

Adopted Amendments to the 2014-16 Budget

Adopted amendments to the 2014-16 budget, Chapter 732 of the 2016 Acts of Assembly (HB 29), include \$598.1 million in general fund resources above those assumed in Chapter 665 of the 2015 Acts of Assembly. These resources include: (1) a \$588.4 million upward revision to the general fund revenue forecast; (2) transfer revisions totaling \$7.4 million; and, (3) a net balance increase of \$2.3 million. When combined with the \$5.1 million unappropriated balance contained in Chapter 665, the net adjustments provide \$603.2 million in available unappropriated resources. With these adjustments, general fund resources and transfers in FY 2016 total \$19.4 billion.

Chapter 732, as adopted, includes net spending of \$337.9 million. Spending increases partially offset increases in available resources, leaving a balance of \$265.3 million to be carried forward into the next biennium in Chapter 780 of the 2016 Acts of Assembly (HB 30).

Additional General Fund Resources Available for Appropriation Chapter 732, 2016 Session (\$ in millions)			
Total Resources Available	<u>Chapter 665</u>	<u>Difference</u>	<u>Chapter 732</u>
Prior Year Balance	\$247.2	\$429.3	\$676.5
Additions to Balance	1.9	(427.0)	(425.1)
Revenue Forecast	17,720.6	588.4	18,309.0
Revenue Stabilization Fund	235.0	0.0	235.0
Transfers	<u>564.5</u>	<u>7.4</u>	<u>571.9</u>
Total GF Resources	\$18,769.2	\$598.1	\$19,367.3
Unappropriated Balance (Ch. 665)			\$5.1
Ch. 732 Net Spending Increase			<u>337.9</u>
Ch. 732 Carry Forward Balance to Ch. 780			\$265.3

Changes in Revenue

FY 2015 revenue collections exceeded the estimate by \$549.6 million, with growth rates for all components of individual income taxes, as well as sales and recordation taxes exceeding the forecast. As a result, FY 2016 general fund revenues could contract by \$14.9 million and still meet the forecast contained in Chapter 665.

The fall revenue reforecasting process resulted in an estimated GF increase of \$818.1 million after reductions were made based on the recommendations of the Governor's Advisory Commission on Revenue Estimates (GACRE). The reductions to the standard forecast total \$95.0 million, reflecting a reduction to the withholding tax forecast of \$35.0 million, and a reduction to the corporate income tax forecast of \$60.0 million.

The revenue forecast was subsequently reduced by \$181.9 million, reflecting a policy decision to "collar" the forecast of nonwithholding tax revenues as a hedge against volatility in this source. This methodology was first utilized in FY 2015. The process entails capping assumed nonwithholding collections at the average share of total general fund revenues comprised by that source over the prior 10-year period. For FY 2016, the prior 10-year average was 16.14 percent of total revenues. Because the model results would have reduced general fund revenues by more than \$800.0 million over the 3-year period, the budget includes a "modified collar." The same process is used to calculate the maximum share, but any reduction is limited to 1 percent of total revenues, which is \$181.9 million in FY 2016.

Also embedded in the forecast adjustments are: (1) the removal of \$30.0 million in revenue assumed to be generated by the sale of the Brunswick and Powhatan Correctional Centers, (2) the elimination of \$2.6 million in revenues from prison phone charges, and (3) a reduction in the assumed revenues generated by a tax compliance partnership program undertaken in conjunction with the Internal Revenue Service of approximately \$4.3 million.

The majority of the increased revenue reflects the higher base resulting from the FY 2015 surplus. However, the forecast also reflects adjustments in the underlying economic growth rates resulting in higher assumed growth rates for both withholding tax and sales tax collections. Chapter 665 assumed FY 2016 economic growth rates of 3.1 percent; Chapter 732 is predicated on economic-based growth of 4.3 percent prior to the imposition of the nonwithholding collar.

The final net FY 2016 revenue addition in Chapter 732 is \$588.4 million, a growth rate of 3.2 percent compared to FY 2015. Year-to-date revenue growth through March, 2016 (adjusted for the impact of accelerated sales tax collections) is 3.1 percent, close to the forecast.

FY 2016 Estimate of GF Taxes by Source

(\$ in millions)

	Feb. 2016 Forecast	Estimated % Growth	% Growth through April 2016
Net Individual	\$12,823.0	4.0%	1.6%
Corporate	722.8	(13.1%)	(10.6%)
Sales	3,367.7	4.1%	2.8%*
Insurance	322.7	7.3%	10.4%
Recordation	383.0	10.6%	7.2%
All Other	<u>689.8</u>	<u>(0.4%)</u>	<u>(1.8%)</u>
Total Revenues	\$18,309.0	3.2%	1.5%**

*YTD sales tax without adjusting for AST is 1.9%

**YTD total growth without adjusting for AST is 1.3%

Changes in Transfers

Net transfer adjustments of \$7.4 million in Chapter 732 include a \$3.8 million increase in estimated sales tax transfer for K-12 education based on an overall increase in the sales tax forecast, a \$3.8 million increase in projected ABC profits, \$2.5 million in miscellaneous balance transfers, and a reduction of \$2.7 million retained by the general fund from watercraft sales which will flow to the Game Protection Fund.

Changes in Net Balance

The general fund cash balance reported by the State Comptroller at the close of FY 2015 was \$1.8 billion. This includes an unexpended GF appropriated balance of \$354.8 million; a \$247.2 million carry-forward balance assumed in Chapter 665; revenue collections in excess of the forecast totaling \$549.6 million; and other nongeneral fund cash on deposit in the Treasury that is counted as general fund according to the Government Accounting Standards Board (GASB).

From these balances, the Comptroller set aside mandatory restrictions totaling \$1.1 billion. The vast majority relates to the Revenue Stabilization Fund, including the \$467.7 million balance in the Revenue Stabilization Fund, and a \$605.6 million reserve for the payment that will be made to the Rainy Day Fund in FY 2017 based on FY 2015 revenues. After adjusting the balance for

these liabilities, and for payments awaiting disbursement, the unrestricted general fund cash balance totaled \$676.5 million, approximately \$429.3 million more than assumed in Chapter 665.

The new adjustments to the unrestricted balances are committed under statutory requirements, and distributions include the reappropriation of \$35.7 million in FY 2015 GF capital and capital planning funds, \$96.9 million in mandatory and discretionary GF agency balances, \$22.3 million in higher education fund balances. Also included in the balance is \$68.7 million from the Local Communications Sales and Use Tax, the Virginia Health Care Fund and the Commonwealth Opportunity Fund.

An additional \$61.7 million will be used to satisfy the statutory requirement that 10 percent of year-end surpluses and uncommitted balances be appropriated to the Water Quality Improvement Fund.

Finally, after a number of technical amendments are made to reconcile the Comptroller's year-end balance with amounts already captured in the approved budget, and to remove NGF's that are reported as GF resources due to Governmental Accounting Standards Board requirements, the net balance change totals \$429.3 million.

General Fund Resource Changes Since 2015 Session
(\$ in millions)

	<u>2014-16</u>
<u>Balance Amendments:</u>	
Unrestricted Fund Balance, Comptroller's August Report	\$835.2
Amount Anticipated in Chapter 665	<u>(405.8)</u>
Additional Unreserved Balance	\$429.3
 Balance Adjustments	
Less: Reappropriated FY 2015 Capital/Planning Balances	\$(35.7)
Reappropriated FY 2015 Operating Balances	(96.9)
Reappropriated FY 2015 Higher Education Balances	(22.3)
WQIF Balances & Deposit Based on FY 2015 Revenues	(94.6)
NGF Balances Reported in GF	(86.5)
Natural Disaster Reserve (sum sufficient)	(24.1)
Virginia Health Care Fund (NGF)	(8.8)
Local Telecom Sales & Use Tax (NGF)	(36.3)
Commonwealth Opportunity Fund	(23.5)
Miscellaneous	<u>(1.7)</u>
Total Balance Adjustments	(\$427.0)
 <u>Revenue Amendments:</u>	
GACRE Tax Reforecast	\$913.1
Post-GACRE Withholding Adjustment	(35.0)
Post-GACRE Corporate Adjustment	(60.0)
Modified Nonwithholding Collar (1% GF revenues)	(181.9)
Remove Assumed Revenue from Property Sales	(30.0)
Unwind GF Retention of NGF Interest Earnings	(11.0)
Adjust Federal TOPS Revenues	(4.3)
Remove MCI Revenues from Prisons	(2.6)
Firearms Transaction Fees	<u>0.1</u>
Total Revenue Adjustments	\$588.4
 <u>Transfer Amendments:</u>	
Sales Tax Reforecast – K-12 Education	\$3.8
Increased ABC Profits	3.8
VASAP Balance	1.0
Worker's Comp Balance	1.0
Small Business Investment Grant Fund Balance	0.5
Increase Sales Tax to Game Protection Fund	<u>(2.7)</u>
Total Transfer Adjustments	\$7.4

Judicial

- **Supreme Court of Virginia**
 - *Involuntary Mental Commitment Fund.* Provides an additional \$543,089 GF in FY 2016 for the increased cost of commitment hearings.
- **Judicial Department Reversion Clearing Account**
 - *Judicial Vacancies.* Captures an estimated balance of \$400,000 GF from judicial vacancies as of June 30, 2016.

Administration

- **Compensation Board**
 - *Additional Funding for Per Diem Payments to Local and Regional Jails.* Provides \$11.3 million GF in FY 2016 for an increase in projected per diem payments to local and regional jails.
 - *Collection of Delinquent Fines and Fees by Local Treasurers.* Modifies language regarding the collection of delinquent fines and fees by local treasurers on a contingency fee basis by removing the expiration date of June 30, 2018 applicable to those treasurers currently collecting on a contingency fee basis. Effective July 1, 2015, treasurers currently collecting delinquent fines and fees on a contingency fee basis are permitted to continue to contract on a contingency fee basis. A companion amendment modifies the same language in Chapter 780.
- **Department of Human Resource Management**
 - *Information on Most Prescribed Drugs.* Directs the Department of Human Resource Management to compile a list of the current 100 most prescribed drugs in the state employee health plan, and the average cost to the member associated with these drugs. The Department shall make this list accessible prior to the annual open enrollment period.

Agriculture and Forestry

- **Department of Agriculture and Consumer Services**
 - *Avian Influenza.* Includes \$249,755 GF in FY 2016 to improve animal disease emergency response planning as well as the procurement of equipment to enhance the Department's avian influenza response capabilities.

Commerce and Trade

- **Economic Development Incentive Payments**
 - *Commonwealth's Development Opportunity Fund.* Provides an additional \$1.0 million GF in FY 2016 for the Commonwealth's Development Opportunity Fund (COF), and authorizes the Governor to award up to \$1.5 million from the COF to Botetourt County to assist with site improvements related to the location of a major automotive parts manufacturer. The authorized amount is in addition to any incentive payments already approved for the project.
- **Board of Accountancy**
 - *Update Software System.* Provides \$100,000 NGF in FY 2016 for costs associated with updating online licensing software.

Public Education

The adopted amendments to Direct Aid to Public Education decrease general funds by a net \$39.3 million while increasing nongeneral funds by \$7.3 million in FY 2016, primarily reflecting savings from lower than projected enrollments and other balances partially offset by increases in the net actions for sales tax revenue and Lottery Proceeds forecasts.

- **Direct Aid to Public Education**
 - *Projected Enrollment and Participation.*
 - *Update Student Enrollment Projections.* Captures \$20.5 million GF based on a projected decrease of 4,621 students from the projected Average Daily Membership (ADM) of 1,244,215 that is reflected in Chapter 665 due to the

updates for the actual March 31, 2015 ADM and fall membership counts for September 30, 2015. The revised FY 2016 ADM is projected to be 3,065 students higher than FY 2015, an increase of 0.25 percent.

- ***Update Other Standards of Quality Enrollment Counts.*** Captures \$1.6 million GF to reflect actual enrollment in Remedial Summer School and \$1.6 million GF for the actual English as a Second Language count.
 - ***Update K-3 Class Size Reduction Program.*** Captures \$5.4 million GF from the K-3 Class Size Reduction program.
 - ***Update Virginia Preschool Initiative.*** Captures \$1.3 million for lower than projected enrollment participation, now totaling 17,695 students, in the Virginia Preschool Initiative.
 - ***Compensation Supplements.*** Reduces funds by \$470,442 GF as a result of two localities (Hopewell and Gloucester) not providing the salary increases required to be eligible for the state incentive funding for a 1.5 percent salary supplement for instructional and support positions.
 - ***National Board Certification.*** Captures \$447,500 GF based on the actual lower number of teachers eligible to receive bonuses for having achieved National Board Certification.
 - ***Update Other Incentive, Categorical, and Lottery-Funded Programs.*** Captures \$1.8 million from special education regional tuition costs; \$322,197 from special education in jails due to lower student population; \$273,232 from 237 fewer students projected to attend Academic Governor's Schools; and \$152,618 GF from fewer meals served and reimbursed in the School Breakfast program. Also reflects offsetting increases of \$290,808 for foster care and \$61,017 for A. Linwood Holton Governor's School.
- ***Reflect Updated Lottery and Sales Tax Projections.***
- Adjusts funding to reflect an increase of \$7.3 million in the revised forecast estimate of Lottery Proceeds for FY 2016. General funds are offset by a like amount.
 - Decreases funding by a net of \$2.3 million GF that is based on the latest sales tax revenue projection, which decreased the estimated forecast by \$5.4 million, and the corresponding increase of \$3.1 million in Basic Aid funding to offset the state's share of about 55 percent of the savings.

- *Other.*
 - Adds \$123,000 GF the second year to Norton Schools to address an adjustment related to the school-aged population estimate.

Finance

- **Department of Accounts Transfer Payments**
 - *Distribution of Rolling Stock Taxes to Localities.* Increases the appropriation for the distribution of payments to localities for rolling stock taxes by \$200,000 GF in FY 2016.
 - *Adjust Funding for the TVA Payments in Lieu of Taxes.* Reduces by \$100,000 GF in FY 2016 the distribution to the Tennessee Valley Authority (TVA) for payments in lieu of taxes to reflect current revenue projections.
- **Treasury Board**
 - *Debt Management Savings.* Reduces debt service by a projected \$8.7 million GF in FY 2016.

Health and Human Resources

- **Children’s Services Act (formerly Comprehensive Services for At-Risk Youth and Families)**
 - *Mandatory Caseload and Cost Increases.* Adds \$18.1 million GF in FY 2016 to fully fund anticipated growth in the CSA program. These additional costs are being driven by growth in caseload and the cost of services for those cases, as well as the inability of the program to achieve program savings proposed in the 2014-16 biennium.
 - Caseload grew from 2.5 percent in FY 2014 to 5 percent in FY 2015 from 14,628 to 15,726 children. Most of this growth was due to an increasing number of children placed in private day treatment through federally mandated Individualized Education Program (IEP) plans. Of the 637

additional children in CSA in FY 2015, 41 percent were placed in private day treatment programs. The annual cost of a private day treatment placement was \$36,385 in FY 2015 compared with the average annual cost of \$22,418 for all CSA services.

- Chapter 665 assumed a \$9.9 million GF reduction in CSA in FY 2016 predicated on anticipated fraud, waste and abuse savings from the use of an analytical system, which is not expected to materialize.

- **Department of Medical Assistance Services (DMAS)**

- *Forecast Changes*

- ***Medicaid Utilization and Inflation.*** Adds \$166.6 million GF and \$163.9 million NGF in FY 2016 to fund increases in enrollment and medical costs for the Medicaid program. Medicaid spending is expected to increase by 9.3 percent in FY 2016, well above the 5 percent growth projected in the November 2014 Official Medicaid Forecast. Spending growth in the program is largely due to unanticipated enrollment growth that occurred in the last 5 months of FY 2015 from the “woodwork” effect of the Affordable Care Act open enrollment period. The Medicaid program enrolled an additional 10,000 low-income caretaker adults and 20,000 children. As a result, June 2015 quarterly payments for indigent care at the state teaching hospitals and Medicare Part D were delayed until July 2016. Consequently, expenditures for FY 2016 are artificially higher by about \$72.5 million GF.

In addition, FY 2016 Medicaid expenditure growth is due to increases in Medicare Part B premiums and Part D prescription drug payments to the federal government, and the agency’s interpretation of the impact of the U.S. Department of Labor ruling requiring overtime payments for consumer-directed attendants working more than 40 hours per week.

- ***Medicaid State Children’s Health Insurance Program (SCHIP) Utilization and Inflation.*** The adopted budget reduces funding by \$1.4 million GF and \$6.4 million NGF in FY 2016 to reflect the forecast of expenditures in the SCHIP program. As with the FAMIS program, the lower general fund forecast is due to a decline in the number of children served by the program, lower than expected managed care costs, and a reduction in the state match requirement for the program (the federal match rate increased from 65 percent to 88 percent beginning October 1, 2015). Enrollment of children in the SCHIP program has dropped by 2.8 percent over the past two years, despite recent enrollment efforts. The SCHIP program provides services for

Medicaid-eligible low-income children living in families with incomes between 100 and 133 percent of the federal poverty level.

- ***Reduce FAMIS Funding to Align Spending with Projected Costs.*** Reduces spending by \$6.8 million GF and \$31.6 million NGF from federal matching funds in FY 2016 to reflect the forecast of expenditures for the FAMIS program. The lower forecast is due to lack of growth in the number of children served by the program, lower than expected managed care costs, and a reduction in the state match requirement for the program. The federal match rate increased from 65 percent to 88 percent beginning October 1, 2015.
- ***Adjust Funding for Involuntary Mental Commitments.*** Provides \$1.1 million GF in FY 2016 to fund expected growth in the program as a result of higher costs for hospital and physician services for persons subject to involuntary mental health commitment hearings. Legislation adopted by the 2014 General Assembly related to the duration of emergency custody and temporary detention orders have resulted in higher than anticipated additional costs for these medical services.

– ***Other Spending Changes.***

- ***Rebase Budget for Training Centers to Reflect Anticipated Closures.*** Provides \$7.3 GF and \$7.3 million in federal Medicaid matching funds to reflect the latest closure schedule for the Training Centers.
- ***Restore Funding for Piedmont and Catawba Geriatric Hospitals.*** The adopted budget restores \$4.0 million GF and \$4.0 million in matching federal Medicaid funds in FY 2016 to reverse a prior year budget action reducing spending at Piedmont and Catawba geriatric psychiatric hospitals. In the 2015 Session, the decision was made to reclassify these facilities from hospitals to nursing homes to better comply with federal requirements. Consequently, their Medicaid funding was reduced and the state match was transferred to the Department of Behavioral Health and Developmental Services (DBHDS) for the facility operations. It has now been determined that these facilities will not meet the criteria for nursing home certification. To date, the facilities have not been reclassified, consequently, they continue to receive Medicaid reimbursement. A companion action in the DBHDS budget removes the general fund appropriation that was provided for this change.
- ***Transfer GF Match to DBHDS to Offset Revenue Shortfall from Loss of Federal Funding at Hancock Geriatric Center.*** Reduces funding by \$4.7 million GF and \$4.7 million NGF in FY 2016 and transfers the general fund

dollars to the Department of Behavioral Health and Development Services (DBHDS) to maintain funding for the 80-bed Hancock Geriatric Center at Eastern State Hospital. A federal Centers for Medicare and Medicaid Services inspection of the facility in February 2015 deemed that the facility did not meet the nursing home criteria for Medicaid reimbursement and federal funding was terminated in August 2015. A companion amendment in DBHDS provides additional general fund dollars to continue operation of the facility.

- ***Fund Affordable Care Act Mandatory Recipient Notifications of Medicaid Coverage.*** The adopted budget includes \$1.0 million GF and \$2.5 million in matching federal Medicaid funds in FY 2016 to pay for notifications to Medicaid recipients of their Medicaid coverage, as required by the federal Affordable Care Act. Information will be sent to about 670,000 heads of households to enable them to complete their 2015 taxes. Funding will allow for the agency to handle recipient questions as required by law.
- ***Enrollment Broker Contract.*** Provides \$400,000 GF and \$400,000 NGF from matching federal Medicaid dollars to fund the estimated increased cost of the agency's enrollment broker contract. The new contract becomes effective on January 1, 2016. The enrollment broker is responsible for assisting Medicaid recipients to enroll and select managed care plans offered through the Medicaid MEDALLION 3.0 and the Commonwealth Coordinated Care (CCC) programs, operating a call center and maintaining web site information providing managed care education and choices, and conducting health status assessment surveys on newly enrolled managed care members.

- **Department of Behavioral Health and Developmental Services**

- ***Increasing Caseload for Part C Early Intervention Services.*** Adds \$1.0 million GF in FY 2016 to cover the costs of the increasing caseload for the program. The program has been growing on average by 4.9 percent a year over the last few years. The program provides early intervention services to children with a developmental delay or at-risk of a developmental delay. This program is part of the federal Individuals with Disabilities Education Act.
- ***Conversion of Piedmont Geriatric and Catawba Hospitals to Nursing Facilities.*** Reduces funding by \$8.6 million GF in FY 2016 that was provided in the 2015 Session. The federal Inspector General of Health and Human Services issued a report which indicated that Catawba Hospital and Piedmont Geriatric Hospitals did not meet the requirements of a psychiatric hospital for Medicaid reimbursement. Funding of \$9.1 million GF was added in FY 2016 to the department to offset the loss of Medicaid Disproportionate Share Hospital payments since the two hospitals

would be converted to nursing homes. However, the conversion to nursing facilities has failed to meet federal requirements, so the funding is being retracted until another plan is developed.

- ***Offset Revenue Shortfall from Loss of Federal Funding at Hancock Geriatric Center.*** Provides \$4.4 million GF in FY 2016 to maintain the facility with 80 geriatric beds. As a result of federal Centers for Medicare and Medicaid Services inspection of the facility in February 2015, the facility was deemed to not meet the nursing home criteria for Medicaid reimbursement. This funding offsets the loss of those federal dollars to continue operation.
- ***Transfer Medicaid Funds to Hancock Geriatric Center.*** Transfers \$4.7 million GF in FY 2016 from the Department of Medical Assistance Services to support Hancock Geriatric Center due to the loss of Medicaid certification. These funds were budgeted as state match for Federal Medicaid funding for the center. Since the facility is no longer certified for Medicaid reimbursement, this funding is transferred to continue to operate the facility with state only-funds.
- ***Add Funds for Victims of Sterilization.*** Provides \$400,000 GF in FY 2016 for compensation for victims of sterilization who were living as of February 1, 2015. The existing appropriation of \$400,000 is not sufficient and this additional funding allows the department to pay out all pending claims without any delay. Language is added to allow any funds that remain unspent at the end of the fiscal year to be carried over into the subsequent fiscal year for purposes of compensation of these individuals.
- ***DOJ: Use BHDS Trust Fund for Community Capacity.*** Appropriates \$750,000 in FY 2016 from the proceeds from sale of land at state training centers that have been deposited in the Behavioral Health and Developmental Services Trust Fund for one-time capital and transition costs associated with the development of community living options for individuals with intellectual disability who are transitioning from Southwestern Virginia Training Center. The community living options must be located in Virginia within 100 miles of Southwestern Virginia Training Center.
- ***Inclusion of Acquired Brain Injury Stakeholders in Waiver Redesign.*** Strikes language related to Department of Behavioral Health and Developmental Services quarterly meetings with stakeholders on training center closures and Intellectual and Developmental Disability waiver redesign. Language is eliminated including stakeholders with acquired brain injuries regardless of age. The Centers for Medicare and Medicaid Services (CMS) determined that including services for individuals with acquired brain injury, regardless of age, as part of the waiver redesign was not consistent with CMS regulations.

- *Funding for Prince William ARC for Transportation.* Expands the use of one-time funding, added in the 2015 Session, to assist The ARC of Prince William with the transition of residents from Northern Virginia Training Center to the community. The \$250,000 was provided to assist with housing and clinical needs, but based on the experience with the intensive needs of the individuals; the higher need for this funding is for specialized vans to transport the individuals.
- **Wilson Workforce and Rehabilitation Center**
 - *Fund a Manufacturing Skills Training Program.* Provides \$100,000 GF in FY 2016 to implement a manufacturing skills training program at the Wilson Workforce and Rehabilitation Center to prepare workers to excel at top sectors needed in today's workforce development. These sectors include logistics, healthcare, information technology, and advanced manufacturing and energy. Eligible individuals in this curriculum will be able to obtain the Manufacturing Specialist and/or the Manufacturing Technician 1 credential.
- **Department of Social Services**
 - *Fund Eligibility Information System Operating Costs.* Provides \$7.1 million GF and \$18.9 million NGF in FY 2016 to reflect the transition of the new eligibility system from development to full operation.
 - *Foster Care and Adoption Forecast.* Provides \$1.7 million GF and \$6.5 million NGF in FY 2016 for forecast changes to the foster care and adoption subsidy programs. Adoption subsidies are projected to increase by \$2.9 million GF and \$2.9 million in federal Title IV-E funds. Title IV-E foster care expenditures are expected to increase by \$3.6 million GF and \$3.6 million NGF. The increased costs for the Title IV-E foster care and adoption programs are partially offset by a projected decline in state adoption subsidies of \$4.9 million GF.
 - *Fund Full Cost of Salary Increase in the Division of Child Support Enforcement.* Adds \$473,804 GF in FY 2016 for the state employee salary increase that was provided August 10, 2015. This funding will cover the 24 percent share that would otherwise be paid for through Temporary Assistance for Needy Families retained collections. Retained collections are revenues generated from allowable retained child support collections on behalf of Temporary Assistance to Needy Families (TANF) recipients. Federal law allows the program to retain any child support payments in excess of \$50 each month for operating costs if the family receives TANF assistance in addition to child support. As the TANF caseload continues to decline, the amount of child support collected on their behalf also declines. These retained collections are used to provide the state match for federal child support enforcement funding. Since these collections continue to decline, they are not

available to pay for any increase in salary costs of the Division of Child Support Enforcement.

- ***Fund Federally Required Background Checks for Child Care Providers.*** Adds \$98,259 NGF in FY 2016 to fund 3 positions and the costs to conduct fingerprint background checks. Federal law requires that child care providers receiving block grant funds must conduct fingerprint background checks. These costs are funded by the fees collected from the background checks. Background checks for all child care centers receiving block grant funds were not originally reflected in cost estimates for the legislation requiring fingerprint background checks. These centers were subsequently determined to be subject to the new federal rules and this funding is intended to implement these additional background checks.
- ***Increase Appropriation for Supplemental Nutrition Assistance Program (SNAP) Employment and Training Grant.*** Provides \$3.7 million NGF in FY 2016 for a recent federal grant award to the state for a pilot program. The purpose of this pilot program is to increase the number of SNAP recipients that obtain employment and increase the income of those employed with the ultimate goal of reducing reliance on SNAP benefits.
- ***Adjust TANF Funding to Account for Providing Mandated Benefits.*** Reduces TANF spending by \$4.0 million NGF due to the continued decline in the TANF caseload. The following table on page 17 details the changes from Chapter 665.
- ***Pilot Project for the Temporary Placement of Children in Crisis.*** Directs the Department of Social Services to establish a pilot program in Planning District 11 (Counties of Amherst, Appomattox, Bedford, Campbell Counties and the City of Lynchburg) for the temporary placements of children in families in crisis. The pilot will allow the department to examine the use of a power of attorney to delegate parental authority. Virginia statute already allows for limited use of a power of attorney for kinship care cases. However, many other states go further and follow the Uniform Guardianship and Protective Proceedings Act which allows a parent to delegate to another person, for a period (usually between six months and one year), any power regarding care, custody, or property of their child. The pilot program will take a similar approach.
- ***Capture Unemployed Parent Program Balances.*** Adds language to revert \$500,000 GF of unspent funding in the Unemployed Parents Cash Assistance program. Caseloads have steadily declined, leaving unspent general fund amounts in the program.
- ***Capture Auxiliary Grant Balances.*** Adds language to capture unspent funding of \$1.0 million from the general fund in the Auxiliary Grant program.

- *Reflect TANF Balances.* Modifies language to reflect the projected year-end cash balance for the TANF program.
- **Department for the Blind and Vision Impaired**
 - *Increase Funding for the Virginia Industries for the Blind.* The adopted budget includes \$14.3 million NGF to cover projected expenditures from increased business opportunities. This adjustment is technical.

TANF Block Grant Funding FY 2016 Adopted Budget (Chapter 732)

	Chapter 665 <u>FY 2016</u>	Chapter 732 <u>FY 2016</u>
TANF Resources		
Annual TANF Block Grant Award	\$158,285,000	\$158,285,172
Carry-Forward From Prior Fiscal Year	<u>39,226,072</u>	<u>72,735,005</u>
Total TANF Resources Available	\$197,511,072	\$231,020,177
TANF Expenditures		
<i>VIP/VIEW Core Benefits and Services</i>		
TANF Income Benefits	\$49,916,643	\$40,152,840
VIEW Employment Services	11,612,144	11,612,144
VIEW Child Care Services	12,959,171	12,197,804
TANF Caseload Reserve (3%)	<u>2,823,558</u>	<u>1,000,000</u>
Subtotal VIP/VIEW Benefits and Services	\$74,311,516	\$64,962,788
<i>Administration</i>		
State Administration	\$3,002,653	\$3,002,653
Information Systems	4,052,023	4,052,023
Local Direct Service Staff and Operations	49,013,536	44,513,536
Eligibility System Maintenance/IT	<u>3,500,000</u>	<u>2,500,000</u>
Subtotal Administration	\$59,568,212	\$54,068,212
<i>TANF Programming</i>		
Local Domestic Violence Grants	\$2,346,792	\$2,346,792
Community Action Agencies	2,000,000	2,000,000
Healthy Families/Healthy Start	4,285,501	4,285,501
Comprehensive Health Investment Project (VDH)	1,400,000	1,400,000
EITC Grants	185,725	185,725
Zion Innovative Opportunities Network	25,000	25,000
Visions of Truth	<u>25,000</u>	<u>25,000</u>
Subtotal TANF Programming	\$10,268,018	\$10,268,018
Total TANF Expenditures	\$144,147,745	\$129,299,018
Transfers to other Block Grants		
CCDF - At-Risk Child Care	\$7,872,884	\$12,872,884
CCDF - Head Start (Wraparound) Services	2,500,000	2,500,000
SSBG - Comp. Services Act	9,419,998	9,419,998
SSBG - Local Staff Support	<u>6,405,502</u>	<u>6,405,502</u>
Total TANF Transfers	\$26,198,384	\$31,198,384
Total TANF Expenditures & Transfers	\$170,346,129	\$160,497,402

Natural Resources

- **Department of Historic Resources**

- *Payment to Montpelier to Complete Commitment.* Increases the general fund appropriation to the Montpelier Foundation from \$459,382 to \$527,022 to complete the multi-year matching grant established by § 10.1-2213.1, *Code of Virginia*. With this action, no funding is required for the Foundation in the next biennium.

- **Department of Marine Resources**

- *Increase Funding for Tangier Island Seawall.* Increases the appropriation required to match federal Army Corps of Engineers grants for the Tangier Island seawall project from \$6,000 to \$29,000 to reflect available federal funding. Funding is included in the next biennium for construction of the project.

Public Safety and Homeland Security

- **Department of Alcoholic Beverage Control**

- *Software Upgrades.* Includes \$220,000 NGF the second year for software upgrades for the inventory receiving system to allow agency personnel to locate and move products in the warehouse more efficiently.
- *Video Teleconferencing.* Adds \$90,000 NGF for a new videoconferencing system to permit statewide coverage for administrative hearings.
- *Transfer of Profits.* Provides for the transfer of an additional \$3.8 million in net profits from ABC to the general fund in fiscal year 2016, increasing the transfer from \$80.2 to \$84.0 million.

- **Department of Corrections**

- *Telephone Commissions.* Adds \$833,333 GF in FY 2016 for security equipment associated with the inmate telephone system. This additional funding is required because the department has lowered the rates that inmates and their families pay for telephone calls, effective December 1, 2015. A companion amendment to the revenue page reduces the revenue estimate from “site commissions” paid by the department’s inmate call service provider by \$475,805 GF in FY 2016. Companion amendments to Chapter 780 make adjustments in FY 2017 and 2018.

- The Federal Communications Commission (FCC) has recently established caps on all inmate calling rates, substantially reducing the average rates for the majority of inmate calls, and has capped or banned ancillary service charges.
 - The FCC ruling discourages “site commissions,” or payments by inmate call service (ICS) providers to correctional facilities or government agencies. Any “site commission” payments must be paid out of profits and are not considered a justified cost. While the FCC does not prohibit providers from paying “site commissions,” it strongly encourages parties to move away from these commissions, and urges states to take action on this issue.
 - In 2010, the average cost of a telephone call from a Virginia facility was \$4.06; with the new rates, the average call will cost \$0.69, according to the Governor’s announcement. The new rates took effect on December 1, 2015.
- *Medical Costs.* Provides \$450,913 GF in FY 2016 for increased inmate medical costs, based on the assumption that DOC will provide medical services using its own personnel (state employees or contracts with individual physicians). However, the department has decided to extend its contract with Armor to provide medical services for many of its facilities, so the budget as introduced may not necessarily reflect the projected cost of services as currently delivered.
- *Medical Recruitment Positions.* Removes \$400,000 and 5 positions which were added in FY 2016 for recruitment of medical personnel. The department has made the decision to extend its contract with Armor to provide medical services for many of its facilities, so these additional positions are not needed.
- **Department of Fire Programs**
 - *Data System.* Adds \$76,890 GF and \$115,335 NGF in FY 2016 to replace the agency’s database management system for fire incident reporting.
- **Department of Forensic Science**
 - *Western Laboratory Maintenance.* Adds \$275,097 GF in FY 2016 for increased utility and maintenance cost for the new regional laboratory in Salem.
- **Department of Juvenile Justice**
 - *Reallocation of Savings from Facility Closure.* Includes language directing the department to develop a transformation plan to reduce the number of juvenile offenders in state facilities and provide alternative placements and services that offer treatment and supervision, consistent with the levels of risk and need as

determined by the department's risk and needs assessment process, and consistent with public safety. Prior to implementation the plan must be approved by the Secretary of Public Safety and Homeland Security. Complimentary language is included in Chapter 780.

- The language directs the department to provide a report by June 30, 2016, on actions taken and additional recommendations.
- Chapter 769 of the 2016 Acts of Assembly (SB 731) authorizes Virginia Public Building Authority bond proceeds for planning for a new juvenile correctional center in Chesapeake, to be combined with a replacement juvenile detention center for the City of Chesapeake.

Veterans and Defense Affairs

- **Secretary of Veterans and Defense Affairs**
 - *Governor's Commission Recommendations.* Adds \$250,000 GF in FY 2016 to support the recommendations of the Governor's Commission on Military Installations and Defense Activities. The recommendations were developed to support four goals, including protecting federal facilities and areas for growth in the Commonwealth; promoting business, education and other efforts to support, attract, and retain existing military installations and defense activities in the Commonwealth; supporting the Commonwealth's role in research and development related to military missions, contracting and defense activities; and, expanding collaborative activities related to aerospace, cyber-security, modeling and simulation, energy, and unmanned systems. A companion amendment in Chapter 780 adds \$600,000 GF each year for this purpose.
 - *Grant Application Process.* Amends language authorizing the Secretary to develop an annual grant application process for state assistance for acquiring property to reduce encroachment on the U.S. Navy Master Jet Base. The amended language clarifies that if the Grantee sells an easement over the property or leases the property, the Grantee shall return to the Commonwealth 50 percent of the easement or rental proceeds, and the amount returned shall be credited against the amount owed to the Commonwealth for any future sale of the land.
 - *U.S. Navy Auxiliary Landing Field.* Adds language increasing the amount of dedicated special revenues which may be provided to the locality in which the U.S. Navy Master Jet Base auxiliary landing field is located, for the purpose of

purchasing property or development rights in order to limit encroachment. The new language permits any dedicated special revenues in excess of \$2.1 million, up to an excess of \$2.5 million, may be provided as additional assistance to the locality for the purpose as outlined.

- **Department of Veterans Services**

- *Incentives to Hire Veterans (V3)*. Amends language adopted by the 2015 General Assembly which created a new incentive for employers to hire veterans. The 2015 amendment provided \$500,000 GF in FY 2016 for a new grant program to provide incentives for Virginia businesses to hire military veterans. The program is intended to provide grants of up to \$1,000 for each veteran hired, on or after July 1, 2014, by qualifying Virginia businesses with 300 or fewer employees, up to a maximum annual grant of \$10,000 for each business. The language amendment, which is also included in Chapter 780:
 - Extends from one to five years the time following discharge from active military service during which the veteran may be hired; and,
 - Strikes the language requiring that each such veteran hired shall be paid at least the prevailing average wage of the jurisdiction in which the job is located.

Transportation

- **Department of Motor Vehicles**

- *Intrastate Property Carriers*. Authorizes DMV to grant temporary authority to intrastate motor carriers transporting property utilizing a digital platform to connect the service provider and the customer. The authorization does not impact companies currently utilizing “for-hire” license. The authorization is similar to the process used to temporarily authorize intrastate passenger carriers prior to the adoption of Transportation Network Companies legislation adopted by the 2015 General Assembly.

- **Department of Transportation**

- *Align Appropriations with Revenue Forecast*. Provides an additional \$356.9 million NGF in the current year to align expenditures with the revised revenue forecast approved by the Commonwealth Transportation Board. The additional allocations to highway construction totaling more than \$400.0 million are offset by debt service

savings of \$43.0 million. Included in the increases for local assistance are an additional \$17.8 million for the Northern Virginia Transportation Authority Fund and \$9.5 million NGF for the Hampton Roads Transportation Fund.

Program	Increase (Decrease)
Environmental Monitoring	\$636,031
Planning & Research	(874,893)
Highway Construction	337,043,053
Highway Maintenance	15,832,288
Toll Facilities	6,167,184
Local Assistance	29,632,487
Debt Service	(42,988,628)
Administrative	<u>11,528,217</u>
Total	\$356,915,739

Central Appropriations

- **Central Appropriations**
 - *Line of Duty Act Cost Adjustment.* Reduces the appropriation by \$599,676 GF to reflect the adjustment of funding provided to state agencies for the actual premiums charged for the line of duty act program. This amount reflects a savings from the line of duty act premiums provided by the Virginia Retirement System.
 - *Workers' Compensation Cost Adjustment.* Reduces the appropriation by \$1.7 million GF to reflect the adjustment of funding provided to state agencies for the actual premiums charged for workers' compensation. This amount reflects a savings from the workers' compensation premiums provided by the Department of Human Resource Management.
 - *Presidential Primary Reimbursement.* Provides \$3.8 million GF to reimburse the Department of Elections and localities for presidential primary expenses, a requirement of § 24.2-545 (F), *Code of Virginia*.

- *Early Repayment of Virginia Retirement System Contribution Deferral.* Provides \$172.7 million GF to expedite the repayment to the VRS of the 2010-12 biennium deferred retirement contributions for the four state employee plans.
- *Virginia Conflict of Interest and Ethics Advisory Council Increase in MEL.* Increases the maximum employment level of the Virginia Conflict of Interest and Ethics Advisory Council by 2.0 FTE positions.
- *Center for Innovative Technology (CIT) Operating Shortfall.* Provides \$800,000 GF to assist the CIT in addressing a projected operating shortfall and directs the CIT, beginning April, 2016, to provide the Director of the Department of Planning and Budget (DPB), and the Staff Directors of the House Appropriations and Senate Finance Committees monthly financial reports and specific corrective actions to address the shortfall. If monthly documentation reflects a good-faith effort to minimize the projected shortfall, the Director of DPB, upon the request of the Secretary of Technology, may transfer up to \$800,000 from the general fund to the Innovation and Entrepreneurship Investment Authority (IEIA).
- *Commonwealth Opportunity Fund - Additional Targeted Funding.* Transfers \$1.0 million from the general fund to the Commonwealth Opportunity Fund. In addition, language specifies that an additional \$1.5 million may be transferred from the general fund to the Commonwealth Opportunity Fund to assist Botetourt County with site improvements related to the location of an automotive supplier manufacturer, should the Governor deem it appropriate.

Independent

- **State Corporation Commission**
 - *Reduce Funding for Federal Health Benefit Exchange.* Includes a reduction of \$1.0 million GF in FY 2016 and elimination of 13.0 vacant FTE positions related to operation of the Federal Health Benefit Exchange. Language requires the Commission to revert to the general fund all unexpended appropriations for plan management activities from funds reimbursed by the U.S. Department of Health and Human Services.
- **Virginia College Savings Plan**
 - *Support Achieving a Better Life (ABLE) Program.* Adds \$1.0 million NGF in FY 2016 to support agency operating expenses related to the ABLE program. The

program, authorized by the 2015 General Assembly, establishes federally tax-advantaged savings accounts to fund qualified disability expenses.

- **Virginia Retirement System (VRS)**

- *Volunteer Firefighters and Rescue Squad Workers Service Award Fund.* Adds \$124,705 GF to reimburse the VRS for the program's administrative costs.
- *Final Phase of myVRS Navigator Transition.* Provides \$4.5 million NGF to fund the final phase of the implementation of the new myVRS Navigator benefit management system.

FY 2016 GF Operating Budget = \$18,960.7
 Chapter 732 (HB 29, as Adopted)
 (\$ in millions)

