



**Recommended Amendments to the
2016-18 Budget (HB 29)
and to the
2018-20 Budget (HB 30)**

**House Appropriations Committee
February 20, 2018**



REPORT OF THE HEALTH AND HUMAN RESOURCES SUBCOMMITTEE

HHR Health Care Recommendations

- Amendment to House Bill 29 increases health care coverage to uninsured Virginians with incomes up to 138% of the federal poverty level pursuant to the Affordable Care Act (ACA)
 - Assumes an effective date of January 1, 2019
 - 300,000 individuals are projected to enroll
 - Incorporates innovative reforms to promote health and well-being, personal responsibility and fiscal sustainability
- Language creates a “dual track” for transformation and key reforms through section 1115 demonstration waiver
 - Within 45 days after passage, Virginia will submit State Plan Amendment application & file initial paperwork for section 1115 demonstration waiver
 - Within 180 days after passage, Virginia will submit 1115 waiver application for reforms
 - Involves money committees in discussions with CMS and provides for progress reports
- HB 29 provides \$3.5 million GF and federal Medicaid matching funds to hire an expert with successful experience with similar waivers to assist with design and federal approval process
- HB 30 provides \$4.6 million GF in FY 2019 and \$16.9 million GF in FY 2020 to support the Training, Education, Employment and Opportunity Program (TEEOP) for Medicaid enrollees

Health Care Recommendations

Waiver Provisions

- Incorporates the Training, Education, Employment & Opportunity Program (TEEOP) outlined in House Bill 338
 - Participation hours are converted to monthly rather than weekly requirements
 - Includes exemptions for children, pregnant women, aged, disabled and seriously mentally ill
- Uses a “premium assistance” model with Health Savings Accounts to put newly-eligible population on private insurance plans or employer-sponsored insurance
 - Premiums apply to those with incomes between 100-138% of poverty level
- Includes cost-sharing provisions for enrollees to pay premiums and co-pays and ensure personal responsibility
- Includes incentives for healthy behaviors and proper emergency room usage
- Participants may be suspended, after a grace period, if they fail to pay premiums or maintain continuous coverage
- Includes provisions to disenroll if federal funding is reduced or terminated

Health Care Recommendations

- Cost of enhanced coverage is \$80.8 million GF in FY 2019 and \$226.1 million GF in FY 2020
 - Costs covered by a provider assessment on private acute care hospitals
 - Language in Central Accounts provides DMAS with authority to impose the assessment through a formula that is roughly equal to 0.5% of net patient revenue in FY 2019 and 1.4% in FY 2020
 - Revenue would be deposited into a “lock box” in the Virginia Health Care Fund
 - Federal match rate of 94% in 2018, 93% in 2019 and 90% in 2020
- Total savings for state programs are projected to be \$101.3 GF in FY 2019 and \$269.7 million in FY 2020 (includes programs outside HHR)
 - Savings based on the elimination of state general fund dollars for health care programs for individuals who will become eligible under enhanced eligibility (majority of savings comprised from existing DMAS programs)

Projected Costs/Savings of Medicaid Transformation

Estimated Costs and Savings (\$ in millions)	FY 2019	FY 2020
Coverage of Newly Eligible Adults to 138% FPL	\$60.7	\$194.7
Coverage for Additional Eligible but Unenrolled "Woodwork"	0.8	4.9
Coverage of Dept. of Corrections Inmates	1.7	3.5
ACA Insurance Tax (Newly Eligible & Woodwork)	0.6	2.1
DMAS Additional Administrative Costs for Transformation	14.8	17.3
DSS Eligibility Determinations	<u>2.2</u>	<u>3.6</u>
Estimated Costs of Medicaid Transformation	\$80.8	\$226.1
Substitution of Medicaid Coverage for Indigent Care Funding	(\$47.5)	(\$110.3)
State-Funded Community Behavioral Health Services	(11.1)	(25.0)
Incarcerated Populations (DOC Prisons/State Inmates in Jails)	(10.3)	(23.4)
FAMIS Pregnant Women Enrollees	(10.4)	(47.6)
GAP Program for Seriously Mentally Ill up to 60% FPL	(17.9)	(42.0)
Divert Disabled/Medically Needy Enrollments	(1.6)	(12.9)
Medicaid Breast & Cervical Cancer Enrollees	(1.0)	(4.8)
Medicaid Family Planning (0-100%) Program Enrollees	(1.1)	(2.8)
Services for Individuals w/Temporary Detention Orders	<u>(0.4)</u>	<u>(0.9)</u>
Estimated Program Savings of ACA Medicaid Transformation	(\$101.3)	(\$269.7)

HB 30: Other DMAS / Medicaid Spending

Targeted Spending Items*	2018-20 (GF \$ in millions)
Rates and Services:	
1% Increase Personal Care Rates in FY 20 (CD & Agency)	\$4.9
Medicaid costs for CSB Same Day Access to Services	3.2
Restore DSH Payment for Catawba Hospital & Piedmont Geriatric Hospitals	1.1
Streamline enrollment of DOC & Jail Inmates in Medicaid	0.9
Administrative and Technical:	
Re-procure Contract for the Cover Virginia Call Center	4.9
Fund External Quality Review of Managed Care Oversight	0.9
Total	\$15.9

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

Dept. of Behavioral Health & Developmental Svs.

- Total spending of \$163.1 million GF over the biennium for behavioral health and developmental services
- Major spending items include:
 - \$60.9 million GF for items related to compliance with the U.S. DOJ Settlement Agreement
 - \$47.8 million in DMAS for 825 I/DD waiver slots and 50 reserve slots
 - \$13.1 million for other services in DBHDS
 - \$59.7 million for community mental health services
 - \$15.8 million for behavioral health facility capacity and operating costs
 - \$15.3 million for Virginia Center for Behavioral Rehabilitation capacity and facility expansion and services
 - \$4.6 million for Part C early intervention services
- Savings total \$50.9 million GF over the biennium
 - \$36.1 million in savings for CSB funding due to Medicaid transformation
 - \$1.0 million in savings from training center closures (\$27.5 million in savings from closures in DMAS budget)

DOJ Settlement Agreement Spending

DOJ Settlement Agreement Related Items (GF \$ in millions)	FY 2019	FY 2020
DMAS: 825 Waiver slots – 70 ID slots for facility discharges; 680 CL waiver slots & 75 FIS waiver slots for community waiting list	\$14.5	\$30.5
DMAS: 50 Reserve emergency waiver slots	0.9	1.9
DBHDS: Crisis services	2.4	3.2
DBHDS: Rental Assistance	1.5	4.1
DBHDS: Add DD support network in Central Virginia	0	1.3
DBHDS: Services for non-Medicaid eligible training ctr. Discharges	0.2	0.2
DBHDS: Increased workload costs of Independent Reviewer	0.1	0.1
DBHDS: Provider training, compliance review, quality mgmt., IT	NGF*	0
DBHDS: Increase Community Capacity for Individuals with Medically Complex Support Needs	NGF*	0
DBHDS: Savings from planned training center closures	0	(1.0)
DMAS: Medicaid savings from planned training center closures	(10.5)	(17.0)
Total Costs of U.S. DOJ Settlement Agreement Related Items	\$9.1	\$23.3

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

DBHDS Community Behavioral Health Services

GF \$ in millions	FY 2019	FY 2020
STEP-VA CSB Same Day Access to Services	\$5.9	\$5.9
STEP-VA CSB Primary Care Screening	3.7	7.4
Backfill federal funds-medication assisted treatment	5.0	5.0
Discharge assistance plans for 92 individuals on extraordinary barrier list at state hospitals	2.3	4.6
Expand permanent supportive housing <ul style="list-style-type: none"> - 200 individuals with serious mental illness - 75 pregnant women & women with children who have substance use disorders 	2.3	4.8
Develop community capacity for facility discharges <ul style="list-style-type: none"> - Assisted living facility to address complex medical and behavioral needs - 2 community support teams 	1.8	2.8
Add 6 CIT assessment sites (drop-off centers) in rural unserved areas	0.9	1.8
Total	\$21.9	\$32.3

DBHDS Behavioral Health Facilities

GF \$ in millions	FY 2019	FY 2020
Electronic health records at all DBHDS facilities	\$5.1	\$5.1
Operating support for new 56-bed expansion at Western State Hospital	0.0	5.6
VCBR: Fund 22 temporary beds at Piedmont Geriatric Hospital for residents with significant medical needs	2.8	2.9
VCBR: Fund operating costs of new 72-bed expansion and 147 positions	0.0	7.8
VCBR: Fund Hepatitis C treatment	0.5	0.5
Supervision/monitoring of conditionally released	0.3	0.5
Total	\$8.7	\$22.4

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

Temporary Assistance to Needy Families (TANF) Block Grant

- TANF spending continues to exceed the block grant amount leaving a balance of \$94.3 million NGF by the end of FY 2020
 - Continued caseload decline is projected to result in the accumulation of balances
- Recommended spending
 - \$3.0 million each year for community employment and training
 - \$2.0 million in FY 2019 and \$4.0 million in FY 2020 for a 2-year pilot program at the Virginia Department of Health access to subcuticular contraceptive implants
 - Requires metrics and report on pilot program
 - \$2.0 million each year for Community Action Agencies
 - \$0.5 million each year for local domestic violence programs
 - \$09 million over the biennium for Early Impact Virginia (home visiting program consortium)
 - \$0.3 million each year for child advocacy centers
 - \$75,000 each year for Visions of Truth STRIVE program

HB 30: HHR Major Savings

Targeted Reductions	2018-20 (GF \$ in millions)
Savings from moratorium on ACA health insurance tax	(\$42.0)
Savings from training center closures and discharges	(27.5)
Reduce hospital inflation by 50% in FY 2019 (provide full amount of inflation in FY 2020)	(10.9)
Reduce rate increase for CD personal care (amendments provide 1% in FY 2020 for CD & agency personal care)	(9.8)
Eliminate overtime for CD personal attendants	(9.6)
Delay Health Dept. electronic health records to FY 2020	(1.8)
Eliminate training funds for CD personal attendants	(1.0)
Eliminate funds for meningococcal vaccine	(0.5)
Total	(\$103.1)

REPORT OF THE PUBLIC EDUCATION SUBCOMMITTEE

HB 29: Reflect Total \$390,703 GF

- The Committee's recommendations include several technical amendments that add \$390,703 GF in FY 2018:
 - \$442,039 for the K-3 Class Size Reduction program to add two classrooms
 - (\$51,336) savings within the Linwood Holton Governor's School to reflect a reduction in student enrollment
- Increases the Lottery revenue by \$3.0 million in FY 2018 and supplants a like amount of general fund dollars

HB 30: Direct Aid to Public Education

Total Biennial Budget Equals \$16.3 Billion

- The Committee's recommended 2018-20 biennial budget for Direct Aid to Public Education totals \$12.7 billion GF and \$3.6 billion NGF (Lottery, literary and federal)
 - FY 2019: \$6,265.7 million GF and \$1,805.8 million NGF
 - FY 2020: \$6,389.4 million GF and \$1,801.6 million NGF
- The Introduced Budget has a net increase of \$515.9 million GF higher than the FY 2018 base budget – which includes rebenchmarking, policy changes, new and expanded initiatives
 - \$481.1 million for the total cost of Rebenchmarking
 - \$34.8 million for new policy changes, new/expanded initiatives
- To that, the Committee recommends increasing the K12 budget by an additional \$98.0 million over the biennium as compared to the introduced bill

Increase Lottery Per Pupil Funding: \$91.5 million

- The Committee's budget package increases the Supplemental Lottery Per Pupil Amount (PPA) by \$43.4 million the first year and \$48.1 million the second year
 - The revised Supplemental Lottery PPA allocation totals \$234.7 million the first year and \$239.4 million the second year
 - The per pupil amount increased from \$274 each year to \$336 the first year and to \$342 the second year
- The recommended additional funding increases the total percentage of Lottery dollars going directly the school divisions to 40% in the second year
 - School divisions have 100% flexibility on spending
 - No local match is required

Annualize Teacher 2% Salary Incentive: \$36.4 million

- Recommendations include adding \$36.4 million GF for the state's share of the 2.0% salary incentive provided for all funded SOQ instructional and support positions, in order to advance the effective date up to July 1, 2019 (from December 1)
 - Participation is optional and requires at least a 2.0% salary increase be given during the FY 2018-2020 biennium – either in the first or second year or through a combination of the two years
 - Total cost for the 2.0% salary incentive is \$87.7 million

Additional Recommended New Spending

- Package of recommendations also include adding \$6.1 million GF in the first year for an enrollment loss to eligible small school divisions with less than 10,000 students that realized at least a 5.0% decline in ADM over the five year period between 2013 to projected 2018 enrollments
- Adds \$782,000 over the biennium for vision screening testing fees for students in kindergarten, grades 2 or 3, 7 and 10
- Provides \$500,000 over the biennium for the Power Scholars Academy summer program partnership with YMCA
- \$52,000 over the biennium for CodeRVA Regional high school to purchase technology related equipment
- \$222,484 over the biennium for a technical update to the National Board Certification for additional eligible teachers

Captures Savings from Proposed Policy Initiatives and Technical Update: Net Total (\$35.9) Million GF

- Recommendations include redirecting several new proposed funding initiatives in the introduced budget into the PPA Lottery distributions:
 - ‘No Loss’ supplement: saves \$11.5 million
 - Small elementary schools with less than 300 students: saves \$7.7 million
 - At-Risk Add-on supplement expansion: saves \$7.1 million
 - New funding methodology proposed for Governor’s Schools: \$2.6 million
 - Bonuses & incentives for principal recruitment/retention: saves \$1.0 million
 - Cyber-camps: saves \$960,000
 - Project Discovery: saves \$200,000
- Technical correction for regional tuition special education: saves \$4.4 million
- Non-participation for VPI: saves \$484,960

Virginia Preschool Initiative

- Recommends adding \$75,000 the first year for DOE and CASTL to develop a plan that establishes specific methodology for classroom observations and assessments in all VPI classrooms, and requires the plan to be submitted to Chairmen of Appropriations and Senate Finance Committees by October 1, 2018
- Provides \$700,000 over the biennium for classroom assessments to be conducted in all VPI classrooms by the end of the second year
- Includes \$1,000,000 over the biennium to provide professional development and training for VPI classroom teachers to ensure supports are in place for high quality experience for preschoolers
- Clarifies the language in the introduced budget regarding the availability and funding for unused VPI slots

Recommended Language Changes

Committee's recommended language amendments include:

- Provides the spending flexibility for the At-Risk Add-on supplement to include school guidance counselors and requires school divisions to report on the usages of the funding
- Adds three school divisions into the Wolf Trap Model STEM Program (Albemarle, Henrico, and Suffolk)
- Prioritizes Mixed-Delivery preschool grant award for private-provider that partners with Richmond City and submits a high quality competitive application
- Directs Communities in Schools to assist the Community School organization to develop opportunities to establish a program in interested school divisions and requires CIS to submit a report on the progress with Community Schools to Chairmen of House Appropriations and Senate Finance Committees by November 1

DOE - Central Office

Committee recommends a net saving of \$3.4 million GF over the biennium for Central Office budget:

- Provides \$500,000 for the Virginia's Tiered Systems of Supports
- Adds \$550,000 for Virginia Kindergarten Readiness Program to expand the fall pre-testing to all kindergarten classrooms
- Capture new spending in the central office budget that saves a total of \$4.5 million over the biennium:
 - \$1.1 million for a new web-based licensure application and intake process
 - \$400,000 the second year for eMedia
 - \$300,000 over the biennium from the School Report Card redesign
 - \$2.0 million over the biennium from supplanting GF for federal funding for office operations
 - \$150,000 over the biennium for a proposed advisory council for digital citizenship
 - \$500,000 over the biennium for new environmental education initiative and 2.0 FTEs

REPORT OF THE COMPENSATION AND RETIREMENT SUBCOMMITTEE

Across the Board Salary Adjustments in FY 2020

- Committee recommends \$86.3 million GF in FY 2020 to provide a 2% salary adjustment for state and state-supported local employees effective at the beginning of the fiscal year
 - Includes \$68.5 million GF in FY 2020 for a 2% raise for state employees, including university faculty, effective June 10, 2019 (the July 1 pay day)
 - Includes \$17.8 million GF in FY 2020 for a 2% raise for state-supported local employees effective July 1, 2019
- In addition, the Committee recommends \$24.6 million GF for an additional 1% merit salary adjustment for classified state employees effective June 10, 2019
 - A portion of the funding included for the merit pay amendment comes from redirecting \$13.9 million included in the introduced budget for the state to pay the employee share of the 2019 and 2020 health insurance premium increases

Targeted Salary Actions

- Committee recommends \$38.7 million GF over the biennium to provide targeted salary increases to specific public safety personnel and direct care staff in facilities of the Department of Behavioral Health and Developmental Services (DBHDS)
 - Targeted salary increases for state employees effective January 10, 2019 and effective February 1, 2019 for deputy sheriffs

Employee Group	(\$ in millions)	FY 2019	FY 2020
DBHDS direct care staff in facilities		\$5.08	\$12.20
DOC & DJJ Correctional Officers *		\$4.85	\$11.63
Virginia Marine Police		\$0.15	\$0.35
Deputy Sheriffs in Localities with Primary Law Enforcement		<u>\$1.11</u>	<u>\$3.35</u>
Total		\$11.19	\$27.53

* DOC amendment assumes savings of \$1.5 million in FY 2019 and \$3.0 million in FY 2020 from reduced overtime

Contingent Bonus in the First Year

- Committee recommends authorizing a contingent 2% bonus for state employees in the first year
 - Bonus limited to state classified employees, excluding employees who are provided a targeted salary increase in FY 2019
 - Estimated cost of 2% bonus is \$32.8 million GF
 - Bonus is contingent on June 30, 2018 discretionary general fund balances and undesignated revenue surpluses being at least equal to \$32.8 million GF
 - Agencies/employees supported with NGF sources pay bonus with available NGF resources
 - Bonus to be paid on December 1, 2018

State Employee Health Insurance

- Committee recommendations include \$33.6 million GF in FY 2019 and \$84.6 million GF in FY 2020 to fund the employers' share of the increase in health insurance premiums for the State Employee Health Insurance Program
 - Funding is based on an assumed 6.0% rate increase in FY 2019 and an 8.5% increase in FY 2020
 - The budget assumes no plan changes for the program
 - Does not recommend funding the employee share of premium increase
- Committee recommends two language amendments pertaining to health insurance program
 - Language requiring improved transparency related to pharmacy cost and reimbursements in future contracts with pharmacy benefit managers and other third party administrators
 - Language encouraging the Department of Human Resource Management to incorporate a shared-services incentive program into the state employee and local choice health benefit programs

REPORT OF THE HIGHER EDUCATION SUBCOMMITTEE

Funding Recommendations for Colleges & Universities: \$114.5 million GF

- \$42.6 million to increase Degree Production in Data Science & Technology, Science & Engineering, Healthcare, and Education
 - Looking to increase degrees in these fields by 1,320 over the biennium above 2017 levels, or about 6% total growth
 - Language allows for innovative flat-fee approach at Radford for teachers (permissive)
- \$45.5 million in financial aid for in-state undergraduates
 - Language permits the use of 15% of total financial aid funding to be prioritized to eligible students in degree fields of Data Science & Technology, Science & Engineering, Healthcare, and Education or for students in the innovative internships
- \$26.4 million in other operating support to include \$4.3 million for O & M for new buildings, \$3.4 million for IT infrastructure, \$14.0 million in institutions-specific initiatives and \$4.7 million in base operating support

Biennial Allocations to Colleges and Universities for Operating Costs & Financial Aid

Inst	Operating Support	Fin Aid	Inst	Operating Support	Fin Aid
CNU	\$1.9	\$0.8	UVA	\$8.7	\$1.2
CWM	2.4	0.8	UVA-W	5.5	0.6
GMU	8.7	14.7	VCU	6.4	7.2
JMU	3.7	3.7	VMI	1.4	0.2
LU	2.0	1.5	VT	8.4	2.0
UMW	1.4	0.5	VSU	2.6	0.9
NSU	2.5	1.2	RBC	1.3	1.2
ODU	7.6	2.3	VCCS	3.1	4.5
RU	1.5	2.2	Total	69.0	45.5

Commonwealth Cyber (CyberX) Initiative

\$40.0 million

- \$40.0 million under VRIC for a new cyber initiative
 - Engine for research, innovation, and commercialization of cybersecurity technologies
 - Address statewide shortage of advanced and professional degrees within the cyber workforce
- Hub and Spoke structure
 - Hub located in Northern Virginia with Virginia Tech as anchor, along with participating universities and industry partners
 - Spokes co-located with, and operated by, other public universities throughout the Commonwealth
 - Opportunity to participate in collaborative programs and access to investment resources via VRIC

Commonwealth Cyber (CyberX) Initiative

\$40.0 million

- Programs at the CyberX:
 - World-class faculty and students conducting basic and applied research in cybersecurity;
 - Hub researchers co-located with venture partners, startup companies, accelerator/incubator(s), and established companies to foster collaboration and commercialization opportunities;
 - Faculty from spoke institutions to spend up to a year integrated into the hub site;
 - Experiential learning and internships between students at collaborating universities and researchers/companies collaborating at hub site;
 - K-12 and community college engagement programs that leverage the Virginia Cyber Range;
 - Expansion of scope and scale of post-baccalaureate education in cybersecurity offered at hub site, across spoke sites, and online; and
 - Ecosystem engagement events across the Commonwealth to catalyze the cyber economy and promote collaborations among industry, venture, academia, and government

VIMS, Extension, EVMS, Higher Education Centers & Jeff Labs - \$11.8 million

- \$8.3 million at higher education centers and EVMS
 - \$5.1 million at EVMS
 - \$1.0 million at the New College Institute
 - \$1.0 million at the Southern Virginia Higher Education Center
 - \$600,000 at the Institute for Advanced Learning and Research
 - \$500,000 at Jeff Labs
 - \$172,000 at the Roanoke Higher Education Center
- \$2.1 million at VIMS for O & M for new buildings & IT Upgrades
- \$1.4 million at VT Extension for O & M for new buildings & soil scientists

SCHEV - \$10.3 million

- \$4.0 million to increase workforce credential grant program
 - Language creates stronger ties to “GO VA”
- \$1.8 million for Tuition Assistance Grants (TAG)
 - \$225,000 to provide an additional \$500 TAG award in FY 2020 for students pursuing a teaching career
- \$2.2 million to enhance the Virtual Library
 - \$1.2 million for digital textbooks
 - Funding to maintain support for private institutions in VIVA
- \$1.0 million for revised cybersecurity scholarship program
- \$0.5 million for staff support for the Virginia Research Incentive Fund
- \$0.3 million for two-year college transfer grant
- \$239,333 to create a new student loan ombudsman position
- \$200,000 for Virginia Space Grant program

Other Higher Education Recommendations

- \$2.0 million for Online Virginia Network expansion of VCCS
- \$13.1 million restoration of interest earnings / rebates in Central Accounts
- \$19.3 million in central accounts for a 2% faculty salary increase beginning July 2019
- Other Education
 - JYF - \$1.4 million related to 2019 Commemoration
 - Library of Virginia
 - Digital Management System - \$1.2 million
 - Eastern Shore library construction - \$1.0 million
 - VMFA - \$0.4 million O & M new buildings
 - Gunston Hall - \$200,000 IT upgrades

Higher Education Policy & Reform

- Language asking Higher Ed Joint Subcommittee to evaluate ways to align public institutions and the Commonwealth's strategic goals
- Three amendments related to JLARC recommendations regarding the Virginia College Savings Plan
 - Evaluate proposed Weighted Average Tuition model
 - Evaluate investment performance
 - Investment Director
- Innovation fund language for more business & industry collaboration
- GMU venture language related to distance education & online degrees

Higher Education Policy & Reform

- VCCS evaluate Academic Advising (JLARC Recommendation)
- VCCS Pilot Program Roanoke City Schools & Va. Western CC on Career Technical Education
- NCI, JMU, VCCS & Online Virginia Network action plan on degree delivery
- Part 4 – language requires public comment period before tuition increases
- Part 4 - Allows institutions with less than 20% Out-of-state students to be exempt from 100% policy for new students in Data Science & Tech, Science & Engineering, Healthcare, and Education
- Part 4 - Permissive language to award students in programs at higher education centers larger financial aid awards

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

Recommendations Within Commerce & Trade

- Committee amendments repurpose approximately \$13 million GF in savings within Commerce and Trade and redirect these amounts to fund priority programs
- Focus is to advance the Commonwealth's economic development competitiveness in such areas as broadband access development, small business expansion, and workforce development
- Amendments reflect the elimination of the Secretariat of Technology and transfer its technology and economic development functions to other areas of government

GO Virginia

- Committee recommends increasing funding by \$5.0 million in FY 19 and \$10.0 million in FY 20 over FY 18 base and in total provide \$29.45 million in the first year and \$34.45 million in the second year
- Adopts language changes to:
 - Increase the minimum regional funding under the per-capita grants to \$1.0 million
 - Eliminate language in Introduced Budget that removed the caps on allotments
 - Enable GO VA Board to grant waivers for matching funds if requested by region
 - Direct GO VA Board to begin activity in broadband initiatives
 - Direct GO VA Board to develop workforce development internship program

Distribution of GO VA Increases	FY 2019	FY 2020
Support organizational and capacity building activities	\$3.25 m (\$1 m increase)	\$2.25 m
Based on each qualifying region's share of the state population	\$13.9 m (\$3 m increase)	\$16.9 m (\$6 m increase)
Awarded to regional councils on a competitive basis	\$12.3 m (\$1 m increase)	\$15.3 m (\$4 m increase)

Economic Development Incentive Payments \$115.8 million

Economic Development Incentives – (\$ in millions)		FY 2019	FY 2020
Performance-Based Agreements			
	VA Economic Development Incentive Grant (VEDIG)	\$4.4	\$3.0
	Virginia Investment Partnership (VIP) Grants	4.9	5.4
	Major Eligible Employers Grants (VIP Subfund)	1.8	0.0
	Virginia Jobs Incentive Program (VJIP)	5.7	2.7
	Aerospace Facility & Workforce Training Incentive Grants	\$ 6.1 (NGF)	\$5.7 (NGF)
Other Economic Development Incentives			
	Commonwealth Opportunity Fund	19.8	19.8
	Commonwealth Research Commercialization Fund	2.8	2.8
	Virginia Research Investment Fund	8.0	8.0
	Motion Picture Opportunity Fund	3.0	3.0
	Life Sciences Consortium (VBHRC)	3.75	3.75
	Spending for Marketing and Trade Missions	0.5	0.5
	Virginia-Israel Advisory Board	<u>0.2</u>	<u>0.2</u>
Total General Fund		\$54.85	\$49.15

Spending Recommendations

Virginia Economic Development Partnership (VEDP)

- Committee recommends increases of \$2.0 million GF in FY 2019 and \$3.0 million GF in FY 2020 for Business-Ready Site Development and marketing programs
 - These two initiatives were identified as top priorities in VEDP's recently developed strategic plan
 - Includes \$2.5 million in FY 2019 and \$5.0 million in FY 2020 for the customized workforce recruitment and training program

Department of Small Business and Supplier Diversity (SBSD)

- Amendments implement provisions of HB 1568 which moves the responsibilities and resources of the Department of Small Business and Supplier Diversity to the Secretary of Administration and the Virginia Economic Development Partnership

Department of Mines, Minerals and Energy (DMME)

- Committee recommends funding a Solar Energy Storage Study (HJ 101) passed by the House of Delegates that is a comprehensive analysis of storage devices, regulations, incentives and other aspects of the industry.

Technology

Secretary of Technology

- Budget language eliminates this Secretariat and distributes its responsibilities as follows:
 - Transfers VITA oversight to the Secretary of Administration and creates both a Deputy Secretary for Technology and a Chief Data Officer within Administration to assist in technology oversight
 - Transfers the Center for Innovative Technology (CIT) to the Secretariat of Commerce & Trade and a new Deputy Secretary for Technology and Innovation is established

Commonwealth Broadband Chief Advisor (HB 1583)

- Establishes the position of Commonwealth Broadband Chief Advisor within the Secretary of Commerce and Trade
 - Serves as Virginia's single point of contact and integration for broadband issues, efforts, and initiatives
 - Increases the availability and affordability of broadband throughout all regions of the Commonwealth
 - Office is supported by DHCD (VATI program) and CIT
 - Will work with the Broadband Advisory Council, Joint Commission on Technology and Science and the Virginia Growth & Opportunity Board (GO VA) to develop strategic plan that includes metrics and benchmarks to evaluate progress

HB 30: Secretariat Agriculture and Forestry

- Recommendations make only modest changes to the budget for the Secretariat of Agriculture and Forestry programs and include no major new initiatives
- Within VDACS, the budget includes:
 - \$156,395 GF and 2.00 FTE positions each year are included to support expanded industrial hemp research and establish a registration program pursuant to House Bill 538
 - \$125,000 GF each year is appropriated for the Beehive Grant Fund which is revamped pursuant to the provisions of House Bill 1152
- Within the Department of Forestry, the budget includes:
 - \$100,000 GF each year for the Virginia Natural Resources Leadership Institute
 - \$112,000 GF each year to fully match industry contributions to the Reforestation of Timberlands Program
 - \$236,000 GF the first year to match federal and private grants to produce containerized longleaf and loblolly pine seedlings

HB 30: Natural Resources

- The Committee amendments for Natural Resources include new GF spending of \$22.0 million in the first year - primarily from the statutorily-mandated deposit of FY 2017 surplus revenues to the Water Quality Improvement Fund - and \$3.1 million in the second year
 - Also included are NGF increases of \$9.5 million in FY 2019 and \$8.9 million in FY 2020
- Land Conservation programs total \$1.25 million GF in the first year and \$5.75 million GF in the second year, distributed as follows:
 - Virginia Land Conservation Fund (DCR) - \$4.5 million the second year
 - Battlefields Preservation Fund (DHR) - \$1.0 million each year
 - Farmland Preservation (VDACS) - \$250,000 each year

Water Quality Improvement Programs

- The statutory deposit to the Water Quality Improvement Fund totals \$22.5 million GF the first year for allocation to nonpoint source programs:
 - \$2.0 million (15% of Part A deposit) set aside for the WQIF Reserve Fund
 - \$19.8 million for the Natural Resources Commitment Fund
 - \$17.4 million for agricultural best management practices and remainder for technical assistance
 - \$500,000 for federal Conservation Reserve Enhancement Program (CREP)
 - \$250,000 for Information Systems improvements
- Also continues dedicating recordation fee revenues to the Natural Resources Commitment Fund totaling \$10.0 million NGF in each year
 - \$8.8 million of this is dedicated to Ag BMP cost share programs, which added to the WQIF funding, brings the total Ag BMP funding to \$27.4 million (all funds) in FY 2019
- \$6.2 million GF each year is provided for Soil and Water Conservation Districts administration and operational expenses, plus an additional \$1.2 million for technical assistance from the recordation tax fee
- Committee adds \$300,000 GF over the biennium to fund one additional engineer the first year and two the second year to support projects of the Soil and Water Conservation Districts

DEQ and DCR

- At DEQ, \$403,000 GF over the biennium is provided for the State of the River Scorecard to monitor the conditions of the Elizabeth River and \$500,000 for an environmental assessment of Buchanan Creek along the Lynnhaven River
- Also included in the recommendations is \$319,200 GF to complete the Commonwealth's commitment to fund costs associated with the W. E. Skelton Smith Mountain Lake wastewater system
- At DCR, \$509,955 the first year, \$317,124 the second year and 3.00 nongeneral fund FTE positions are authorized for operating costs at Middle Peninsula State Park
- \$120,000 GF is provided in the first year for land acquisition at New River State Park to allow for direct water access
- Continued funding of \$500,000 GF each year is included for DCR Natural Area Preserves, \$200,000 GF each year for shoreline erosion, and \$464,294 GF each year for the Dam Safety Fund

Other Natural Resources Agencies

- Marine Resources Commission's (MRC) budget includes an additional \$500,000 GF each year for oyster restoration and replenishment activities
- \$1.35 million each year is transferred to MRC from sales tax revenues associated with waterway activities for small harbor dredging projects
- At Department of Historic Resources one position is provided for a new easement coordinator and funding is provided for the costs associated with legislation adopted expanding the number of historic African American cemeteries and Revolutionary War graves maintained by the Commonwealth

REPORT OF THE TRANSPORTATION SUBCOMMITTEE

HB 30: Transportation

- The Committee report for transportation includes net increases of \$932.6 million NGF (14%) the first year and \$495.7 million NGF (8%) the second year
 - Allocation provides majority of the increased revenue to highway construction programs
- Two language amendments within VDOT seek to ameliorate the impact of tolling on I-66 Inside the Beltway by re-evaluating the algorithm used to set the variable tolls based on a lower traffic speed and to implement reverse commuter tolling concurrent with the completion of the eastbound lane addition
- Major initiatives within the Secretariat focus on:
 - Funding improvements necessary to comply with the federal REAL ID Act at DMV and providing on-going support to cover DMV's increased operating costs
 - Establishing more objective measures to allocate transit funds and investigating long-term solutions to transit capital needs
 - Expediting the dredging of the Norfolk Harbor and Elizabeth River channels to facilitate the continued competitiveness of the Virginia Ports

Department of Motor Vehicles

REAL ID Implementation

- Reflects a nongeneral fund increase of \$7.0 million the first year, \$11.6 million the second year and 42.00 FTE positions for the development and issuance of federal REAL ID Act compliant credentials
 - 15.00 FTE positions are included in HB 29 as the department phases in the program and begins issuing voluntary compliant credentials on October 1, 2018
- Costs associated with the new credentials would be covered by a one-time \$10.00 charge for each compliant ID
- Language in both HB 29 and 30 authorizes a \$20.7 million line of credit to cover the upfront costs to be repaid by those choosing to purchase compliant credentials
- Committee adds language requiring quarterly reports to the General Assembly on the progress of the project's implementation, any proposed drawdowns from the line of credit, the number of positions hired, and credentials issued

Department of Motor Vehicles

Funding Stabilization

- As a wholly nongeneral funded agency, the Department of Motor Vehicles must absorb the increased costs of any increases in salaries and benefits, healthcare and VITA costs within its existing revenue stream
- Over the last 10 years, mandatory expenditures have increased by \$88.3 million and while assistance has been given to the department, additional revenues have been fully subsumed by cost increases
- The Committee recommendations include an increase in the title fee of \$10.00, generating \$26.0 million annually for DMV
 - The fee has not been adjusted since 1982, and even with the increase to \$20.00, has not kept up with inflation
 - For comparative purposes, Maryland charges \$100.00, North Carolina \$52.00, and the District of Columbia \$26.00

Department of Rail and Public Transportation

- Eliminates a proposal to provide \$110.0 million of Commonwealth Transportation Capital Projects Revenue bonds in FY 2020 to support statewide transit capital needs
 - The proposed five years of bonds would have consumed almost 20% of state's outstanding debt capacity through FY 2024
 - Use of long term debt for vehicles with approximately 10-year life cycles is not best method
 - Include language creating a workgroup to examine how to establish a Master Equipment Lease Program for group purchase of transit vehicles as an alternative – would lead to a revolving fund once established
 - Funding remains from CPR authorization to fund PRIIA commitment through FY 2020
- Includes a series of language amendments to advance the use of objective prioritization criteria within transit allocations
 - Mirrors improvements made at VDOT with Smart Scale
 - Ensures prioritization process will go into effect by FY 2020
 - Sets out separate allocation for WMATA to provide certainty to other transit properties across the Commonwealth that requests from one large agency do not lead to fluctuations in funding available for the rest of the state

Virginia Port Authority

- Provides a total of \$350.0 million in cash and bond authorization to advance the planning and preliminary engineering requirements for widening and dredging of the Norfolk Harbor Channel to 55 feet and dredging the Southern Branch of the Elizabeth River to 45 feet and fully funds the total state share of the projects
 - \$20.0 million in bond proceeds are provided for transportation capital projects at VDOT in FY 2019 and a like amount of Commonwealth Transportation Funds are transferred to the Virginia Port Authority to immediately proceed with PE and design
 - Authorizes \$330.0 million in debt for remaining phases of the project
- \$2.0 million from the Commonwealth Opportunity Fund each year is made available for the Port of Virginia Economic Development Zone Grant Program
- Appropriates an additional \$1.7 million the first year and \$2.3 million the second year of nongeneral funds to support 21.00 additional FTE positions
- \$37.0 million the first year and \$30.0 million the second year is provided from terminal revenues to support equipment required for the increased container volumes and operational changes planned at the expanded APM terminal

REPORT OF THE PUBLIC SAFETY SUBCOMMITTEE

Department of Corrections

- Provides \$3.0 million GF the second year for additional base operating support in order to reduce the number of vacancies required to meet the Department's operating expenses
- Includes \$2.9 million over the biennium and 36 positions to establish specialized mental health units to treat inmates with serious mental illness
- Includes \$2.7 million GF over the biennium for 35 additional probation and parole officers to address increased caseloads
- Provides \$350,000 GF the first year for the correctional bedspace impacts of seven House Bills affecting criminal sentencing

State Police

- Includes \$1.7 million GF the first year and \$1.1 million GF the second year and 10 positions to establish an additional tactical team in the Special Operations Division
- Provides \$1.9 million GF over the biennium to implement and operate an electronic summons system in Division 7
- Includes \$1.9 million GF the second year for the purchase of two replacement helicopters through the Master Equipment Lease Program
- Includes \$340,000 GF each year to support operations of the COMLINC system
- Removes \$915,000 GF over the biennium and 7.0 positions included in the introduced budget for universal background checks for firearms purchases

Other Public Safety Agencies

Secretary of Public Safety & Homeland Security

- Provides \$150,000 GF the first year to evaluate necessary improvements to COMLINC, and report recommendations to the General Assembly by November 1, 2018
- Includes \$500,000 GF each year to match anticipated federal funding for U.S. Army Corps of Engineers Study of flood control in the Hampton Roads and Northern Neck regions

Department of Alcoholic Beverage Control

- Includes \$840,000 NGF each year to hire additional licensing enforcement officers and staff

Department of Criminal Justice Services

- Includes \$6.6 million GF the first year and \$13.8 million GF the second year for additional aid to localities with police departments
- Provides \$2.5 million GF the first year to extend the jail mental health pilot programs for an additional 12 months

Other Public Safety Agencies

Department of Emergency Management

- Includes \$500,000 GF each year for state and local public safety training and exercises related to man-made and natural disaster preparedness

Department of Forensic Science

- Includes \$595,000 GF the first year and \$660,000 GF the second year and six positions for the Controlled Substance Section to address growing opiate caseload and backlog
- Provides \$232,000 GF each year for additional DNA testing materials and supplies
 - House Bill 1249 requires DNA testing for individuals convicted of three additional misdemeanors

Department of Veterans Services

- Provides \$124,000 GF each year for a new position focused on developing programs for women veterans

Judicial Department

- Includes \$500,000 GF each year to expand existing or establish new mental health dockets
- Includes \$400,000 GF each year to increase the number of drug courts operating in the Commonwealth
- Provides sufficient funding to fill a total of 411 judgeships as of July 1, 2018
 - Includes \$1.1 million GF each year to fill a total of 20 vacancies
 - Introduced budget included sufficient funding for a total of 407

REPORT OF THE CAPITAL OUTLAY AND GENERAL GOVERNMENT SUBCOMMITTEE

House Bill 29

- ODU Stadium project supplement - \$5 million NGF and \$5 million NGF bonds
 - No fee increases
- VCU Engineering Research project supplement - \$1.1 million NGF
- Jamestown Pier repairs - \$3.1 million VPBA
- ABC Warehouse / Admin Office - technical language changes

House Bill 30 Savings

- Defer New Planning – saves \$15 million GF
- Defer Alexandria CSO project – saves \$20 million VPBA
- Defer Warren Hall – saves \$77 million 9 (d) revenue bonds
- Defer DRPT bonds per Transportation Subcommittee – saves \$550 million CTB bonds

Major Projects

- \$330 million of VPBA bonds are provided for the widening and deepening of the Norfolk Harbor Channel by the Virginia Port Authority
- \$170.2 million for eight projects in the 2018 capital pool
 - VT Extension Hampton Seafood AREC
 - SMV Danville Exhibits
 - DMA Aviation Support Facility
 - IALR Manufacturing Center
 - State Police Area 13 Barracks
 - VCU Life Sciences HVAC / Roof Replacement
 - DGS Seat of Government – swing space & Morson Row
 - DGS - ABC Warehouse / Admin Offices

2016 VPBA Project Pool - \$37.3 million

- DJJ Juvenile Center - Beaumont
 - Chesapeake location no longer viable
 - Language authorizes one 156-bed facility at Beaumont site
 - Saves \$31 million capital costs as compared to building two separate facilities in Isle of Wight & Bon Air
 - Saves about \$7.5 million in operating costs versus two facilities
 - Language rescinds second project from planning queue
- Dept. of Forensic Science – Central Lab
- Fort Monroe – Visitor Center

Capitol Complex Infrastructure & Security - \$18.1 million

- Project supplement required due to:
 - Cost overrun from delay in project implementation (inflation)
 - Façade Preservation
 - Parking Deck Scope
- Language amendments to address 9th Street Easement, Parking Facility and Bank Street Closure

Maintenance Reserve & Equipment

- Maintenance reserve increased by \$2.7 million
 - \$2.0 million to fund Fort Monroe in both years
 - \$0.6 million to restore New College Institute
 - \$125,730 adjustment for Frontier Culture Museum
- Equipment for New Buildings
 - VT-Carilion Research Expansion
 - CNU Library

Other Capital Recommendations

- VCU STEM Class Lab Building plan both phases (technical)
- ABC Warehouse (technical)
- \$13.7 million NGF to plan
 - Longwood Facilities Annex
 - Radford Innovation Center
 - VMI Physical Training Center, Phase 3
 - NSU Science Building
 - DBHDS Central State Hospital
- \$1.5 million 9 (d) revenue bonds for the Clarkson-McKenna Press Box at VMI
- Treasury Board – Henry County Jail
- State Parks land acquisition adds Natural Tunnel and New River State Parks to list authorized to acquire additional land by gift or transfer

Revenue Reserve

- Consistent with the provisions of House Bill 763 the Committee recommendations include total deposits into the new revenue reserve of \$247.4 million over the 3 years
 - HB 29 provides for a \$156.4 million deposit in current fiscal year
 - Recommendations provide a \$45.5 million deposit in FY 2019 and an additional \$45.5 million deposit in FY 2020
 - The legislation establishes a schedule to fully fund the reserve by the end of FY 2024

Committee Resource Recommendations

- Committee recommends providing \$824,692 GF the first year and \$916,032 GF the second year, and 12.00 FTEs, to increase auditing staff at the Department of Taxation
 - Recommendations also include \$176,688 GF in HB 29 to hire the additional staff in the last quarter of FY 2018 to maximize revenues that will be realized in FY 2019
 - Recommendations assume increased revenues in excess of \$14.5 million annually beginning in FY 2019 from the additional staff
- Additionally, the Committee recommends the reversion to the general fund of \$1.3 million from balances within the Legislative Department and Independent Agencies in HB 29

Funding Legislation Adopted by the House

- Committee recommendations include;
 - \$3.5 million GF the first year pursuant to HB 762 which provides compensation for wrongful incarceration for the Norfolk 4 (Dept. of Treasury)
 - \$582,313 GF the first year pursuant to HB 1010 which provides compensation for wrongful incarceration for Robert Paul Davis (Dept. of Treasury)
 - \$150,000 GF each year pursuant to HB 345 which creates a Special Assistant to the Governor for Coastal Adaptation and Protection (Office of the Governor)
 - \$20,000 GF each year pursuant to HB 1415 which creates the Henrietta Lacks Commission to support cancer research and treatment (General Assembly)
 - \$1.2 million NGF and 9 FTEs each year pursuant to HB 1362 which requires newborn screening tests for time-critical disorders be performed seven days a week (Department of General Services)
 - \$173,960 NGF in FY 2019 and \$148,160 NGF in FY 2020, and 2 FTEs, pursuant to HB 483 to help locate victims for whom restitution is owed and for whom restitution amounts have been deposited into the Criminal Injuries Compensation Fund (Workers Compensation Commission)