

# Overview of Adopted Amendments to the 2016-18 Budget Chapter 836 (HB 1500, as Adopted)

Adopted amendments to the 2016-18 budget reflect adjustments to both resources and spending to address the budget shortfall resulting from FY 2016 general fund revenue and transfer collections falling short of the forecast by \$279.3 million. The shortfall triggered the *Code*-required revenue reforecasting process. When combined with the FY 2016 shortfall, the shortfall addressed in the FY 2016-18 biennium totaled \$1.5 billion.

The resources forecast in Chapter 836 of the 2017 Acts of Assembly (HB 1500), reflects a slight positive change to the August, 2016 interim revenue forecast based on the current economic outlook and collections year-to-date, along with several balance adjustments and tax policy actions.

Adjustments to GF appropriations include both targeted and across-the-board spending cuts to cover the budget shortfall, as well as GF spending increases to cover mandated and high-priority items. Funding is provided for a limited number of new spending initiatives.

<b>Amendments to the 2016-18 Budget Chapter 836 (HB 1500, as Adopted)</b> (GF \$ in millions)			
	<u>FY 2017</u>	<u>FY 2018</u>	<u>2016-18</u>
<b>GF Resources, Chapter 780, 2016</b>	\$20,426.4	\$20,229.4	<b>\$40,655.8</b>
Net Resource Adjustments	<u>(183.5)</u>	<u>5.5</u>	<u>(178.1)</u>
<b>Available Resources</b>	<b>\$20,242.8</b>	<b>\$20,234.9</b>	<b>\$40,477.7</b>
<b>GF Appropriations, Chapter 780, 2016</b>	\$20,349.5	\$20,285.0	<b>\$40,634.6</b>
Net Operating Adjustments	(225.1)	69.6	(155.4)
Net Capital Outlay Adjustments	<u>(9.8)</u>	<u>0.0</u>	<u>(9.8)</u>
<b>Total Appropriations</b>	<b>\$20,114.7</b>	<b>\$20,354.6</b>	<b>\$40,469.3</b>
<b>Unappropriated Balance</b>	<b>\$128.1</b>	<b>(\$119.7)</b>	<b>\$8.4</b>

## **Resources**

Chapter 836 includes \$40,477.7 million in general fund resources available for appropriation. General fund growth rates assumed in the budget are 2.7 percent in FY 2017 year and 2.9 percent in FY 2018 (before policy adjustments), down from 3.2 percent and 3.9 percent reflected in Chapter 780 of the 2016 Acts of Assembly. Resource actions result in a net reduction of \$178.1 million, compared to Chapter 780, including:

- A downward adjustment to the FY 2017 and FY 2018 general fund revenues of \$1,197.1 million, as presented in the August, 2016 revised interim forecast;
- An upward adjustment to the revenues of \$233.0 million from the Fall, 2016 revenue forecasting process, based on the recommendations of the Governor’s Advisory Commission on Revenue Estimates (GACRE);
- Additional revenues of \$184.1 million from several technical and tax policy changes, including \$89.5 million from a tax amnesty program, and \$47.9 million to slow the phase-out of the accelerated sales tax; and,
- A withdrawal from the Revenue Stabilization Fund of \$294.7 million the first year, and a withdrawal of \$272.5 million the second year, for a biennial total of \$567.2 million.

Details on revenues, adjustments to general fund balances and transfers, as well as tax policy changes, can be found in the Resources section of the summary.

## **Appropriations**

Net general fund spending adjustments total a reduction of \$165.3 million against Chapter 780. Major general fund spending items include:

- \$247.8 million to cover growth in the Medicaid forecast;
- \$85.7 million for caseload growth in the Children’s Services Act; and
- \$161.2 million for across-the-board and targeted compensation actions in FY 2018.

New spending is offset by spending reductions, including roughly \$600.5 million in actions proposed by the Governor in October, 2016 to begin to close the budget shortfall. General fund savings items include:

- \$346.3 million from reversing the planned December, 2016 pay increases, and
- \$175.5 million in across-the-board reductions to state agencies and institutions of higher education.

The adopted budget assumes an unappropriated balance of \$8.4 million GF. Major spending and savings items are detailed in the table below.

**Major Spending and Savings in Chapter 836 (HB 1500, as Adopted)**  
(GF \$ in millions)

<b>Major Spending</b>	<b><u>FY 2016-18</u></b>
DMAS - Medicaid Forecast	\$ 247.8
Children's Services Act (CSA) - Expenditure and Caseload Growth	85.7
State Employee 3% Salary Increase (7/10/2017)	64.8
Revenue Cash Reserve Fund	35.0
Increase Direct Aid to Public Education Lottery Per Pupil Amount	34.1
SOQ Teachers and Support 2% Salary Increase in the Biennium	32.0
DOC - Inmate Medical Costs	18.6
Faculty Salary Increase 2% + 1% for Selected Institutions (7/10/2017)	18.4
State Supported Local Employees 2% Salary Increase (8/1/2017)	15.6
State Police Salary Initiative (7/10/2017)	14.3
DSS - Restore VITA Funding for UNISYS Transition to VaCMS	8.6
DBHDS - Discharge, Private Beds, Comm. Detox, Psychogeriatric	7.4
Direct Aid to Public Education: Small School Division Enrollment Loss	7.3
Salary Compression for Sheriffs, Local & Regional Jails (8/1/2017)	7.3
DMAS - Children's Health Insurance Forecasts and Inflation	6.6
DBHDS/DMAS - CSB Funding for Same-Day Intake & Assessments	6.2
Advanced Shipbuilding Production Facility Grant Fund	6.0
DMAS - Fully Fund Nursing Home FY 2018 Inflation	5.5
DBHDS - Permanent Supportive Housing	5.0
DMAS - Increase Payments to Nursing Facilities	3.3
Career Development for Constitutional Officers (8/1/2017)	3.3
VITA Rates	3.0
State Police - Info. Technology Oversight Planning	2.9
District Court Clerks/Deputy Clerks Salary Adjustments (9/10/2017)	2.6
High Turnover Positions Salary Adjustment (9/10/2017)	2.5
Elections: Supplant Federal HAVA Funding	2.3
Inauguration/Transition Costs	2.3
DBHDS - Behavioral Health Facility Staff & Patient Medications	2.1
DMAS - Expand GAP Income Eligibility to 100% of Poverty	2.0
 <b>Major Savings</b>	 <b><u>FY 2016-18</u></b>
Reverse Dec. 2016 Pay Increases – State Employees, State-Supported Locals, Teachers	\$ (347.2)

**Major Spending and Savings in Chapter 836 (HB 1500, as Adopted)**  
(GF \$ in millions)

October 2016 and Other Agency Savings	\$ (99.4)
Across-the-Board Reductions for Most Higher Education Institutions	(56.1)
Use Additional Lottery Revenue Re-Forecast to Reduce GF	(52.3)
Direct Aid to Public Education - Supplant GF with Literary Fund	(58.0)
DMAS - Adjust Virginia Health Care Fund Revenue	(44.9)
Direct Aid to Public Educ. – Update Net Sales Tax Estimates & Census	(38.5)
Direct Aid to Public Educ. - Student Enrollment Projections	(34.6)
DOC - Delay Opening Culpeper Correctional Center to FY 2019	(21.7)
Debt Service Adjustment (includes HE non-resident C.O. fee)	(15.3)
Econ. Dev. Incentive - Defer Aerospace Engine Facility Payment	(12.2)
Econ. Dev. Incentive Payments - Adjust Funding for Incentive Grants	(11.3)
Capital Outlay: Move Maintenance Reserve to Debt, Other GF Savings	(10.8)
H.E. Research Initiative - Reduce VA Research Investment Fund	(10.0)
Reverse Credit Card/Interest Restoration to Higher Ed	(8.0)
DHCD - Reduce GO Virginia Funding	(7.5)
Direct Aid to Public Education - Update Remedial Summer School & ESL	(6.3)
Direct Aid to Public Education - Update Costs of Lottery Programs	(5.1)
Land Conservation Funding	(4.3)
Compensation Board: Closure of Peumansend Creek Regional Jail	(3.9)
Direct Aid to Public Education - Supplant GF w/DMV Fees for Driver's Ed.	(3.1)
Other Higher Education Centers Reductions	(2.4)
DBHDS - Reduce Unobligated Funds at Training Centers	(2.5)
DSS - Supplant GF with TANF for Qualified Programs	(2.1)
VITA - Transfer Fund Source for Agency Activities	(2.0)

*Note: See Resources section for adjustments to GF balances and tax policy changes.*

A summary of significant amendments to the 2016-18 budget, by major area, follows:

**Legislative Department.** The adopted budget includes a net increase of \$4.2 million GF over the biennium. Of the total increase, \$1.9 million GF the second year is provided for the Clerks of the House of Delegates and the Senate for moving expenses that will be incurred when the General Assembly moves to the Pocahontas Building in 2017. For the Capitol Police, \$1.7 million GF the second year is provided for salary and staffing initiatives, which will raise the starting salary of sworn officers from \$36,000 to \$42,750, effective July 10, 2017, and will address

compression by providing each sworn officer with 18 or more months of service an increase to their annual salary of \$4,533.

**Judicial Department.** The adopted budget authorizes the filling of 10 vacant circuit and district court judgeships as of July 1, 2017. Funding added by the 2016 General Assembly for salary adjustments for district court clerks and deputy clerks, effective December 1, 2016, is eliminated; however, \$2.6 million GF is added back in the second year for salary adjustments, effective September 10, 2017 and reflected in employees' October 1, 2017 paychecks.

**Administration.** The adopted budget for Administration results in a net decrease of \$7.0 million GF for FY 2017 and a net decrease of \$3.2 million GF for FY 2018. Within the Compensation Board, significant adjustments include the removal and subsequent provision of targeted pay initiatives for constitutional officers included in Chapter 780 that were contingent upon FY 2016 actual revenue. The reductions amount to \$5.3 million GF for FY 2017 and \$12.2 million GF for FY 2018. Funding of \$10.6 million GF was added the second year for these pay initiatives, which reflect the total cost of providing career development to all currently qualified constitutional officers of \$3.3 million GF, effective August 1, 2017, and providing sheriffs' offices and regional jails salary compression funding of \$7.3 million GF, effective August 1, 2017. In addition, the budget includes a reduction of \$496,000 GF the first year and \$3.5 million GF the second year to reflect the closure of the Peumansend Creek Regional Jail. The Peumansend Creek Regional Jail Authority elected to disband and the jail will close effective June 30, 2017.

Within the Department of Elections, \$2.6 million GF is provided the second year, of which \$1.8 million GF continues the activities currently supported by the federal Help America Vote Act (HAVA) grant, the funding for which will be depleted during FY 2018. Also included is \$570,000 GF to maintain an online ballot delivery system for military and overseas voters. In addition, \$217,869 GF and 1.0 FTE is provided to implement measures to the Virginia Election and Registration Information System (VERIS) to improve local registrar's offices access to the system.

Within the Department of Human Resource Management, \$8.7 million NGF is provided in FY 2018 to create a new service area for the health benefits component of the Line of Duty Act (LODA) program. In addition, \$1.9 million GF was removed in FY 2018, with a corresponding identical increase in nongeneral fund appropriation to establish the Personnel Management Information System (PMIS) and its subsystems as an internal service fund.

Funding was also provided for initiatives related to the Commission on Employee Retirement Security and Pension Reform, included as general fund reductions to DHRM's budget of \$87,515 from funding previously allotted over the biennium to provide the necessary appropriation to develop and administer an employee exit survey and subscribe to occupationally based data services. In addition, \$140,000 GF the second year, and 1.0 FTE is added to administer training programs to agency directors regarding state human resource policies and available resources.

***Agriculture and Forestry.*** The adopted budget for the Agriculture and Forestry Secretariat includes a net decrease of \$1.9 million GF (3.3 percent, the first year and \$3.2 million GF, 5.7 percent, the second year. Major savings strategies include a \$1.25 million reduction to the Virginia Farmland Preservation Fund, a reduction of \$1.0 million from the Agriculture and Forestry Industries Development Fund, and the elimination of several general fund supported positions in both the Departments of Agriculture and Consumer Services and Department of Forestry. Other smaller savings come from eliminating the beehive grant fund and specialty crop commercialization programs, selling forestry land and reducing marketing and promotion funding at VDACS.

***Commerce and Trade.*** The adopted budget includes net general fund savings of \$40.8 million over the biennium, including \$9.5 million in Central Account reductions, and \$4.1 million in transfers of excess nongeneral fund balances. These budget savings derive primarily from reductions to incentive programs and projects that are behind schedule. Deferred deposits to the Aerospace Engine Facility Incentive Fund account for \$12.2 million of the decrease, with additional reductions to other economic development incentive payments totaling \$11.3 million. Funding for the GO Virginia initiative is reduced by \$7.5 million GF over two years, and numerous other cost savings actions are taken across the secretariat. The budget also includes new funding for a \$6.0 million GF incentive grant payment under the Advanced Shipbuilding Production Grant program authorized by the 2016 Session of the General Assembly.

***Public Education.*** The adopted budget for Direct Aid to Public Education reflects an additional \$34.1 million GF to increase the Lottery Per Pupil Allocation and \$32.0 million GF for the state's share of a second year 2 percent salary increase (based on SOQ funded teachers and support staff). Amendments also include an additional \$52.3 million NGF revenue from Lottery Proceeds and \$58.0 million NGF from the Literary Fund, both of which are offset by a like amount reduction from the General Fund. Technical updates include adjustments for slower than projected enrollment growth, other participation data, and sales tax revenue.

The Lottery Proceeds adjustments reflect \$33.2 million in additional Lottery revenues collected in 2016, \$8.6 million shown as cash on the balance sheet for the Lottery Proceeds Fund, and \$5.3 million additional Lottery revenues projected for FY 2017 and FY 2018.

A \$50.0 million GF savings offset by a like amount increase in Literary Fund transfers is based on the Treasury Department's latest estimates, primarily related to sale of old unclaimed property stocks that can be made available for the use in the Literary Fund, along with its other routine revenue sources. In addition, \$8.0 million GF savings is also reflected in FY 2017 as school construction loans included in the forecast that have not yet been issued. The additional revenues will be allocated to support public school employee retirement contributions.

The adopted amendments also reflect net savings of \$46.8 million GF due to technical updates, including slower than projected student enrollment growth affecting SOQ costs,

Incentive, Categorical, and Lottery-funded accounts, as well as a net decrease of \$37.7 million GF due to updated sales tax revenue projections and school-aged census.

Policy changes include \$7.3 million GF for small school division enrollment loss assistance for 42 school divisions, an increase of \$500,000 GF for the Teacher Residency program, a decrease of \$1.4 million in the Project Graduation remediation program, a decrease of \$2.0 million GF from the new Teacher Improvement Compensation Initiative, and removal of the \$800,000 GF for the math and science teacher recruitment initiative.

In the Department of Education, adopted amendments reflect the Governor's October 2016 savings plan, elimination of four positions in FY 2018, and spending increases to existing programs totaling \$1.3 million in the second year.

**Higher Education.** Higher education institutions were exempt from any across-the-board reductions in the first year and the adopted budget minimizes the overall impact on each institution's total educational and general (E & G) budget and limits the impact on total E & G to 1.5 percent or less for all institutions not otherwise exempted from budget reductions, a savings of \$56.1 million in FY 2018. Virginia State University, Virginia State Extension, Norfolk State University, Virginia Tech Extension, and the Virginia Institute for Marine Science are exempt from the FY 2018 reductions.

The other largest reduction is to recover the nongeneral fund portion of the prepayment made to the Virginia Retirement System (VRS) to reduce VRS rates per employee that occurred during 2016. The extension agencies and the Virginia Institute for Marine Science (VIMS) were exempt from this savings action. This strategy results in a transfer to the general fund of \$26.1 million in FY 2017 and \$17.4 million in FY 2018.

Additional savings actions in this area include across-the-board reductions to the higher education centers resulting in GF decreases of \$2.4 million over the biennium. The higher education research initiative has reductions of \$10.0 million over the biennium (leaving \$12.0 million). The restoration of the interest earnings and the credit card rebates (restructuring incentives for the institutions) under Central Accounts is captured as a savings item, an amount of \$8.0 million over the biennium.

The largest spending item in higher education, \$18.4 million GF, occurs under Central Accounts for faculty salary increases in FY 2018. Within this amount, almost \$17.0 million is allocated for a 2 percent salary adjustment for faculty at public institutions of higher education, effective July 10, 2017. An additional \$1.4 million GF is provided for an additional 1 percent salary adjustment for faculty members at institutions that did not provide their own compensation adjustment in FY 2017 (CNU, RBC, JMU, NSU, RU, VSU, VSU-Ext., and VMI).

**Finance.** The adopted budget for the Finance Secretariat results in net reductions of \$14.8 million GF for FY 2017 and \$2.9 million for FY 2018. Within the Office of the Secretary of Finance, \$500,000 GF is provided the first year to conduct intervention and remediation efforts

for fiscally distressed localities that were documented by the office prior to January 1, 2017. Authorizing language and estimated revenue stabilization fund withdrawal amounts of \$294.7 million GF for FY 2017 and \$272.5 million GF for FY 2018 are provided.

Within the Department of Accounts, language is included authorizing an increase in the treasury loan for the replacement of the payroll system from \$25.0 million to \$52.0 million based on the estimated total cost of replacement. Of this amount, \$10.0 million is allotted for any unforeseen costs in the implementation and roll-out of the Cardinal financial management system. Within the Department of Taxation, language is included authorizing the use of revenue generated by the tax amnesty program for costs incurred by the program, as well as a treasury loan of up to \$5.5 million for start-up costs until the program generates revenue.

Within the Department of the Treasury, \$1.5 million GF the second year is provided for the wrongful incarceration of Keith Allen Harward, pursuant to Chapters 617 and 658 of the 2017 Acts of Assembly (HB 1650/SB 1479). Finally, within the Treasury Board, savings from debt service requirements total \$12.8 million the first year and \$1.0 million GF the second year. Also, there is a reduction of \$1.5 million GF the second year, with an identical increase in nongeneral fund appropriation to reflect the increase in the \$1 per credit hour fee paid by out-of-state students at Virginia public colleges and universities. The increase in the fee is related to additional general fund capital outlay investments authorized in 2016.

***Health and Human Resources.*** The adopted budget includes a net increase of \$330.7 million GF and \$382.5 million NGF for the 2016-18 biennial budget. Additional spending of \$428.8 million GF is offset by \$98.1 million GF in adjustments to expenditure forecasts and budget reductions.

The expenditure forecasts for the Medicaid and children's health insurance programs account for \$287.3 million GF or 90 percent of the net GF needed over the 2016-18 biennium. Medicaid spending alone is projected to increase by \$247.8 million over the biennium. The Medicaid forecast is offset by \$44.9 million in additional revenue and cash in the Health Care Fund. The Children's Services Act requires an additional \$85.7 million GF primarily due the growth in the number of students placed in private day schools as part of the federally mandated Individual Education Plans in the public schools.

The adopted budget includes an initiative for behavioral health that totals \$32.2 million in total funds (\$23.3 million GF). The primary focus of the initiative is to fund 1) same day access for assessment and evaluation for Community Services Boards, 2) expanding Permanent Supportive Housing, 3) an expansion of the income eligibility (from 80 to 100 percent of poverty) for the GAP program for the seriously mentally ill, 4) opioid and detox treatment services, 5) continuing review and analysis of the behavioral health system, 6) contracts for use of private psychiatric beds 7) discharge assistance for patients in state hospitals, and 8) the purchase of Naloxone for use in the community.



Other mandatory spending in HHR accounts for \$7.8 million GF of the additional spending over the biennium and is related to federally mandated reinvestments in the child welfare system (\$5.5 million), funding the child welfare programs based on the latest expenditure forecast (\$1.6 million), and medical costs related to temporary detention orders (\$605,189). Other discretionary spending totals \$30.6 million GF over the biennium and primarily reflects the costs to 1) fully fund the Medicaid inflation increase for nursing facilities and a rate increase to offset a negative rebasing impact (\$8.8 million), 2) fully fund Unisys mainframe payments at the Department of Social Services (\$8.6 million), and 3) fund the increasing hospitalization costs for state mental health hospitals (\$3.2 million).

***Natural Resources.*** The adopted budget for the Natural Resources agencies results in net reductions of \$1.7 million GF the first year and \$5.3 million GF the second year, largely derived from reducing funding for land conservation activities at the Department of Conservation and Recreation and the Department of Historic Resources. In total, land acquisition is reduced by \$0.2 million the first year and \$3.5 million the second year. Also included is the elimination of nine positions – four at DEQ and one at the Museum of Natural History, as well as the elimination of four positions at DCR in the first year. The adopted amendments release \$8.3 million in Water Quality Improvement Fund reserve balances for the funding of agricultural best management practices in the second year and to establish a legislative workgroup to identify methods to stabilize the flow of funding for WQIF supported programs. Finally, language is included to authorize DCR to acquire contiguous and in-holding parcels for nine state parks and 11 natural area preserves.

***Public Safety and Homeland Security.*** The adopted budget provides \$11.4 million GF the first year and \$7.2 million GF the second year for the Department of Corrections to meet the increased cost of providing medical care for inmates. The opening of the Culpeper Correctional Center for Women is deferred until the next biennium, yielding a savings of \$6.7 million GF the first year and \$21.7 million GF the second year. For the Department of State Police, the funds and positions added by the 2016 General Assembly for a new special operations division in the first year are eliminated, but \$2.4 million GF and 10 positions remain to start up this new division in the second year. An additional \$0.6 million GF the first year and \$3.4 million the second year from unobligated bond balances are included to replace equipment for the STARS radio system.

***Veterans and Defense Affairs.*** The adopted budget includes \$0.6 million GF and 34 positions the second year to reorganize the Virginia Veteran and Family Support (VVFS) program (formerly the Virginia Wounded Warrior Program), based on the 2015 JLARC report on the Department of Veterans Services and the 2016 follow-up report by the Secretary of Health and Human Resources, the Secretary of Veterans and Defense Affairs, and the Director of JLARC. The amendments also establish the Veterans Services Foundation as a separate entity in the budget, pursuant to Chapters 622 and 505 of the 2017 Acts of Assembly (HB 2148/SB 1075).

**Technology.** The adopted budget for Technology includes savings of \$3.5 million NGF the first year and \$11.9 million NGF the second year to reflect decreasing utilization of services provided through the NG Partnership, savings from lower than anticipated usage of VITA's shared security services and related personnel reductions. No other major funding or policy actions were taken in this area by the 2017 General Assembly.

**Transportation.** The adopted budget reflects a net increase of \$136.0 million NGF the first year offset by a reduction of \$37.6 million NGF the second year, from the December 2016 revisions to the Commonwealth Transportation Fund revenue forecast, and align the agencies' program level allocations with the VDOT and DRPT Six-Year Programs adopted by the Commonwealth Transportation Board in June, 2016. Additional actions include increasing the staffing levels at VDOT by 10.0 FTE to provide additional oversight of tolling programs and by 4.0 FTE at DRPT to provide program support to the Atlantic Gateway project.

Major policy initiatives approved by the 2017 General Assembly improve public oversight of the expenditure of Commonwealth Aviation Funds, identify necessary reforms in preparation for renegotiation of multistate Metro compact, and provide temporary financial assistance to hold harmless any transit properties that may be affected by the decision of the Federal Transit Administration to withhold state formula funds. Further action directs the repayment of funding previously authorized for the acquisition of right of way for light rail service in the City of Virginia Beach, as the project was rejected by voter referendum in November 2016

Adopted amendments impacting the Virginia Port Authority include an increase in the nongeneral fund terminal revenue appropriation of \$6.4 million in the second year to reflect the amended capital lease costs for the Virginia International Gateway. Within the Department of Motor Vehicles, a policy change authorizes DMV to retain a portion of indirect and pass-through charges incurred for collection of revenues for other agencies as well as Cardinal accounting transaction costs.

**Compensation and Central Appropriations.** The adopted budget for Central Appropriations for the 2016-18 biennium results in a net reduction of \$76.1 million GF for FY 2017 and a net increase of \$26.9 million GF for FY 2018. Significant reductions are largely attributable to the reversal of funding for public employee salary increases approved in Chapter 780 that was held in reserve and contingent upon sufficient revenue. Language included in the approved budget specified that if FY 2016 actual revenue was greater than 1 percent below the official forecast, then the funding held in reserve must be used to offset any downward revision in the general fund revenue forecast.

Significant adjustments to compensation include the addition of \$80.3 million GF the second year for a 3 percent raise for state employees, effective July 10, 2017 and reflected in their August 1, 2017 pay, and a 2 percent raise for state-supported local employees, effective August 1, 2017. HB 1500, as introduced, included funding of \$56.0 million for a 1.5 percent bonus for

state employees, effective December 1, 2017. The funding for this initiative was redirected to partially offset the cost of the raises. Also included is \$18.4 million GF the second year for a 2 percent raise for faculty, and an additional 1 percent raise for faculty members at eight higher education institutions that did not provide any compensation adjustment in FY 2017. The increases are effective July 10, 2017.

Funding of \$14.3 million GF the second year was provided for State Police to increase the salary of each sworn officer by \$6,793, raising starting pay for troopers from \$36,207 to \$43,000, and providing \$6,793 to be distributed to all sworn officers to address salary compression. The effective date of the initiative is July 10, 2017, to be reflected in employees' August 1, 2017 pay. Funding of \$2.5 million GF the second year provides an additional 2 percent base salary adjustment for nine high-turnover occupations for the purposes of relieving salary compression and maintaining market relevance, effective September 10, 2017, to be reflected in applicable employees' October 1, 2017 pay.

Separate adjustments within Direct Aid to Public Education and the Compensation Board provide funding for a 2 percent increase for teachers, and compensation actions for constitutional officers, respectively. The total amount provided for employee compensation adjustments for FY 2018 is \$161.2 million.

Other items within Central Appropriations include \$2.3 million GF the second year to cover expenses related to the 2017 gubernatorial inauguration and transition offices for statewide elected officials. Funding of \$800,000 GF the second year is also provided for a workgroup, led by the Secretary of Finance, to develop and implement an internship, succession planning and management training pilot program.

*Independent.* The adopted budget for the Independent agencies results in no general fund change for either FY 2017 or FY 2018. Significant adjustments include \$1.2 million NGF the second year for the Workers' Compensation Commission for operating costs associated with the Commission's new headquarters in Richmond.

For the State Corporation Commission, \$1.1 million NGF is added in the second year for the Commission to absorb the convenience fees associated with credit card and eCheck processing, as opposed to passing them on to filers. Language is also added that permits the Commission to not charge a fee for providing copies of certain documents, at its discretion.

Within the Virginia Retirement System, \$2.5 million NGF the first year and \$3.9 million NGF the second year is provided to accommodate the timeline delay and extension, and augmentation of staffing levels for the remainder of the agency's Modernization Project. In addition, funding is provided to reflect the implementation and ongoing costs for assuming administrative responsibilities for the Line of Duty Act program, in accordance with Chapter 677 of the 2016 Acts of Assembly.

*Capital Outlay.* The adopted budget for the capital outlay program for 2016-18 totals \$377.2 million (all funds). General fund supported amendments contain (\$9.8 million) GF cash and \$214.8 million from general fund supported bonds issued by the Virginia Public Building Authority (VPBA) and the Virginia College Building Authority (VCBA). These bonds include \$94.7 million to supplant general fund for previously authorized projects, \$61.1 million in supplements and new projects (including one supplant), \$19.6 million for equipment for projects nearing completion, \$24.4 million for six projects at state agencies, an almost \$1.0 million supplement in maintenance reserve for the Department of Military Affairs, a \$500,000 maintenance reserve supplement for the Department of State Police, a \$3.5 million maintenance reserve supplement for the Scott House at Virginia Commonwealth University, and a supplant of \$10.0 million under maintenance reserve from GF cash to VPBA/VCBA bonds. In addition, \$38.8 million GF is being reverted from previous project balances.

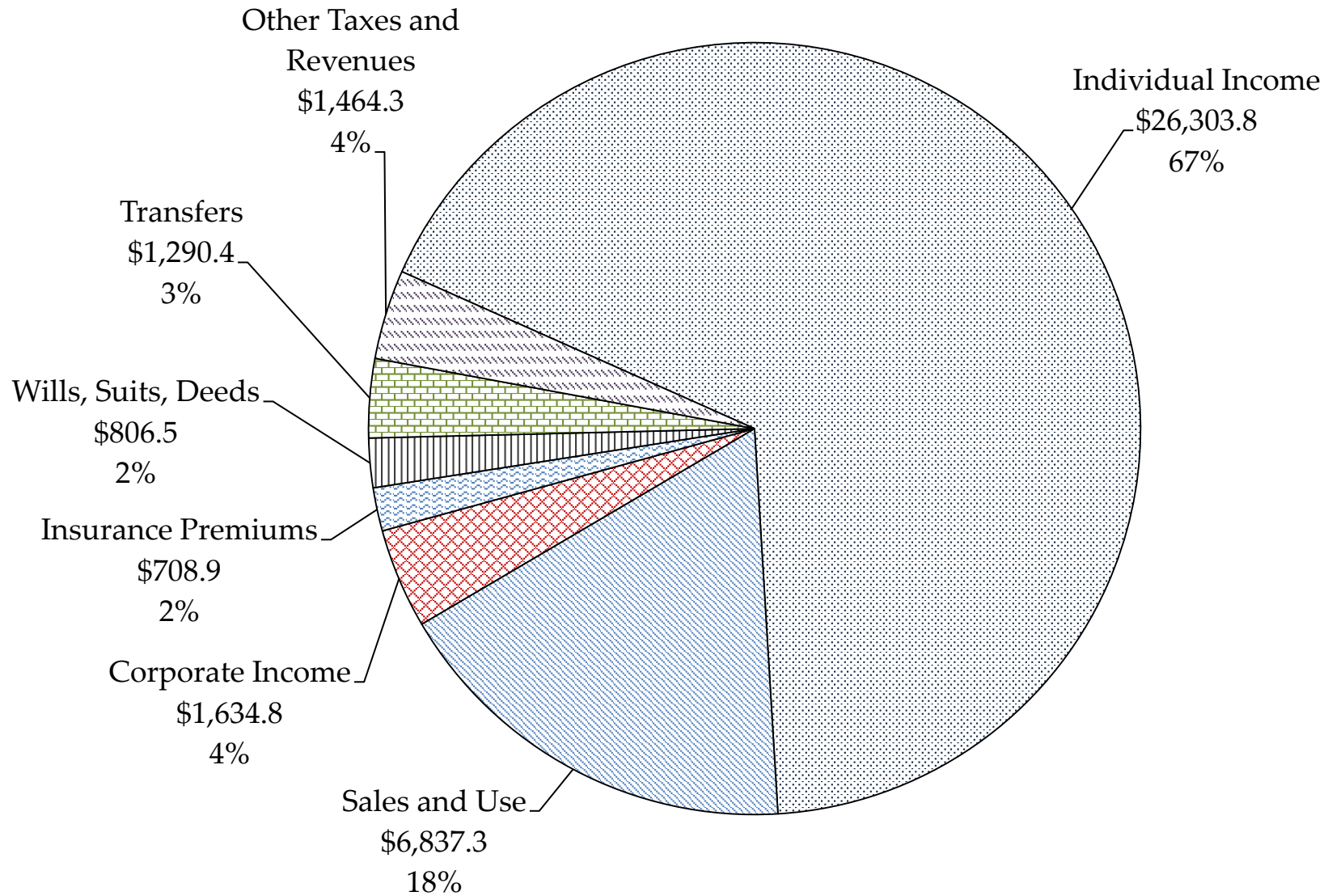
Within general fund supported amendments, \$1.0 million GF is provided for pre-planning for three projects: \$500,000 GF to Acquire or Construct a Central Office and Warehouse Facility under the Department of Alcoholic Beverage Control (ABC) and the Department of General Services (DGS); \$250,000 GF for the Crossings Gallery at the Frontier Culture Museum; and \$250,000 GF for New Exhibits at the Danville Science Center.

Nongeneral fund capital amendments total \$172.2 million. About \$136.5 million is funded through 9 (c) and 9 (d) NGF revenue bonds for nine projects at institutions of higher education. Another \$35.7 million is funded with nongeneral fund cash to support seven projects at multiple state agencies and institutions of higher education.

# FY 2016-18 General Fund Revenues = \$39.0 Billion

Chapter 836 (HB 1500, as Adopted)

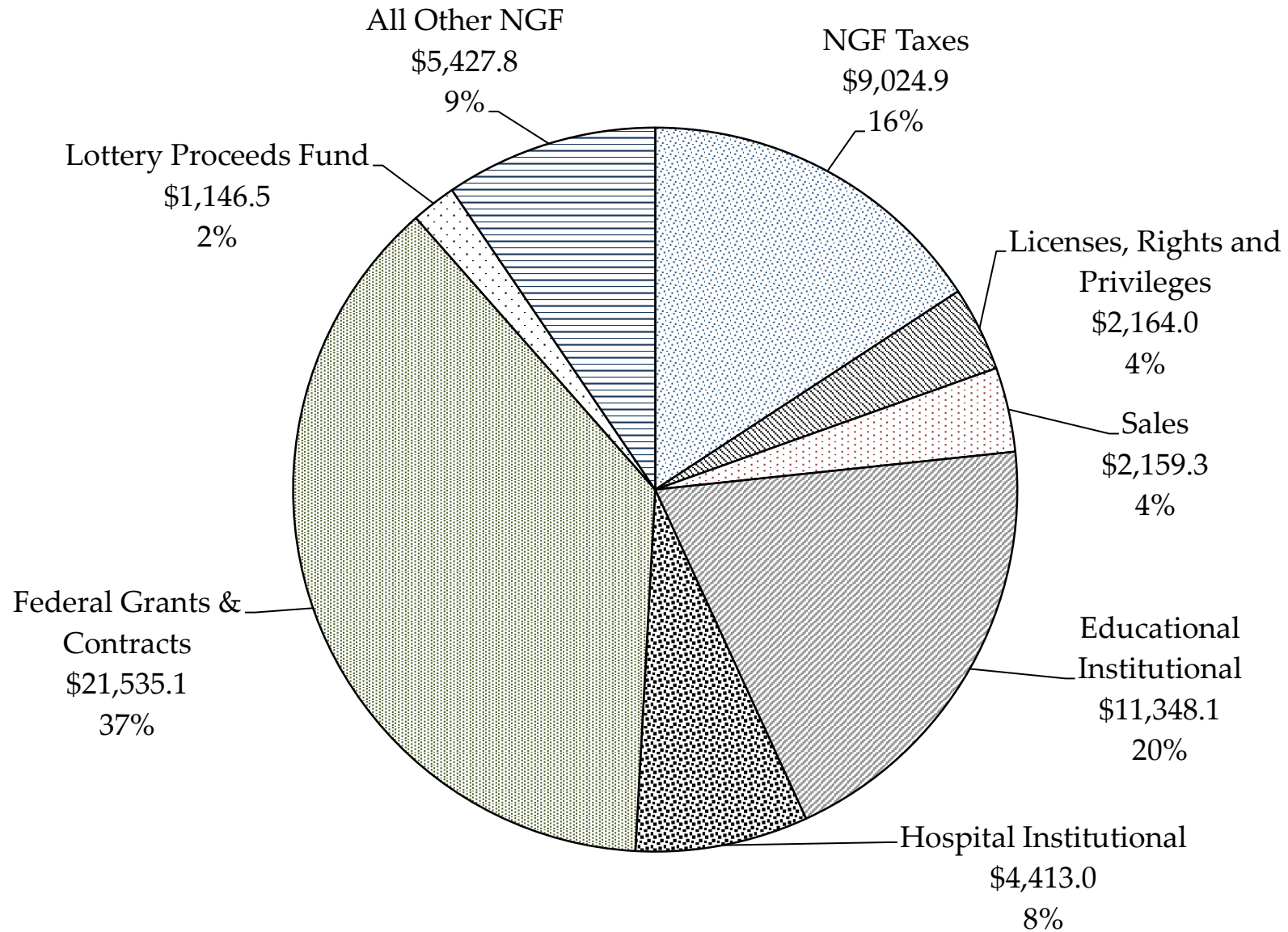
(\$ in millions)



# FY 2016-18 Nongeneral Fund Revenues = \$57.2 Billion

Chapter 836 (HB 1500, as Adopted)

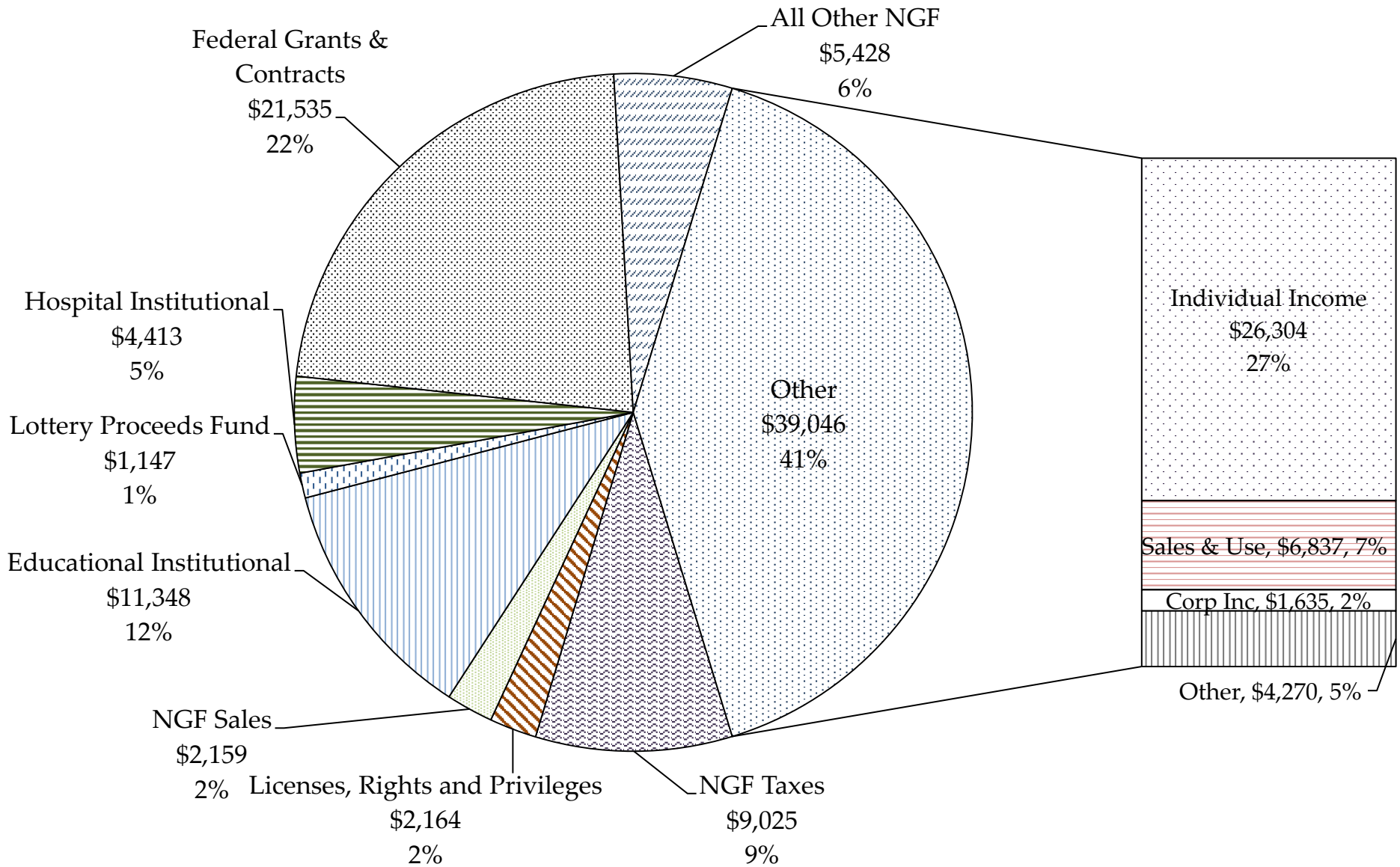
(\$ in millions)



# FY 2016-18 Total Revenues = \$96.3 Billion

Chapter 836 (HB 1500, as Adopted)

(\$ in millions)



# FY 2016-18 GF Operating Budget = \$40.5 Billion

Chapter 836 (HB 1500, as Adopted)

(\$ in millions)

