provides new funding of $898,351 GF in the first year and $1,731,521 GF in the second year to phase-in debt service payments on approximately $25.9 million of forest firefighting equipment through the Master Equipment Lease Program (MELP)
  - Dollars will be used to purchase bulldozers, brush trucks, and trucks
  - Additional $500,000 each year was included in the Chapter 665 and remains as base funding

Natural Resources

- Funding for Natural Resources includes significant new GF spending of $62.9 million GF (50.9%) in the first year - primarily from the statutorily-mandated deposit of FY 2015 surplus revenues to the Water Quality Improvement Fund - and $600,000 GF in the second year compared to Chapter 665
  - Second year amounts are lower because there is no WQIF deposit in year two, as these appropriations are made on an annual, not biennial basis
- Land Conservation programs total $19.5 million GF in each year and are distributed as follows:
  - Virginia Land Conservation Fund - $16.0 million each year
  - Battlefields Preservation Fund - $2.0 million each year
  - Farmland Preservation - $1.5 million (VDACS) each year

Water Quality Improvement Programs

- The statutory deposit to the Water Quality Improvement Fund totals $61.7 million GF the first year for allocation to nonpoint source programs:
  - $8.2 million (15%) set aside for the WQIF Reserve Fund
  - $51.8 million for the Natural Resources Commitment Fund
    - $26.0 million for agricultural best management practices
    - $19.6 million for previously approved livestock exclusion projects
  - $6.2 for Soil and Water Conservation Districts technical assistance programs
  - $1.6 million for Conservation Reserve Enhancement Program, IT improvements, forestry practices and golf course nutrient management
- Fully restores dedicated recordation fee revenues to the Natural Resources Commitment Fund totaling $10.0 million NGF in each year for Ag BMP cost share
  - Inclusion of these NGFs increases total funding for Ag BMP cost share programs to $33.4 million
- Provides $59.0 million in bond proceeds to meet commitments to point source protection by improving municipal water treatment plants in the HAC bond bill (HB 1344)

Other DCR Funding

- Also included under DCR are a number of smaller funding items as follows:
  - $500,000 GF for DCR natural heritage areas
  - $525,000 each year for small dam repairs through the Soil and Water Conservation Districts and $633,100 in the first year to match federal funds for repairs to the Hearthstone Lake Dam
  - $275,000 each year for Breaks Interstate Park
  - $200,000 GF each year for shoreline erosion advisory services (SEAS)
  - $464,294 GF each year for the Dam Safety Fund
  - $15,000 each year for the Rappahannock River Basin Commission
- Amendments remove proposed funding of $120,000 each year in HB 30 and $60,000 in FY 2016 for transition costs of Natural Bridge and stipulates that no DCR funds can be used for this purpose until such time as the General Assembly approves transitioning the property to the State Park system

Other Natural Resources Agencies

- Provides an additional $7.7 million each year to the DGIF Game Protection Fund: $5.0 million in each year from sales taxes on hunting and fishing related equipment, and $2.7 million each year from increased watercraft sales taxes
  - Reflects increased sales of sporting equipment in addition to restoration of funds that had been retained in the General Fund
  - Brings total Game Fund allocations from $10.0 million each year to $17.7 million each year
- DEQ's budget includes $442,000 GF increase each year for lab testing fees paid to the Department of General Services
- VMRC's budget includes $318,000 in the first year and $262,000 in the second year for 3 new Fisheries Management Division positions as well as $247,933 over the biennium to match federal funding for the Tangier Island Seawall

REPORT OF THE HIGHER EDUCATION SUBCOMMITTEE

Criteria for Higher Education Recommendations

- Through Use of Six-Year Plans Address Funding Needs Consistent with House Goal of Increasing Access and Affordability for In-State Undergraduate Students
- Address High Priority Items In Higher Education
  - Compensation
  - In-State Undergraduate Enrollment Growth
  - Additional Full-time Faculty
  - Enhance Research
  - Improve Retention & Graduation / Degree Production
  - Allow for Moderation of In-State Undergraduate Tuition Increases
  - O & M for New Buildings
  - Other House Member Priorities
- Higher Education Reform Opportunities

Funding Recommendations for Colleges & Universities: $286.2 million GF

- $127.4 million GF to support increased access and affordability for in-state undergraduate students
  - Funds include $4.0 million GF to support implementation of online course development by GMU / ODU
  - Language limits I/S undergraduate tuition increases to 3% per year
- $44.0 million GF in central accounts for a 3% faculty salary increase beginning in FY 2017
- $50 million GF for higher education research & $50 million VCBA
  - $40 million GF & $20 million VCBA to implement HB 1343
    - Funding is contingent on passage of HB 834 & HB 1343
  - $30 million VCBA for lab renovations & equipment for Global Genomics & Bioinformatics Institute
  - $6 million for Massey Cancer (VCU)
  - $4 million for non-invasive surgery center (UVA)
- $52.7 million GF for in-state undergraduate financial aid
  - Second year allocation linked to recommendations from the Joint Subcommittee
- $12 million GF in SCHEV for workforce credentials (HB 66)

Total GF Access & Affordability Allocations

$127.4 million

Institution	$ in Millions		Institution	$ in Millions
CNU	2.5		UVA	10.9
CWM	3.3		UVA-W	1.0
GMU	19.7		VCU	13.5
JMU	8.3		VMI	1.6
LU	2.1		VT	14.7
UMW	4.9		VSU	1.5
NSU	1.6		RBC	0.8
ODU	15.6		VCCS	21.3
RU	4.1		**TOTAL**	**$127.4**

Other Major Higher Education Budget Recommendations

- $2.4 million for VIMS for operating support, sea level rise research and graduate aid
- $5.8 million for higher education centers
- $2.4 million for Jefferson Labs (COF)
- $2.0 million for TAG program to move awards from $3,100 to $3,300
- $2.5 million for Virtual Library (VIVA)
- $162.5 million in HEETF allocations
  - Including $31.0 million for research equipment

Higher Education Policy & Reform

- Decentralization pilot program at GMU & JMU
  - Five-year pilot
  - Provides for enhanced autonomy in previously approved areas of procurement, IT and capital outlay
  - Provides some additional finance and administrative autonomy
  - Requires APA post-audit review similar to Level 3 institutions
- VT / Carilion Partnership
  - Allows VT to assume control of the operation in order to comply with SACS restrictions related dual appointments for faculty
- JLARC Recommendations
- Higher Education Joint Subcommittee

REPORT OF THE CAPITAL OUTLAY AND GENERAL GOVERNMENT SUBCOMMITTEE

Generate General Fund Budget Savings

- HB 29 eliminate proposed GF increase for maintenance reserve saves $1.5 million
- HB 30 eliminate proposed new GF for maintenance reserve saves $129.4 million
- HB 30 eliminate proposed general fund for new project planning saves $20 million
- HB 30 move three small repair projects (VDACS, VSU & Gunston Hall) under the maintenance reserve program saves $1.9 million
- Savings redirected to pay the VRS deferral in FY 16

Impact of HB 1344 on Debt

- HB 1344 bond program replaces several items in the proposed budget and lowers total debt $508.2 million over the biennium
  - Eliminate C-45 equipment - $13 million
  - Eliminate C-47 capital bond program - $1.9 billion
  - Eliminate C-49 & C-49 – project supplements - $37 million

Comparison Introduced Budget to HAC Budget	Introduced	HAC
VCBA / VPBA (Projects, Equip, Supplements)	$1,792,082,000	$1,147,140,000
Wastewater	59,000,000	59,000,000
Ports	350,000,000	350,000,000
Maintenance Reserve	60,000,000	194,300,000
Local Jails	5,629,457	5,629,457
VPA Terminal Lease	20,000,000	20,000,000
HEETF	160,000,000	162,470,000
Unused Bonds	(18,312,033)	(18,312,033)
Total	**$2,428,399,424**	**$1,920,227,424**
Difference		**($508,172,000)**

Other Capital Actions

- Provides $50 million in VCBA bonds for research contingent on passage of HB 834 & HB 1343
- Provides for $44.3 million more in maintenance reserve compared to the prior biennium
- Provides $35 million NGF for the replacement of the Phillips Dining Hall at JMU
- Language authorizes the use $5 million of the $22.5 million of previously approved funding at Fort Monroe to renovate the Post Library as a visitor center
- Eliminates $35.9 million NGF for construction of athletic facilities at Longwood
- Eliminates proposed land acquisition projects at DCR & DGIF
- Language provides for clarification of property disposition at former Workers Comp Commission headquarters
- Language allows for sale of property at CNU
- Language allows for property conveyance at JMU with OAG approval

Capital Outlay Policy Actions

- Revenue in excess of official forecast after RDF & WQIF requirements will be used to reduce amount of tax-supported debt
- Part 4 language that provides for a more deliberative process regarding capital procurement

Judicial Branch

- Includes $2.9 million GF each year for the Criminal Fund and Involuntary Mental Commitment Fund
- Provides $2.9 million GF each year increase from 405 to 415 the number of funded circuit and district court judgeships
- Adds $613,000 GF each year to reflect the estimated cost changes in the way mediators are paid in cases involving both adult and juvenile matters, and increasing fee paid
- Includes $60,000 each year for increase in fee paid to court-appointed attorneys in commitment hearings
- For the Indigent Defense Commission, recommendation includes $604,000 GF over the biennium and five positions to serve as sentencing advocates and $654,000 GF over the biennium and one position to install a new VOIP system
- Reverts to the general fund $400,000 in FY 2016 from estimated judicial vacancy savings
- Language extends the Immediate Sanction Probation Program until July 1, 2017
- Language directs Office of Executive Secretary to identify drug court pilot sites for alternative drug treatment regimens

Finance Secretariat

Department of Planning and Budget

- Eliminates $554,000 GF each year for proposed centralized grants office within DPB
- Removes language and associated funding proposing to establish the Council on Virginia's Future as a stand alone agency within the Finance Secretariat
  - Eliminates $938,000 GF each year and seven positions for proposed stand alone Council
  - Returns to DPB $410,000 GF each year proposed to be transferred to stand alone Council
  - Transfers $150,000 GF each year to DPB from proposed stand alone Council for the purpose of contracting for population projections
  - These actions result in a net savings of $378,000 GF each year

Department of Treasury

- Includes $1.1 million GF each year for compliance contractor fees related to unclaimed property compliance services audits
- Provides $290,000 GF and $287,000 NGF over the biennium for two new positions and to fund a vacant position to support agency operations
- Adds $192,000 GF in FY 2017 to reduce claimant wait times when filing unclaimed property claims electronically
- Includes $1.3 million GF in FY 2017 to provide compensation to Michael Kenneth McAlister for wrongful incarceration

Finance Secretariat (cont'd)

Department of Taxation

- Includes $829,000 GF in FY 2017 and $945,000 in FY 2018 to fill 14 vacant positions in order to address identity theft and refund fraud
- Provides $555,000 GF over the biennium to procure IT security software
- Adds 297,000 GF in FY 2017 and $289,000 GF in FY 2018 and two positions for maintenance and security of IT systems
- Removes $2.5 million GF the first year for proposed study of market-based sourcing
- Eliminates $377,000 GF over the biennium to implement front-end tax filer software

Department of Accounts

- Includes $1.9 million NGF in FY 2017 and $2.9 million NGF in FY 2018 to reflect full-year costs of agencies' use of the Cardinal financial system
- Provides up to $25 million for a working capital advance to pay the initial costs of replacing the Commonwealth Integrated Payroll System (CIPPS)
  - Up to $10.0 million of the advance may be used for any unexpected costs associated with the roll-out of Cardinal

Administration Secretariat

Compensation Board

- Includes $1.0 million GF each year to support information technology improvements at Circuit Court Clerks' offices
  - Reduces transfer to the general fund from the clerk's technology trust fund
- Restores language added by the 2015 General Assembly limiting the collection on a contingency basis of delinquent fines and fees by local treasurers

Department of Human Resource Management

- Includes reduction of $2.7 million GF each year to reflect completion of migration of Personnel Management Information System (PMIS) to a new server platform
- Provides $1.0 million GF in FY 2017 and $660,000 GF in FY 2018 and one position, and reductions of $371,000 NGF each year, to support training and one-time software upgrades for the Commonwealth of Virginia Knowledge Center

Technology

Virginia Information Technologies Agency

- Language authorizes VITA to initiate early disentanglement of certain IT partnership services
  - Provides $4.5 million NGF each year 17 positions for staff and other anticipated costs of transition of aforementioned services
  - Includes increase of agency's line of credit by $20 million to cover anticipated and unanticipated costs of transition
  - Includes $300,000 GF the first year for the evaluation of cloud-based technology services

REPORT OF THE HEALTH AND HUMAN RESOURCES SUBCOMMITTEE

Address Critical Needs for Behavioral Health and Substance Abuse Treatment and I/DD Services

- Builds on previous House efforts to provide services for individuals with serious mental illness and substance use disorder and I/DD services
- Expands targeted behavioral health and substance abuse treatment services to 3,600 individuals with serious mental illness (SMI) with incomes at or below 80% of the federal poverty level
- Expands Medicaid substance abuse treatment to provide a comprehensive array of treatment services and to build provider capacity
- Expands funding for community behavioral health services
  - Programs for Assertive Community Treatment (PACT)
  - Permanent supportive housing
  - Discharge assistance services
  - Children's psychiatry and crisis response services
- Adds 150 DD waiver slots and accesses the Behavioral Health and Developmental Services Trust Fund to expand capacity to serve individuals with intellectual and developmental disability (I/DD) in the community

Mental Health Safety Net

- Provides $28.8 million GF and $16.4 million NGF over the biennium for mental health and substance abuse treatment
  - $11.0 million GF and $11.0 million NGF over the biennium to implement a comprehensive Medicaid benefit package for substance abuse treatment
  - $5.4 million GF and $5.4 million NGF over the biennium to increase eligibility for the GAP program from 60% to 80% of the federal poverty level
    - Serves individuals with serious mental illness with primary care, outpatient services, medications and a robust set of behavioral health services
    - Anticipates an 18% increase in the program (up to 3,600 individuals)
    - Language is added to require outreach with DOC and local and regional jails
  - $4.0 million GF over the biennium to provide two new Programs for Assertive Community Treatment (PACT) teams, bringing the total number of teams to 24
  - $3.6 million GF over the biennium for permanent supportive housing
  - $2.0 million GF over the biennium to expand children's psychiatric and crisis response services
  - $2.0 million GF over the biennium for discharge assistance services
  - $354,705 and two positions to create an oversight system for court-ordered competency and sanity evaluations
  - $338,000 to increase resources for competency restoration services and services for up to 24 individuals Not Guilty by Reason of Insanity who are expected to be conditionally released to the community
  - $195,111 and one position to manage wait list of jail transfers to state facilities
- Adds language to develop a loan repayment program for behavioral health workers

Recommends $104.0 million for I/DD Services

Description ($ in millions)	FY 2017	FY 2018
DMAS: I/DD Waiver slots – 855 total: 180 ID slots for facility discharges; 625 ID slots and 50 DD slots for community waiting list	$14.2	$31.8
DMAS: Waiver redesign (higher rates **and** new services)	11.1	23.0
DMAS: 100 reserve emergency waiver slots	1.8	1.8
DMAS: 150 new DD waiver slots (Addresses top 100 on June 30, 2016 chronological waiting list)	1.5	2.3
DARS: Guardianship services for 195 individuals	0.5	1.0
DBHDS: Crisis services	4.3	5.3
DBHDS: Rental Assistance & Rental Choice VA Subsidy Program	2.3	4.2
DBHDS: Add developmental disability support network in SW Virginia	1.3	1.3
DBHDS: Transitional funding for training center discharges	0.6	0.5
DBHDS: Services for non-Medicaid eligible training ctr. Discharges	0.5	0.5
DBHDS: Added staff for DOJ related oversight, compliance & support	2.2	2.7
DBHDS: Added costs for Independ. Reviewer & critical event tracking	1.0	0.3
DBHDS: Training center closure costs	4.8	3.9
DMAS: Medicaid savings from planned facility closures	(9.8)	(10.9)
Total costs of U.S. DOJ Settlement Agreement Related Items	**$36.3**	**$67.7**

Use of the BHDS Trust Fund for Community Housing Options for I/DD

- Amendments provide $1.5 million in FY 2016 (HB 29) and $4.6 million in FY 2017 (HB 30) from the Behavioral Health and Developmental Services Trust Fund for one-time expenses for the development of community housing options, specialized services and capital improvements to transition individuals from training centers or help those who lack housing options
  - First priority is for projects to assist individuals transitioning from Southwestern Virginia Training Center to the community
    - Must be located in Virginia within 100 miles of Southwestern Virginia Training Center
  - Second priority is for projects to assist individuals transitioning from Central Virginia Training Center to the community
  - Funding in FY 2017 adds a third priority for the development of these services for individuals with I/DD in Northern Virginia with intensive with intensive behavioral and/or medical needs
- Language requires that expenditures from the Trust Fund must be included in an appropriations bill passed by the General Assembly and provides for carrying forward unspent funds

Mental Health Facility Services

- Eliminates $1.0 million GF and language in the introduced budget directing the Department of Behavioral Health and Developmental Services (DBHDS) to begin the detailed planning process to close Catawba Hospital
- Adds $450,000 GF in FY 2017 and language directing DHBDS to develop a comprehensive plan for the publicly funded geropsychiatric system of care in Virginia
  - Plan is to include an assessment of the needs of individuals receiving geropsychiatric services in our state mental health facilities and examine existing community capacity to meet these needs
  - Report on plan is due November 10, 2016 to money committees and the Joint Subcommittee to Study Mental Health Services in the 21st Century
- Adds $250,000 GF in FY 2017 and language directing DBHDS to obtain independent consultant services to begin the process to seek Medicaid certification of up to 40 beds at the Hancock Geriatric Treatment Center as an intermediate care facility
  - Hancock recently lost its Medicaid intermediate care facility certification and has not sought recertification
  - Recertification would provide federal Medicaid funding to offset the cost of care for some of the geriatric individuals cared for at the Center

HB 30 – Medicaid Issues

- Amendments eliminate Medicaid Expansion
  - Restore $38.6 million GF in FY 2017 and $46.0 million GF in FY 2018 in Medicaid funding
  - Restore $12.1 million GF in FY 2017 and $29.1 million GF in FY 2018 in Community Services Board funding
  - Restore $9.9 million GF in FY 2017 and $24.7 million GF in FY 2018 to the Department of Corrections for health care
  - Restores language for Medicaid reform
  - Eliminate $3.6 million GF over the biennium for eligibility processing at local social services departments
  - Eliminate language in Central Accounts to spend Medicaid savings and authority to impose a private acute care hospital assessment up to 3% of a hospital's net patient revenue to offset future Medicaid expansion costs
- Adds $5.6 million GF and $5.6 million NGF in FY 2018 to ensure the method for calculating nursing facility rebasing reflects Medicaid regulations and legislative intent to correctly account for inflation
- Recommends $1.2 million GF and $1.2 million NGF over the biennium to increase payment rates to nursing facilities serving special populations
- Provides $3.7 million GF and $3.7 million NGF to increase private duty nursing rates by 6% over FY 2016 levels for the Assisted Technology Waiver the Early and Periodic Screening, Diagnosis and Treatment program for children
- Recommends including a 2% increase in personal care rates totaling $15.1 million GF and $15.1 million NGF over the biennium

Safety Net Programs

- Amendments add:
  - $2.0 million in Temporary Assistance to Needy Families (TANF) block grant funds over the biennium for services for domestic violence services
  - $500,000 GF over the biennium for Child Advocacy Centers
  - $250,000 GF each year to expand brain injury services
  - $250,000 GF each year ton increase long-term employment support services
  - $150,000 each year to Birmingham Green, an assisted living facility that serves a disproportionate number of low-income and disabled individuals
  - $100,000 GF in FY 2018 for the Mission of Mercy (M.O.M) dental project
    - Introduced budget included funding only in the first year
- Moves $400,000 GF from FY 2018 (HB 30) to FY 2016 (HB 29) for compensation to victims of sterilization
  - 18 individuals have been approved for compensation but current funding will only pay for 16 claims in FY 2016
  - 11 individuals are in the pipeline to be approved in FY 2016
  - Language allows funding to be carried forward into the 2016-18 biennium

Other Health and Human Services

- Amendments add $2.0 million GF and $6.0 million NGF to increase funding for local departments of social services to handle the increased volume of Medicaid applications and renewals due to the "woodwork" effect of individuals applying through the health insurance exchange
  - Language directs the Department of Social Services to develop a administrative funding allocation based on measure reflecting workload, ability to pay and other performance measures of core responsibilities
- Provides $1.0 million GF over the biennium to support local governments in their administration of the Children's Services Act
- Provides $400,000 GF over the biennium to provide independent living services for blind and vision impaired individuals at the Virginia Center for the Blind and Vision Impaired who are not eligible for vocational rehabilitation funding

TANF Funding

- Amendments provide federal Temporary Assistance to Needy Families (TANF) funds to the following programs
  - $4.8 million each year for a child support supplement up to $100 per month for TANF families with more than one child
  - $3.0 million each year for Community Action Agencies
  - $1.0 million each year for domestic violence grants
  - $1.0 million NGF each year for Boys and Girls Clubs
- Amendments remove $22,445 (HB 29) and $9.0 million (HB 30) in TANF funding for Long Acting Reversible Contraceptives

Recommended Language

- Requires the Secretary of Health and Human Resources to:
  - Convene a work group of agencies across Secretariats to examine the current costs and protocols for purchasing high cost medications and make recommendation by October 15, 2016 to improve the cost effectiveness of purchasing these medications.
  - Develop a plan on data governance across HHR agencies
  - Report on transition planning in the HHR Secretariat by Sept. 1 and semi-annually thereafter
- Requires the Department of Planning and Budget (DPB) and the Department of Medical Assistance Services (DMAS) to revise the Medicaid forecasting process and complete the forecast by November 1
  - Requires inclusion of money committee and JLARC staff in a review of key assumptions used in building the forecast by October 15
- Requires DMAS and DBHDS to report on progress in implementing the I/DD Waiver redesign and recommend metrics to measure its success by August 1, 2016.
- Adds language for DMAS and the Department of Social Services to implement a number of JLARC recommendations related to the Medicaid eligibility process

HB 29/30: HHR Major Savings

- Medicaid savings
  - $26.0 million GF in FY 2018 from a moratorium on the ACA health insurance tax on managed care contracts
  - $18.4 million over the biennium by eliminating overtime for consumer-directed personal assistance
  - $2.1 million in FY 2017 by deferring for one year several new, less critical services in the redesigned waivers for individuals with intellectual and developmental disability
  - $723,318 GF over the biennium from revised estimates of the cigarette taxes to be received in the Virginia Health Care Fund which is used to offset state Medicaid payments
- $2.0 million GF in savings over the biennium by eliminating a new initiative to expand foster care and adoption subsidies to children ages 19 to 21
- $1.5 million GF in savings in HB 29 and HB 30 from revised estimates of spending for unemployed parents' welfare benefits
- $1.0 million GF in savings in HB 29 from revised estimates of spending in the Auxiliary Grant program

REPORT OF THE PUBLIC SAFETY SUBCOMMITTEE

Department of Corrections

- Includes $6.7 million GF in FY 2017 and $21.7 million GF in FY 2018 and 255 positions to operate the former Culpeper JCC as a correctional center for women
  - Captures savings of $10.9 million over the biennium by delaying opening for six months
- Provides $10.9 million in FY 2017 and $32.9 million in FY 2018 for inmate medical costs
  - Restores $34.6 million over the biennium for inpatient hospital services for inmates
- Provides $5.0 million GF and 89 positions each year for additional correctional officers to address understaffed security posts
- Includes deposit in Corrections Special Reserve Fund of $3.8 million GF in FY 2017 to reflect estimated sentencing impacts of House Bills
  - $3.2 million of this amount reflects the House Bills passed as part of domestic violence package
- Provides $1.2 million GF each year to for costs of contracted community residential beds
- Adds $1.4 million GF and $3.8 million NGF over the biennium and eight positions to develop an electronic medical records system for women's correctional centers
- Eliminates $3.8 million each year and associated positions for proposed re-entry pilot and community corrections programs

Sheriffs and Jails

- Includes additions for estimated local and regional jail per diem costs:
  - FY 2016: $11.3 million (HB 29)
  - FY 2017: $10.4 million
  - FY 2018: $11.1 million
- Provides $2.0 million GF the first year and $2.2 million GF the second year to support the state costs of operating completed jail expansion projects at the Central Virginia and Pamunkey Regional Jails
- Includes $766,483 GF in FY 2017 for the state share of three local construction or renovation projects

State Police

- Provides $4.3 million GF over the biennium and four positions to upgrade and maintain information technology systems
- Amendment in Central Appropriations provides up to $5 million in FY 2017 for unanticipated costs associated with IT security-related systems and services
- Adds $1.4 million GF each year and 10 positions for cyber-crime investigations and digital forensic analysis
- Includes $1.2 million GF and nine positions in FY 2017 and $3.1 million GF and 18 positions in FY 2018 for the training facility in Blackstone
- Adds $325,000 GF each year and four positions for cyber security analyst positions at the Virginia Fusion Center
- Provides $295,699 GF in FY 2017 and $234,680 GF in FY 2018 to establish a new area office in the New River Valley
- Removes $230,000 in FY 2017 and $247,000 in FY 2018 for new restoration of rights positions, and for the establishment of a firearms law violation tip line

Department of Juvenile Justice

- Includes language directing the department to develop and implement a transformation plan to reduce number of juvenile offenders in state facilities
  - Department is required to provide alternative placements and services offering supervision and treatment consistent with levels of risk
  - Language authorizes department to reallocate any savings from the reduced cost of operating state facilities to support transformation plan
- Language requires Department to evaluate future capital needs for state juvenile corrections and report findings by November 1, 2016

Other Public Safety Agencies

Department of Alcoholic Beverage Control

- Includes $1.4 million NGF each year and 60 positions for personnel at new and existing stores, and to convert part-time warehouse employees to full-time status
- Adds $1.5 million NGF in FY 2017 and $2.9 million in FY 2018 for ongoing costs of replacing the agency's licensing and financial systems
- Increases net profit transfer by $3.8 million in FY 2016, $4.7 million in FY 2017, and $9.6 million in FY 2018

Department of Criminal Justice Services

- Adds $5.2 million GF each year for HB 599 aid to localities with police departments
- Language amendment directs DCJS to solicit proposals for pilot programs to improve services to inmates with serious mental illness and/or to provide pre-incarceration crisis intervention services to divert mentally ill from jails
- Includes $2.0 million GF each year to establish local community corrections and pre-trial release programs in areas that do not currently have such programs
- Adds $438,121 GF each year for the Court Appointed Special Advocate (CASA) program
- Includes $400,000 GF and four positions each year to restore agency's technical assistance capabilities

Secretary of Veterans and Defense Affairs

- Adds $600,000 GF each year to support recommendations of Governor's Commission on Military Installations and Defense Activities
  - Companion amendment in HB 29 provides $250,000 GF in FY 2016 for this purpose
- Language amendment directs Secretary to chair a working group to develop implementation plan for transformation of Virginia Veteran and Family Services (VVFS) program
  - Working group members include Secretaries of Veterans and Defense Affairs and Health and Human Resources, and the Director of JLARC
  - Work group focused on addressing recommendations made in 2015 JLARC report on the Department of Veterans Services
  - Authorizes up to $393,000 GF to be released in FY 2017 upon request of work group after completion and approval of plan for VVFS

Department of Veterans Services

- Adds $1.3 million GF and 34 positions in FY 2017 and $2.8 million and 36 positions in FY 2018 for several programs and activities
- Includes $200,000 GF and one position in FY 2017 and $400,000 GF and two positions in FY 2018 to hire administrators for the two new veterans care centers
- Adds $400,000 GF each year and three positions for a pilot program to expand health care employment opportunities for military medics transitioning to civilian careers
- Adds $166,000 GF in FY 2017 and $310,000 GF in FY 2018 for operating costs and positions associated with expansion of Virginia War Memorial
- Includes $100,000 GF in FY 2017 and $150,000 GF in FY 2018 to contract with the Department of Social Services to expand the DSS 2-1-1 hotline to connect veterans with available services

REPORT OF THE TRANSPORTATION SUBCOMMITTEE

HB 30: Transportation

- The proposed budget for transportation includes net increases of $662.8 million NGF (10.2%) the first year and $335.4 million NGF (5.0%) the second year
  - Total funding for transportation is $13.4 billion over the biennium
  - Increases derive from stronger than anticipated state transportation revenues as well as funding made available through the passage of the new federal Fixing America's Surface Transportation (FAST) Act
- Several language changes are contained in the Office of the Secretary providing policy guidance on transportation projects
  - Aligning the appropriation of bond program proceeds and additional revenues resulting from the reforecast with 2015 funding reforms and programs established pursuant to HB 1887
  - Reversion of the I-95 tolling pilot program slot to FHWA
  - Initiating discussion on usage of air rights with Arlington/Fairfax Counties

Major Transportation Initiatives

Funding to Add a 3rd Lane of I-66 Inside the Beltway to Ballston

- Directs that amounts needed, not to exceed $140 million, shall be included in the FY 2017-2022 Six-Year Improvement Program for the addition of a third eastbound travel line Interstate 66 from the Dulles Connector Road to the North Fairfax Drive/N. Glebe Road exit
- Directs the Department to begin required environmental work no later than July 15, 2016, and requires the completion of a minimum of 30 percent of the design work for such capacity expansion by November 1, 2017
- Revenues will be provided from additional amounts, largely federal, identified after the budget was introduced and does not impact the projects proposed for funding pursuant to HB 2 or lower the grants under either the High Priority Projects or District Grants programs

Statewide Tolling Policy

- Includes a second enactment to the budget language implementing a statewide tolling policy that restricts existing authority of the CTB, VDOT, NVTA, and HRTAC to impose tolls
  - No tolls on any non-limited access highways without approval from the General Assembly
  - No tolls on any existing lanes open to all traffic 24/7 without General Assembly approval
- Ensures Virginia EZ pass holders are not charged with toll violations due to equipment malfunctions or accidental low balance issues
  - Requires VDOT to notify Virginia EZ pass holders by text or email several times over a 10 day period
- Caps civil penalties and administrative fees that can be recovered for first time offenders at court at $2,200 regardless of the number of violations
- Extends the period of time before administrative fees can increase from $25 to $100 from 30 days to 60 days

Major Transportation Initiatives

Dulles Airport Funding

- Included within the Secretary's Office is authority to dedicate $25.0 million NGF each year to the Metropolitan Washington Airports Authority to reduce the enplanement cost charged to commercial carriers at Dulles International Airport.
- Funds would be used to help reduce the outstanding debt incurred for previous capital improvements at Dulles and to bridge the gap until additional long-term efficiency measures can be implemented
- Funding is contingent upon:
  - The Secretary certifying that it is in the public interest,
  - MWAA entering into a long-term agreement with a hub airline by the second year,
  - MWAA identifying efficiency savings equaling or exceeding the amount of the appropriation,
  - The development of a long-term viability plan to further reduce enplanement costs, including the pursuit of opportunities to develop land adjacent to the airport to support their long-term needs
  - MWAA providing access to financial information, and reporting on actual and forecasted changes in enplanement costs to the General Assembly on an annual basis

VPA

- At the Port of Virginia, $350.0 million in VPBA bond authorization is included for capital improvements to automate the operations at Norfolk International Terminals and increase throughput
- Additional funding of $10.0 million NGF is authorized to finance increased rent at the Virginia International Gateway as part of a planned 50-year lease-purchase agreement
- $2.0 million GF in each year is included for the Port of Virginia Economic Development Zone Grant Program from the Commonwealth Opportunity Fund

Other Transportation Initiatives

- Releases $31.1 million NGF in Transportation Partnership Opportunity Fund balances remaining from earmarks included in 2008 Appropriation Act
  - $23.1 million which would be dedicated to undesignated projects "outside the gates" at military installations in the Commonwealth
  - Remaining $8.0 million directed to Interstate rest area improvements
    - Additional funding $11.8 million NGF off the top of the State of Good Repair program funding would also be dedicated to rest area improvements, bringing the total to $20.0 million NGF
- Increases authorized staffing levels at VDOT by 315 FTEs and at DRPT by 7 FTEs (all supported by NGFs) to reduce reliance on higher-cost consultant services
- At DRPT, language directs the Department to provide rail service enhancement to Norfolk and Roanoke prior to funding expansion of high speed rail to North Carolina
- Department is directed to review capital project prioritization and how DRPT could best move to multi-year programming of funds

Other Transportation Initiatives

DMV:

- Two customer-service initiatives are included:
  - Expanding online transaction discounts to other DMV services
  - Consolidation of EZ Pass program and account management
- Language provides the Commissioner authority to issue temporary permits for intrastate goods transporters and directs them to develop a database on nonrepairable vehicles
- Direction is given for the Department to enter into a contract to extend discounted records to private toll-road operators to effectuate a toll reduction for the general public

Department of Aviation:

- Agency is directed to undertake a review of its operations, programs and expenditures for the prior five years
  - Requires evaluation of funding by airport, program and source
  - Encompasses Aviation Special Fund and Aviation share of Transportation Trust Fund