

Governor McAuliffe's Proposed Amendments to FY 2018 of the 2016-2018 Biennial Budget and the Proposed Biennial Budget for the 2018-2020 Biennium

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

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HB/SB 29 – The “Caboose” Budget

Overview of Available Resources
for FY 2018

The current budget, Chapter 836, included a planned carryover balance from FY 2017 to FY 2018 of \$128.1 million, which is the starting point . . .

**Chapter 836, 2017 Acts of Assembly
General Fund Only**

	FY 2017	FY 2018
General Fund Resources		
Prior Year Balance	\$623.4	\$128.1
Additions to Balance	112.9	128.2
Revenue Forecast	18,561.0	19,193.3
Revenue Stabilization Fund	294.7	272.5
Transfers	650.8	640.8
Total GF Resources	\$20,242.8	\$20,363.0
General Fund Appropriations		
Operating	\$20,113.7	\$20,354.6
Capital	1.0	0.0
Total GF Appropriations	\$20,114.7	\$20,354.6
General Fund Balance at Year-End	\$128.1	\$8.4

*Amounts shown in millions

FY 2017 concluded with an unrestricted year-end balance of \$782.8 million . . .

- The unrestricted cash balance reported by the State Comptroller represents the cash after accounting for liabilities and setting aside the balances for the restricted funds, including the Revenue Stabilization Fund, the Lottery Proceeds Fund, and the Water Supply Assistance Grant Fund.
- This balance also includes:
 - *a revenue surplus of \$134.1 million;*
 - *cash appropriated to the Water Quality Fund in FY 2019 of \$22.5 million;*
 - *cash from the Volkswagen & Kia-Hyundai settlements of \$19.9 million;*
 - *unexpended general fund operating appropriations of \$146.6 million;*
 - *unexpended general fund capital appropriations of \$102.7 million;*
 - *other cash on deposit in the Treasury that is counted as general fund cash according to GASB standards.*
- This unrestricted general fund cash balance as of June 30, 2017, replaces the \$128.1 million beginning balance previously anticipated in CH 836 for an increase of approximately \$654.7 million.

The FY 2018 beginning balance must be adjusted before determining the amounts available for appropriation. . .

3 items from the June 30 balance sheet create the source of funds for the revenue cash reserve deposit in FY 2018

	<u>FY2018</u>
<u>Adjustments to Balance - CH 836</u>	
Intergovernmental Cash Management Act	(500,000)
Revert capital outlay balances (C-52.40)	33,790,000
Supplant GF capital outlay with bond proceeds (C-52.40)	94,730,575
Judicial balances	198,822
Adjustments per CH 836	<u>128,219,397</u>
<u>New Adjustments to Balance</u>	
Committed Fund Balance:	
Amount Required for Reappropriation of Capital Outlay	(102,749,586)
Amount for Restoration of Capital Projects	(500,000)
Virginia Health Care Fund	(28,055,911)
Central Capital Planning Fund	(2,492,567)
Communication Sales and Use Tax	(35,636,383)
Commonwealth's Development Opportunity Fund	(15,038,964)
Natural Disaster Sum Sufficient	(11,232,049)
Amount Required for Mandatory Reappropriation - agencies	(43,912,105)
Amount Required for Mandatory Reappropriation - HiEd	(22,240,318)
Virginia Water Quality Improvement Fund	(37,641,733)
Virginia Water Quality Improvement Fund - Part A	(13,411,260)
Virginia Water Quality Improvement Fund - Part B	(9,121,039)
Revenue Cash Reserve	(60,350,670)
Capital Projects Reserve	(60,350,670)
Local Government Fiscal Distress	(500,000)
Transportation Trust Fund	(1,409,096)
Nonrecurring Expenditures	(694,032)
Economic and Technological Development	(46,424,699)
Health and Public Safety	(10,617,560)
Environmental Quality and Natural Resource Preservation	(8,361,674)
Other Commitments	(4,091,109)
Assigned Fund Balance:	
Health and Public Safety	(13,593,342)
Economic and Technological Development	(7,508,456)
Environmental Quality and Natural Resource Preservation	(6,876,554)
Amount Required for Discretionary Reappropriations	(45,146,609)
Other Assignments	(11,926,485)
Additional Adjustments:	
Planned Reversion - Criminal Fund balance	1,500,000
Appropriated Revenue Cash Reserve	121,395,372
Subtotal of New Adjustments	<u>(476,987,499)</u>
TOTAL Adjustments to Balance	<u><u>(348,768,102)</u></u>

Total changes to resources provide a net increase of \$294.4 million in new funds available for spending . . .

<u>RESOURCES</u>	FY 2018
Revenue Forecast - CH 836, 2017 Acts of Assembly	
Prior Year Balance	\$128.1
Additions to Balance	128.2
Revenue Forecast	19,193.3
Revenue Stabilization Fund	272.5
Transfers	640.8
Total GF Resources	<u>\$20,363.0</u>
Revisions to Forecast	
Prior Year Balance	\$654.7
Additions to Balance	(477.0)
Revenue Forecast	134.9
Revenue Stabilization Fund	0.0
Transfers	(18.1)
Total Revisions	\$294.4
Revised Revenue Forecast	
Prior Year Balance	\$782.8
Additions to Balance	(348.8)
Revenue Forecast	19,328.2
Revenue Stabilization Fund	272.5
Transfers	622.7
Total GF Resources	<u>\$20,657.4</u>

*Amounts shown in millions

HB/SB 29 – The “Caboose” Budget

Summary of Proposed
Spending Changes
for FY 2018

The proposed caboose budget contains 43 individual amendments that result in a net increase in general fund spending of \$101.2 million in FY 2018 . . .

- 25 amendments increase general fund spending by \$238.1 million.
 - *The two largest increases are:*
 - ❖ \$121.4 million for the Revenue Cash Reserve, and
 - ❖ \$86.7 million for Medicaid utilization and inflation.
- 18 amendments decrease spending by \$136.9 million.
 - *The two largest decreases are:*
 - ❖ \$60.0 million due to enrollment and technical revisions such as additional Lottery revenue in Direct Aid to Public Education, and
 - ❖ \$40.5 million in Health Care Fund revenues that offset general fund Medicaid costs.
- The result is a net increase in operating spending of \$101.2 million over Chapter 836.

After adjusting for all resource and spending changes, the Caboose bill produces a \$201.6 million balance that rolls to the 2018-2020 biennium . . .

Revised Resource Forecast

Prior Year Balance	\$782.8	
Additions to Balance	(348.8)	
Revenue Forecast	19,328.2	
Revenue Stabilization Fund	272.5	
Transfers	622.7	
Total GF Resources		\$20,657.4

Expenditures

Current Operating	\$20,354.6	
Current Capital	0.0	
		CH 836 Base
		\$20,354.6

New Operating	\$101.2	
New Capital	0.0	
		Subtotal of New Spending
		\$101.2

Revised Spending Proposed in HB/SB 29 **\$20,455.8**

Unexpended Balance in HB/SB 29 **\$201.6**

HB/SB 30
The 2018-2020
Biennial Budget

Overview of Available Resources

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

	FY 2019	FY 2020
<u>BASE RESOURCES – FY 2018, CH 836, 2017 Acts of Assembly</u>		
Prior Year Balance	\$0.0	\$0.0
Additions to Balance	(0.5)	(0.5)
Revenue Forecast	19,193.3	19,193.3
Revenue Stabilization Fund	0.0	0.0
Transfers	640.8	640.8
Total GF Resources	<u>\$19,833.6</u>	<u>\$19,833.6</u>
<u>Revisions</u>		
Prior Year Balance	\$201.6	\$0.0
Additions to Balance	22.5	0.0
Revenue Forecast	903.2	1,699.0
Revenue Stabilization Fund	0.0	0.0
Transfers	(25.1)	(15.1)
Total Revisions	<u>\$1,102.1</u>	<u>\$1,683.9</u>
<u>Revised Resource Forecast</u>		
Prior Year Balance	\$201.6	\$0.0
Additions to Balance	22.0	(0.5)
Revenue Forecast	20,096.5	20,892.3
Revenue Stabilization Fund	0.0	0.0
Transfers	615.7	625.8
Total GF Resources	<u>\$20,935.8</u>	<u>\$21,517.5</u>

*Amounts shown in millions

HB/SB 30
The 2018-2020
Biennial Budget

Summary of Proposed
Spending Changes

Goals of the Governor's budget . . .

- Expand access to Medicaid services effective October 1, 2018
- Address mandates and core services
- Continue to grow Virginia's economy through workforce development and maintaining our commitment to economic development
- Improve access to healthcare
- Provide employee compensation and benefits
- Improve fiscal strength through improved fiscal liquidity and structural balance

The proposed budget contains four forms of general fund spending changes that add and subtract to overall spending for a net increase of \$1.7 billion in total spending over the new biennium . . .

New General Fund Appropriations

	FY 2019	FY 2020
New Operating		
Base Budget Adjustments	(\$31.9)	(\$31.8)
Technical Adjustments	(0.1)	(0.1)
Policy-Based Decision Packages	548.5	1,232.2
Total Operating	<u>\$516.6</u>	<u>\$1,200.4</u>
	Biennial Operating Total	\$1,717.0
New Capital		
Cash for planning	10.0	5.0
Total New Appropriations	526.6	1,205.4
	Total New Biennial Appropriations Above Base	\$1,732.0

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

	General Operating Base Budget (Equivalent to CH 836, FY 2018)			HB/SB 30 Introduced Total			Proposed General Fund Changes					
	FY 2019	FY 2020	Biennial Total	FY 2019	FY 2020	Biennial Total	FY 2019		FY 2020		Biennial Total	
Legislative Department	84.3	84.3	168.6	86.9	86.9	173.8	2.6	3.1%	2.6	3.1%	5.2	3.1%
Judicial Department	485.6	485.6	971.2	496.0	496.0	992.0	10.4	2.1%	10.4	2.1%	20.7	2.1%
Executive Offices	35.1	35.1	70.2	36.8	36.8	73.6	1.7	4.8%	1.7	4.8%	3.4	4.8%
Administration	715.4	715.4	1,430.9	736.7	739.6	1,476.2	21.2	3.0%	24.1	3.4%	45.4	3.2%
Agriculture & Forestry	53.9	53.9	107.8	56.5	56.3	112.8	2.6	4.9%	2.4	4.5%	5.0	4.7%
Commerce & Trade	205.6	205.6	411.3	208.9	210.3	419.2	3.3	1.6%	4.6	2.2%	7.9	1.9%
Education	8,103.7	8,103.7	16,207.4	8,417.3	8,549.4	16,966.7	313.6	3.9%	445.7	5.5%	759.2	4.7%
Finance	1,887.5	1,887.5	3,775.0	1,938.8	2,156.6	4,095.3	51.2	2.7%	269.0	14.3%	320.3	8.5%
Health & Human Resources	6,437.3	6,437.3	12,874.6	6,600.7	6,825.4	13,426.1	163.4	2.5%	388.1	6.0%	551.5	4.3%
Natural Resources	109.8	109.8	219.6	135.4	112.6	248.0	25.6	23.3%	2.7	2.5%	28.4	12.9%
Public Safety & Homeland Security	1,911.8	1,911.8	3,823.6	2,008.6	2,019.0	4,027.6	96.8	5.1%	107.2	5.6%	204.1	5.3%
Technology	12.2	12.2	24.3	11.5	11.5	23.1	(0.6)	-5.1%	(0.6)	-5.1%	(1.3)	-5.1%
Transportation	41.0	41.0	82.1	43.0	43.0	86.1	2.0	4.9%	2.0	4.9%	4.0	4.9%
Veterans & Defense Affairs	21.1	21.1	42.3	22.2	22.8	45.0	1.0	5.0%	1.7	7.9%	2.7	6.4%
Central Appropriations	249.9	249.9	499.9	71.5	188.6	260.1	(178.4)	-71.4%	(61.3)	-24.5%	(239.8)	-48.0%
Total Executive Department	19,784.4	19,784.4	39,568.9	20,287.9	20,971.8	41,259.7	503.5	2.5%	1,187.4	6.0%	1,690.8	4.3%
Independent Agencies	0.3	0.3	0.5	0.4	0.3	0.7	0.1	53.8%	0.0	11.9%	0.2	32.9%
Total Operating Appropriations	\$20,354.6	\$20,354.6	\$40,709.2	\$20,871.2	\$21,555.0	\$42,426.2	\$516.6	2.5%	\$1,200.4	5.9%	\$1,717.0	4.2%

*Amounts shown in millions

Policy-based changes in operating costs are driven by issues that both increase and reduce spending . . .

- 251 amendments totaling \$2,492.5 million increase spending.
 - *Examples include:*
 - Updates to mandated programs like the Standards of Quality for K12 education and Medicaid;
 - Revisions in other expenditure forecasts;
 - Deposits to the Revenue Cash Reserve;
 - Employee compensation;
 - Funding for core services and priority needs in health and human resources, public safety, education, and veteran's services;
 - Transfers into an agency from another to spread funding to its proper location.

- 35 amendments totaling \$711.7 million decrease spending.
 - *Examples include:*
 - Savings from Medicaid Expansion and updates to the original Medicaid forecast;
 - Use of nongeneral fund revenue to supplant the general fund;
 - Updates in public education for retirement rate changes and other technical adjustments to rebenchmarking costs such as enrollment; and,
 - Transfers from an agency to another to spread funding to its proper location.

The net impact is an overall increase in operating spending of \$1,780.8 million for the biennium.

The top 10 policy-based spending amendments account for 71.8 percent of the total increased cost . . .

Agency	Title	FY 2019	FY 2020	Biennial Total	%
Department of Medical Assistance Services	Fund Medicaid utilization and inflation	\$199,450,674	\$384,421,932	\$583,872,606	
Direct Aid to Public Education	Update costs of the Standards of Quality (SOQ)	\$232,843,628	\$254,683,252	\$487,526,880	
Department of Accounts Transfer Payments	Provide additional funding for the Revenue Cash Reserve	\$50,000,000	\$220,700,000	\$270,700,000	
Central Appropriations	Adjust funding for changes in state employer health insurance rates	\$33,650,659	\$84,583,369	\$118,234,028	
Direct Aid to Public Education	Decrease Literary Fund support for school employee retirement contributions	\$35,000,000	\$45,000,000	\$80,000,000	
Children's Services Act	Account for caseload and utilization increases	\$16,902,103	\$37,326,255	\$54,228,358	
Direct Aid to Public Education	Provide two percent salary increase to SOQ funded school positions	\$0	\$51,299,725	\$51,299,725	\$101M
Central Appropriations	Adjust funding for changes in agency information technology costs	\$23,356,579	\$27,128,293	\$50,484,872	
Central Appropriations	Provide two percent salary increase to state employees and state-supported local employees	\$0	\$49,428,113	\$49,428,113	
Department of Medical Assistance Services	Add waiver slots as required by the Department of Justice settlement agreement	\$14,504,043	\$30,515,895	\$45,019,938	
Subtotal of Top 10 Spending Amendments		\$605,707,686	\$1,185,086,834	\$1,790,794,520	71.8%
Subtotal of Remaining Spending Amendments		\$256,332,584	\$445,392,830	\$701,725,414	28.2%
Grand Total of All Policy-Based Spending Amendments		\$862,040,270	\$1,630,479,664	\$2,492,519,934	100.0%

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

The top 10 policy-based amendments that reduce costs account for 94.5 percent of the total reductions . . .

Agency Name	Title	FY 2019	FY 2020	Biennial Total	%
Department of Medical Assistance Services	Provide health care coverage to the uninsured	(\$120,384,883)	(\$221,410,214)	(\$341,795,097)	★
Direct Aid to Public Education	Update Lottery proceeds for public education	(\$40,177,397)	(\$40,177,397)	(\$80,354,794)	
Direct Aid to Public Education	Capture estimated nonparticipation savings from Virginia Preschool Initiative	(\$23,951,337)	(\$23,955,047)	(\$47,906,384)	
Direct Aid to Public Education	Adjust funding for retirement and retiree health care credit changes	(\$22,496,926)	(\$22,568,594)	(\$45,065,520)	
Department of Corrections	Account for savings from federal participation in the cost of inmate health care	(\$17,204,989)	(\$26,943,014)	(\$44,148,003)	★
Grants to Localities	Account for savings from federal participation in substance abuse and mental health services	(\$16,653,864)	(\$24,980,796)	(\$41,634,660)	★
Department of Medical Assistance Services	Rebase training center budgets to reflect anticipated closures	(\$10,547,486)	(\$17,036,146)	(\$27,583,632)	
Department of Medical Assistance Services	Adjust Health Care Fund appropriation	(\$12,220,660)	(\$6,520,660)	(\$18,741,320)	
Central Appropriations	Adjust funding for changes in the cost of state employee retirement	(\$6,539,646)	(\$6,823,946)	(\$13,363,592)	
Economic Development Incentive Payments	Remove funding provided for the Advanced Shipbuilding Production Facility Grant Program	(\$6,000,000)	(\$6,000,000)	(\$12,000,000)	
Subtotal of Top 10 Reduction Amendments		(\$276,177,188)	(\$396,415,814)	(\$672,593,002)	94.5%
Subtotal of Remaining Reduction Amendments		(\$37,334,473)	(\$1,819,025)	(\$39,153,498)	5.5%
Grand Total of All Policy-Based Reduction Amendments		(\$313,511,661)	(\$398,234,839)	(\$711,746,500)	100.0%

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

★ Denotes savings related to Medicaid expansion.

The top 10 agencies receive 87.6 percent of the recommended new policy-based funding . . .

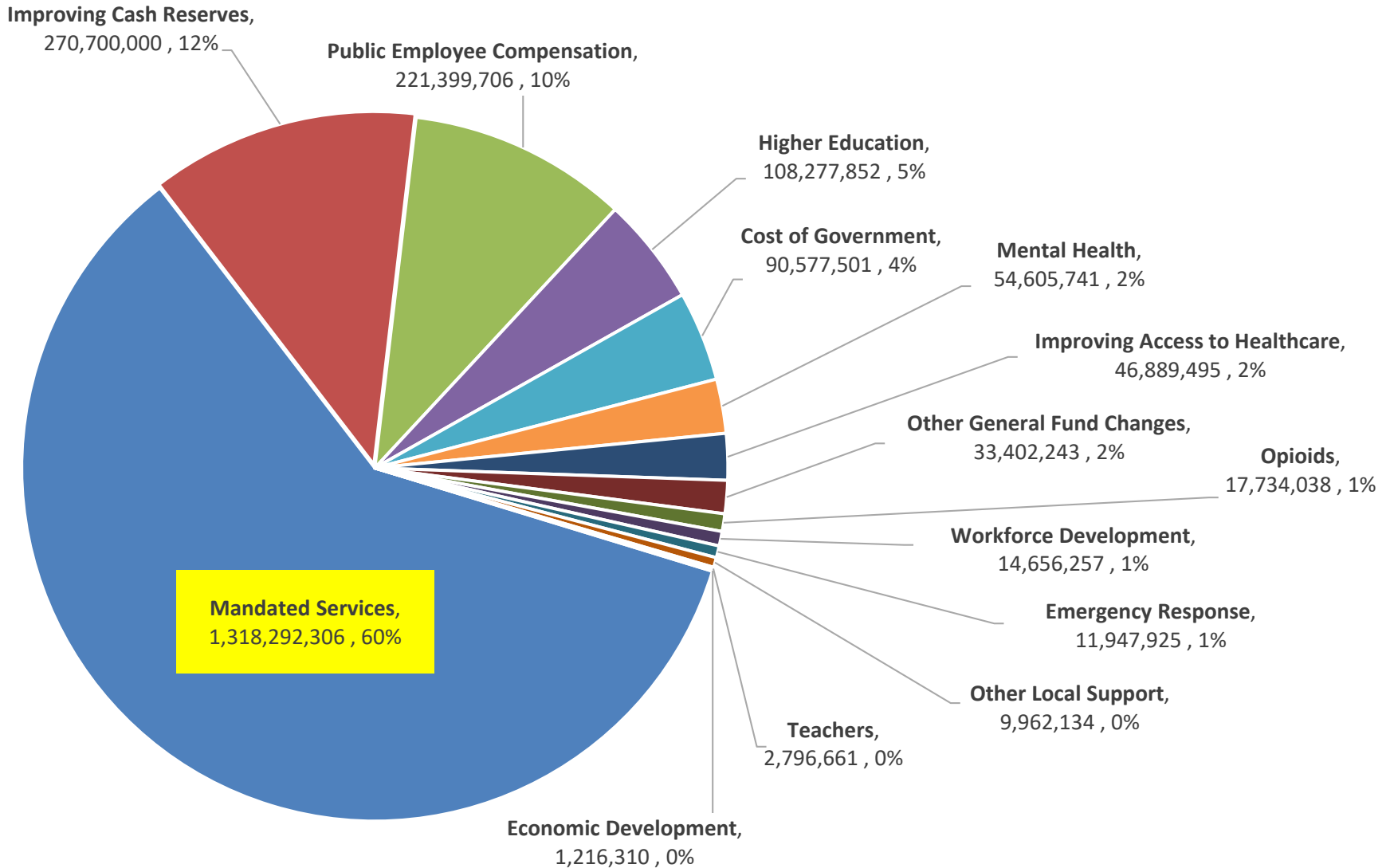
Agency Name	FY 2019	FY 2020	Biennial Total	%
Direct Aid to Public Education	\$206,467,180	\$309,370,973	\$515,838,153	
Department of Medical Assistance Services	\$68,916,278	\$248,593,702	\$317,509,980	
Department of Accounts Transfer Payments	\$49,330,000	\$220,030,000	\$269,360,000	
Central Appropriations	\$67,866,184	\$184,957,965	\$252,824,149	
Children's Services Act	\$17,152,103	\$37,326,255	\$54,478,358	
Treasury Board	(\$4,648,452)	\$43,859,952	\$39,211,500	
Department of Social Services	\$18,263,221	\$19,804,196	\$38,067,417	
George Mason University	\$10,520,989	\$18,192,542	\$28,713,531	
Department of Conservation and Recreation	\$23,309,187	\$259,460	\$23,568,647	
Department of Behavioral Health and Developmental Services - Grants to Localities	\$8,365,545	\$12,765,257	\$21,130,802	
Subtotal of Top 10 Agencies	\$465,542,235	\$1,095,160,302	\$1,560,702,537	87.6%
Subtotal of Remaining Agencies	\$82,986,374	\$137,084,523	\$220,070,897	12.4%
Grand Total of All Agencies	\$548,528,609	\$1,232,244,825	\$1,780,773,434	100.0%

Medicaid expansion will save \$421.7 million over the biennium to offset new spending . . .

- Medicaid expansion is planned for an effective date of October 1, 2018
- Savings and costs are based on services for just over 300,000 of the current estimate of 370,000 uninsured individuals who would qualify for coverage under expansion
- Savings and costs:
 - *All eligible costs are covered by a provider assessment estimated to generate revenue of \$80.8 million in FY 2019 and \$226.1 million in FY 2020.*
 - ❖ *Revenues collected from the provider assessment will be deposited to the Health Care Fund and used to offset Medicaid expenses.*
 - *\$5.9 million to provide additional resources for local social service workers to handle a portion of the increased volume of applications associated with expansion.*
 - *\$41.6 million in savings for substance abuse and mental health services.*
 - *\$44.1 million in savings in inmate medical costs.*
 - *\$341.8 million in savings within the basic Medicaid program from enhanced federal match associated with expansion.*

“Mandated Services” dominate net new spending . . .

Biennial Totals – General Fund Only



“Mandated Services” costs are driven by public education and health and human services . . .

Amendments greater than \$20.0 million for the biennium:

- \$575.8 million for the cost of Medicaid as estimated in the most recent forecast (Note: The official forecast of \$583.9 million was later decreased by \$8.0 million.)
- \$491.8 million to update the Board of Education’s estimates of the Standards of Quality.
- \$80.0 million for teacher retirement contributions based on the latest Literary Fund forecast.
- \$54.2 million to fund the anticipated caseload and expenditure growth in services provided through the Children's Services Act.
- \$45.0 million to add a total of 825 new waiver slots to the Community Living (CL) and Family and Individual Supports (FIS) waivers over the course of the biennium as required by the settlement agreement with the U.S. Department of Justice.
- \$42.7 million to update sales tax revenues for public education based on the Department of Taxation's December 2017 education sales tax forecast.
- \$39.2 million for new debt issuances for authorized capital projects (includes savings from refundings).
- \$38.3 million to cover additional inmate medical costs.
- \$27.2 million to fund the latest forecast of Family Access to Medical Insurance Security (FAMIS) program utilization and inflation.
- \$22.5 million to meet the mandatory deposit to the Water Quality Improvement and Virginia Natural Resources Commitment Funds associated with the FY 2017 year-end surplus.

Mandated Services – continued . . .

Amendments less than \$20.0 million but greater than \$5.0 million for the biennium:

- \$18.5 million to fund the latest forecast of utilization and inflation in the Commonwealth's Medicaid Children's Health Insurance program.
- \$7.8 million for the staffing, equipment, and other associated costs of opening 72 new beds at the expanded Virginia Center for Rehabilitation beginning in August, 2019.
- \$7.0 million to fund the cost of hospital and physician services for persons subject to an involuntary mental commitment.
- \$6.6 million to provide foster care maintenance and adoption subsidy payments.
- \$6.1 million to begin to procure a comprehensive child welfare information system (CCWIS) for case management to replace four existing information systems.
- \$6.0 million to avoid reductions to child support collections efforts from reduced nongeneral fund revenue.
- \$5.7 million for rental subsidies for 343 individuals with developmental disabilities to live in their own housing with appropriate supports.
- \$5.7 million for the staffing, equipment, and other associated costs of temporarily housing 22 medically challenged residents at Piedmont Geriatric Hospital.
- \$5.6 million for crisis services for children and adults with developmental disabilities.
- \$5.2 million to support the sales tax distribution to local school divisions based on the latest yearly estimate of school age population.

“Other General Fund Costs” are largely due to the increased cost of government operations . . .

Amendments greater than \$1.0 million for the biennium:

- \$50.5 million for information technology and telecommunications usage by state agencies.
- \$11.1 million to fund the general fund share of agency charges for the new state payroll system.
- \$14.2 million to replace depleted federal Help America Vote Act funding.
- \$8.4 million to address projected VITA and other information systems costs in the Department of Social Services.
- \$7.5 million to establish the Virginia Grocery Investment Fund.
- \$4.3 million to fund workers' compensation premiums.
- \$2.9 million to support additional staff at the Office of the Chief Medical Examiner.
- \$2.3 million to fund agency charges for the Cardinal Financial System.
- \$2.0 million to align funding sources for the Department of Education's Office of Student Services.
- \$1.4 million to increase the decedent transport rate in the Office of the Chief Medical Examiner.
- \$1.3 million for Fort Monroe to address loss of U.S. Department of Defense Office of Economic Adjustment (OEA) grant funding due to transfer of additional property from the U.S. Army to the Commonwealth.
- \$1.2 million for additional tax auditors.
- \$1.1 million to replace outdated systems that manage the Library of Virginia's electronic records and digital archives.
- \$1.1 million to design, develop, and administer an Identity and Access Management program at the Department of Taxation.
- \$1.1 million to add five licensing positions in the first year and four additional positions in the second year for a total of nine new licensing positions in Behavioral Health and Developmental Services.

“Other Local Support” provides new discretionary funds for public education and public safety . . .

Amendments greater than \$1.0 million for the biennium:

- \$20.4 million for financial assistance to localities with police departments (HB 599 program).
- \$11.5 million to ensure that no locality loses state funding for public education in fiscal year 2019 as compared to that locality's fiscal year 2018 state distribution.
- \$7.6 million to fund one full-time principal in every elementary school.
- \$7.1 million to provide additional support to students who are educationally at-risk.
- \$2.6 million to continue increased support for Academic Year Governor's Schools.
- \$2.0 million to support broadband deployment by doubling the funding for the Virginia Telecommunication Initiative.
- \$1.5 million to support the expansion of the Prince William/Manassas Adult Detention Center.
- \$1.0 million to expand the number of schools implementing a system of positive behavioral interventions and supports.
- \$1.0 million to support a new public library on the Eastern Shore.

Increases for student financial assistance lead the initiatives in “Higher Education” . . .

Amendments greater than \$1.0 million for the biennium:

- \$45.5 million to support need-based financial aid for in-state undergraduate students.
- \$15.1 million to support Old Dominion University's essential operating requirements necessary to deliver quality instructional and student service activities. This funding provides the state share needed for the university to achieve 100 percent of its base adequacy attainment by FY 2020.
- \$14.0 million to support base operations for continuing enrollment growth at George Mason University.
- \$13.1 million for higher education institutions share of interest earnings and small purchase credit card rebates.
- \$5.1 million to support the medical education and health professions programs at Eastern Virginia Medical School.
- \$3.8 million to enhance academic programs to aid in attracting additional students to the University of Virginia's College at Wise.
- \$1.7 million to support debt service payments, training, and software costs to upgrade information technology and security systems at the University of Virginia's College at Wise. The equipment portion of this project will be financed under the Master Equipment Lease Program (MELP) for five years.
- \$1.6 million to address an estimated shortfall in the Tuition Assistance Grant resulting from increasing the individual undergraduate award amount from \$3,300 to \$3,350 in FY 2020.
- \$1.4 million to support debt service payments, training, and software costs to upgrade and modernize Virginia State's information technology network. The equipment portion of this project will be financed under the Master Equipment Lease Program (MELP) for five years.
- \$1.3 million to help Norfolk State University become a leader in the research of cybersecurity/cyberpsychology and eco-friendly biofuel production.

“Emergency Responses” initiatives focus on improving the Commonwealth’s preparedness . . .

- \$3.7 million for debt service for the purchase of two helicopters through the Commonwealth’s master equipment lease program (MELP).
- \$3.0 million for multidisciplinary training and regional training and exercises related to man-made and natural disaster preparedness, including training consistent with the National Incident Management System (NIMS).
- \$2.8 million and ten positions to establish an additional tactical team in the Special Operations Division.
- \$1.0 million to upgrade the Commonwealth Link to Interoperable Communications (COMLINC) system.
- \$680,000 to continue the state’s Commonwealth Link to Interoperable Communications (COMLINC) management contract.
- \$440,349 to support new criminal intelligence analyst positions for the Virginia Fusion Center.
- \$161,411 and one position to establish a civilian deputy emergency coordinator position in the Department of Military Affairs who will be responsible for state interagency emergency planning and coordination.
- \$96,250 to fund a new Threat Hazard Risk Assessment (THIRA) Coordinator position in Emergency Management.
- \$56,178 and one position to create an emergency response specialist at the Department of Military Affairs’ Joint Emergency Operations Center in the second year.

“Growing Virginia’s Economy” requires investment in workforce development and continuation of economic development grants . . .

Amendments greater than \$1.0 million for the biennium:

- \$7.5 million to establish a customized workforce recruitment and training incentive program for eligible new or expanding companies in the Commonwealth.
- \$5.9 million to provide for payments of qualifying grants under the Virginia Investment Partnership Grant.
- \$4.2 million to provide for payments of qualifying grants under the Virginia Economic Development Incentive Grant.
- \$4.0 million for the Port of Virginia Economic and Infrastructure Development Zone Grant Fund.
- \$4.0 million to address the high demand of students wishing to participate in the New Economy Workforce Credential Grant Program.
- \$2.2 million for the development of solar energy through low-interest loan programs and the development of energy storage.
- \$1.3 million to support administration of the GO Virginia Initiative.
- \$1.0 million to support cyber security camps.

“Improving Access to Healthcare” continues efforts to address mental health issues and the opioid crisis . . .

Amendments greater than \$5.0 million for the biennium:

- \$11.8 million to complete implementation of same day access to screening and assessment services at all 40 Community Services Boards (*adds remaining 22 CSBs*), as required by legislation that was passed in the 2017 session.
- \$11.2 million to assist CSBs in implementing primary care screening and monitoring of key health indicators.
- \$10.2 million to implement electronic health records at all state facilities operated by the Department of Behavioral Health and Developmental Services (*adds remaining 9 facilities*).
- \$10.0 million to continue the provision of medication assisted treatment to individuals with opioid addiction.
- \$9.8 million to increase rates for consumer directed personal, respite, and companion care services by two percent.
- \$9.6 million to pay overtime compensation (*up to 16 hours*) to attendants who are providing care under the consumer-directed service option in the Medicaid waivers.
- \$6.9 million to provide community-based services for individuals currently residing in state facilities who are clinically ready to be discharged but face extraordinary barriers to successful living in the community.
- \$6.0 million to develop an Electronic Health Records System to expand and support health data collection.
- \$5.6 million to operate 56 new beds at Western State Hospital in FY 2020 that are currently under construction.

“Improving Access to Healthcare” continues efforts to address mental health issues and the opioid crisis . . .

Amendments less than \$5.0 million but greater than \$1.0 million for the biennium:

- \$4.9 million to fund increased costs to re-procure the Cover Virginia Call Center.
- \$4.6 million to expand permanent or transitional supportive housing options, with priority given to those in state facilities who could be discharged if housing was available.
- \$4.5 million for the acquisition and support costs of one assisted living facility for individuals with serious mental illness in the first year and a second assisted living facility in the second year. In addition, funds are included to create two community support teams
- \$3.2 million covers the Medicaid costs associated with completing the implementation of same day access at all Community Service Boards (*adds remaining 22 CSBs*).
- \$2.9 million and 36 positions for special units and programs for seriously mentally ill inmates.
- \$2.8 million to fund 50 community living (CL) waiver slots (*25 in each year*) that will be held as reserve capacity to address unanticipated emergency situations.
- \$2.5 million to provide permanent supportive housing to approximately 75 pregnant or parenting women with substance use disorders.
- \$2.3 million and 35 new positions for probation and parole officers to supervise offenders.
- \$2.2 million to backfill lost federal revenue at the state’s geriatric mental health facilities as a result of a reduction in disproportionate care payments, ensuring that the individuals served by the facilities continue to receive care.
- \$1.2 million to fund six controlled substances forensic scientist positions. This amount includes \$100,000 for overtime funding for existing scientists to address case backlogs.

“Employee Compensation and Benefits” maintains health insurance benefits and provides a two percent pay increase on December 1, 2019 . . .

Amendments greater than \$1.0 million for the biennium:

- \$118.2 million to fund the increased general fund share of employer health insurance premiums so that employee benefits are maintained at current levels.
- \$51.3 million to fund the state share of a two percent salary increase for K-12 teachers and other SOQ funded public school positions effective December 1, 2019.
- \$49.4 million to provide a two percent salary increase for state employees effective November 10, 2019, and for the state share of state-supported local employees, effective December 1, 2019.
- \$13.9 million to pay the employee share of the increased health insurance premiums in order for employees to realize the full benefit of the pay increase.
- \$2.2 million to fund the general fund share of the increase in Line of Duty Act premiums charged to state agencies.

“Maintaining Fiscal Integrity” means fully funding the Revenue Cash Reserve by FY 2020 and establishing structural balance going forward. . .

Fully Funding the Revenue Cash Reserve at 2% of Operating Appropriations

Fiscal Year	Fiscal Year Operating Appropriations before Revenue Cash Reserve	Annual Deposits	Cumulative Balance	% of Operating Appropriations
FY 2018	20,299,447,487	156,395,372	156,395,372	0.8%
FY 2019	20,821,213,958	50,000,000	206,395,372	1.0%
FY 2020	21,334,283,087	220,700,000	427,095,372	2.0%

Structural balance is achieved in FY 2020, which serves as the base going forward . . .

FY 2020 Base Adjustments - General Fund Only

FY 2020 Resources in HB/SB 30		\$21,517.5
Adjustments to Resources (assumes no revenue growth)		
Remove nongeneral fund recoveries for VRS repayment	(0.3)	
	Subtotal of Adjustments	<u>(0.3)</u>
	Base Resources Going Forward	<u><u>\$21,517.3</u></u>

Total FY 2020 Expenditures in HB/SB 30		\$21,560.0
Adjustments to Expenditures		
Less capital	(\$5.0)	
Less one-time payments to Revenue Cash Reserve	(220.7)	
Less other one-time expenses	(1.2)	
Restore one-time economic development savings	9.8	
Add debt service for new issuances - based on known authorizations	53.8	
Add annualization of state employee and state-supported local salary increases	38.0	
Add annualization of state share of teacher and public school employee salary increases	36.4	
	Subtotal of Adjustments	<u>(88.9)</u>
	Base Expenditures Going Forward	<u><u>\$21,471.1</u></u>
	Balance of Uncommitted Base Resources	<u><u>\$46.2</u></u>

*Amounts shown in millions

Summary of Proposed Capital

Capital Outlay – 2018-20 Biennium

<p>Fund Maintenance Reserve <i>Includes \$100 million per year for all state agencies; an additional \$25 million per year for higher education institutions; and, \$2 million for Fort Monroe. Allows security and safety upgrades as use of funding.</i></p> <p>Fund infrastructure umbrella projects at DCR, DGS, VSDB, DBHDS and DMA</p>	<p>\$252.0 million VCBA/VPBA</p> <p>\$32.6 million VPBA</p>
<p>Supplement existing projects <i>Provides funding to supplement four projects and one pool due to:</i></p> <ol style="list-style-type: none"> 1) <i>increasing range of project (GMU Bull Run Life Sciences Facility; DCR park cabins; CSO Matching Fund for Alexandria, DEQ; and SWVHEC building expansion; and,</i> 2) <i>shortfall in pool funding (Chapter 2, 2014 Session pool underfunded when established).</i> 	<p>\$65.5 million VCBA/VPBA</p>
<p>Address critical infrastructure and facility projects <i>Provides funding to: Replace Roof and Drains on Pauley Center and Replace Air Handling Units, VMFA; Renovate Departmental Headquarters Building, DBVI; Replace Hot Water and Heating Mechanical Systems--Sussex I & II and Red Onion, and Renovate Buckingham Wastewater Treatment Plant, DOC; and, Replace HVAC System, SWVHEC.</i></p>	<p>\$31.6 million VPBA</p>
<p>Fund planning from Central Capital Planning Fund <i>Provides detailed planning funding for four projects: replace State Police Academy; upgrade Monroe infrastructure; phase 3 renovate Wilson facilities; and replace Central State</i></p>	<p>\$15.0 million GF</p>
<p>Fund equipment for 12 previously authorized projects being completed within the next two years.</p>	<p>\$52.1 million VCBA/VPBA</p>
<p>Fund 12 projects at institutions of higher education with revenue bonds.</p>	<p>\$21.0 million 9(C) Bonds \$260.7 million 9(D) Bonds</p>
<p>Supplant transportation funds in VDOT with bonds to support planning for dredging the Norfolk Harbor and Elizabeth River Channels.</p>	<p>\$20.0 million VPBA</p>
<p>Reduce bond authorization for the CCAM capital projects (caboose bill language).</p>	<p>(\$12.5 million) VPBA</p>

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

Maintaining state infrastructure and facilities	Amount
Maintenance reserve all state agencies and institutions	\$252,000,000
Umbrella infrastructure projects	\$32,600,000
Systems upgrades and facility renovations	\$31,600,000
Address equipment needs	
Equipment for previously authorized projects being completed within the next two years	\$52,100,000
Higher Education Equipment Trust Fund	\$166,000,000
Supplement existing projects	
Additional Combined Sewer Overflow Matching Fund	\$20,000,000
Increasing range of approved capital pool projects	\$29,500,000
Shortfall in previously approved capital pool	\$16,000,000
Other	
VDOT capital -- free up funding for Port Authority to plan for dredging Norfolk Harbor and Elizabeth River Channels	\$20,000,000
Provide Transportation Capital Projects Revenue Bonds for Mass Transit capital projects	\$110,000,000
TOTAL - DEBT TO BE ISSUED	\$729,800,000
Department of the Treasury - Local Jail Construction	\$1,337,381
Reduce CCAM training facility to actual cost	(\$12,500,000)
TOTAL - OTHER ACTIONS IMPACTING DEBT CAPACITY	(\$11,162,619)
GRAND TOTAL IMPACTING DEBT CAPACITY	\$718,637,381

The introduced budget combines new revenues and spending to yield an unappropriated general fund balance of \$12.1 million . . .

General Fund Only

	FY 2019	FY 2020	Biennial Total
Revised Revenue Forecast			
Prior Year Balance	\$201.6	\$0.0	\$201.6
Additions to Balance	22.0	(0.5)	21.5
Revenue Forecast	20,096.5	20,892.3	40,988.8
Revenue Stabilization Fund	0.0	0.0	
Transfers	615.7	625.8	1,241.4
Total GF Resources	<u>\$20,935.8</u>	<u>\$21,517.5</u>	<u>\$42,453.3</u>
Proposed Expenditures			
Chapter 836 Base			
Operating	\$20,354.6	\$20,354.6	\$40,709.2
Capital	\$0.0	\$0.0	\$0.0
CH 836 Base	<u>\$20,354.6</u>	<u>\$20,354.6</u>	<u>\$40,709.2</u>
Proposed New Amendments			
Operating	\$516.6	\$1,200.4	\$1,717.0
Capital	\$10.0	\$5.0	\$15.0
Subtotal Proposed New Spending	<u>\$526.6</u>	<u>\$1,205.4</u>	<u>\$1,732.0</u>
Total of All Proposed Spending in HB/SB 30	\$20,881.2	\$21,560.0	\$42,441.2
Unexpended Balance in HB/SB 30	\$54.6	(\$42.4)	\$12.1

*Amounts shown in millions

For More Details About Governor McAuliffe's Introduced Budget

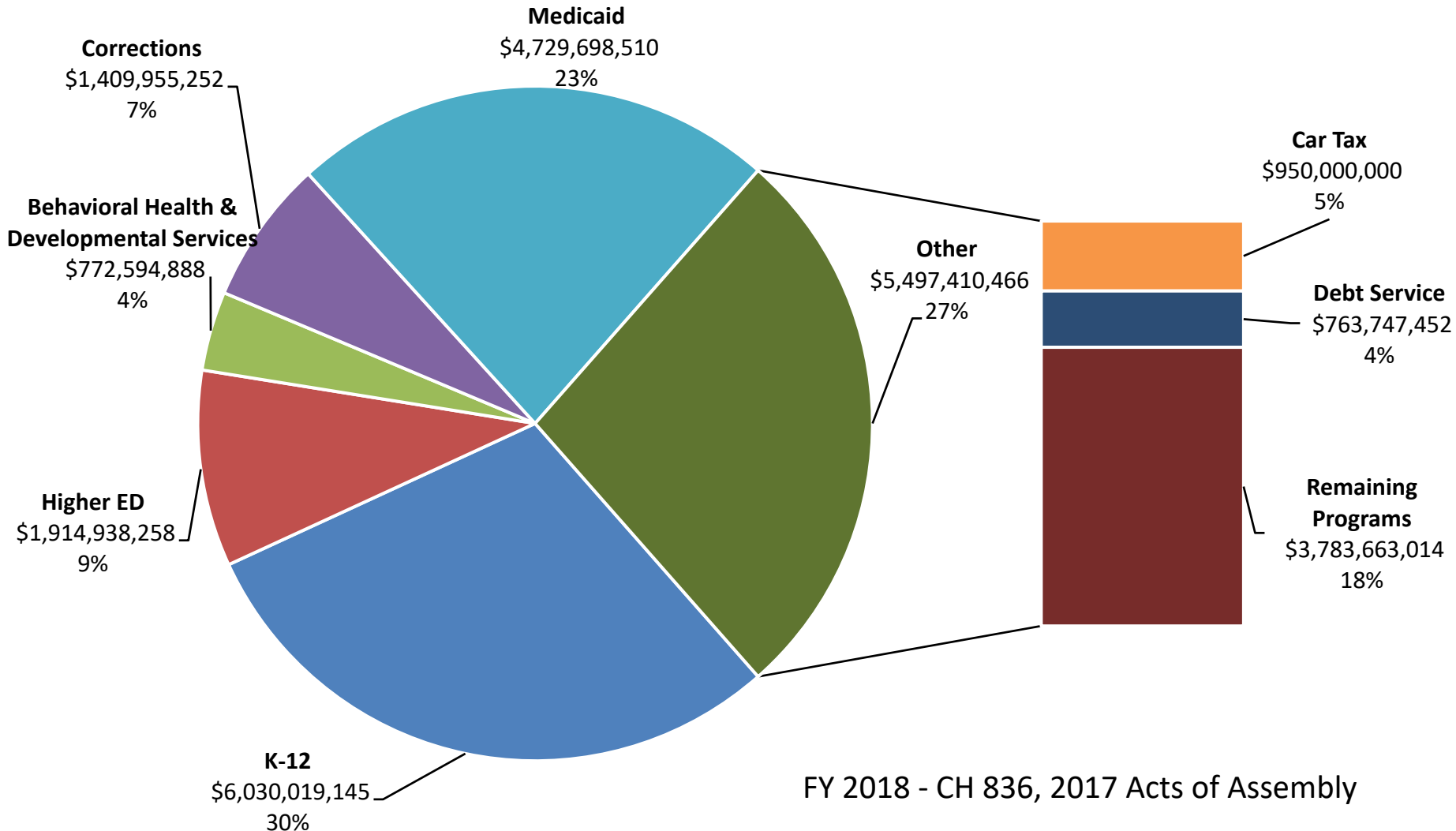
including specific language amendments, please
refer to the Department of Planning and Budget's
Web site at:

<http://dpb.virginia.gov/>

Appendix

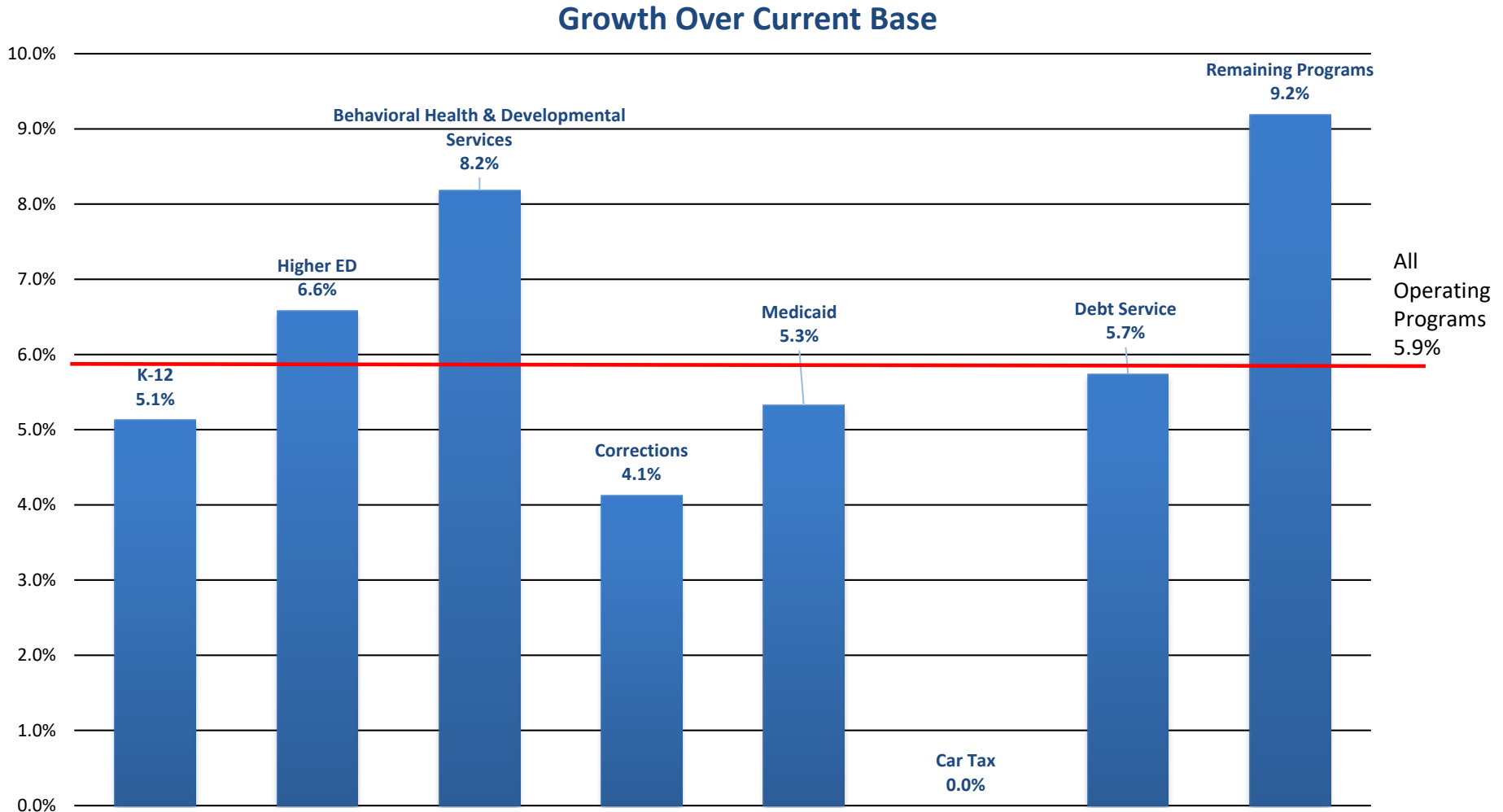
Summary of Changes in Budget Drivers

Five budget drivers make up 73 percent of the FY 2018 general fund budget in Chapter 836 . . .



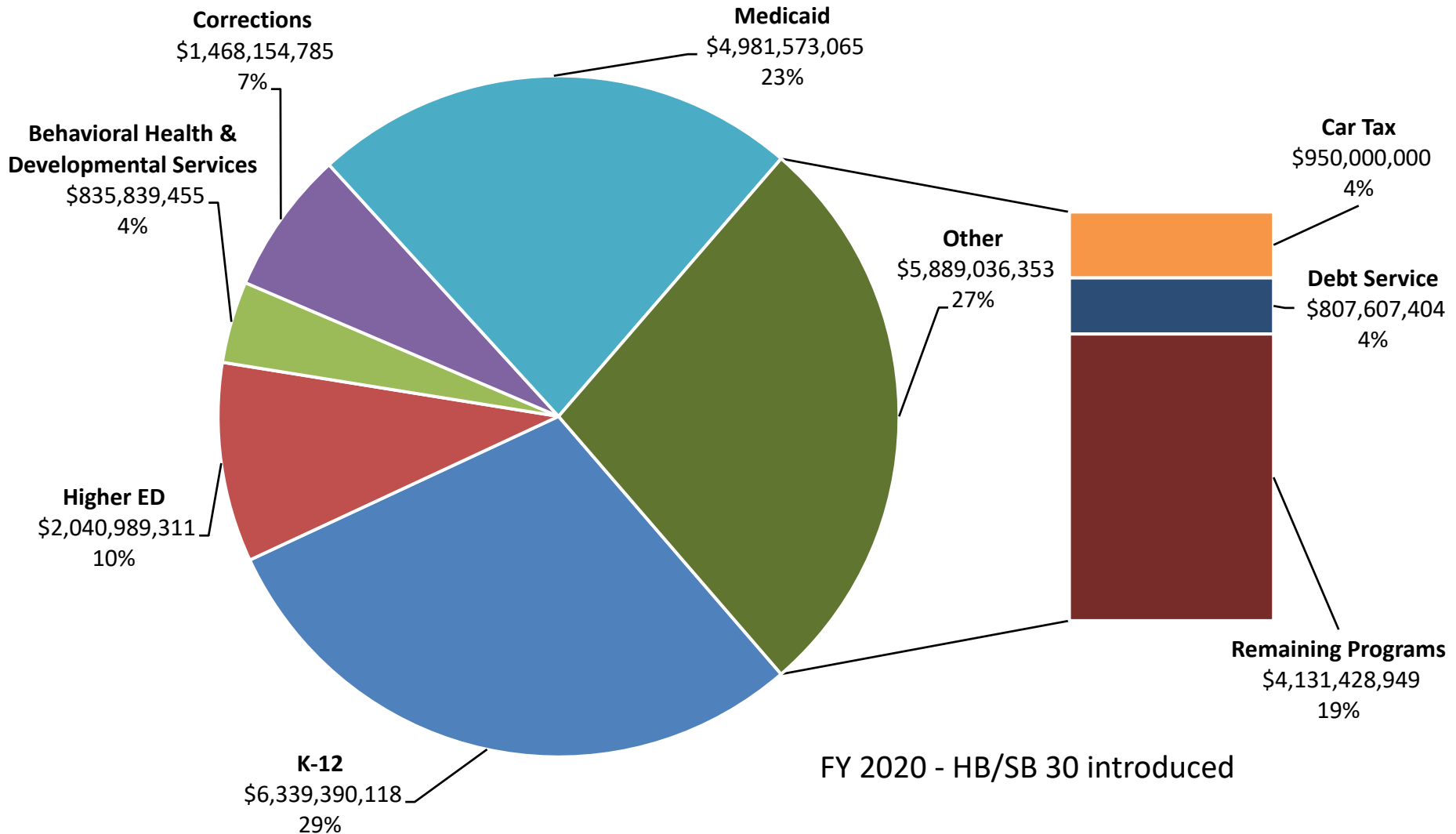
FY 2018 - CH 836, 2017 Acts of Assembly

Growth from the FY 2018 base to FY 2020 is led by the remaining non-driver programs due to the deposit to the Revenue Cash Reserve. . .



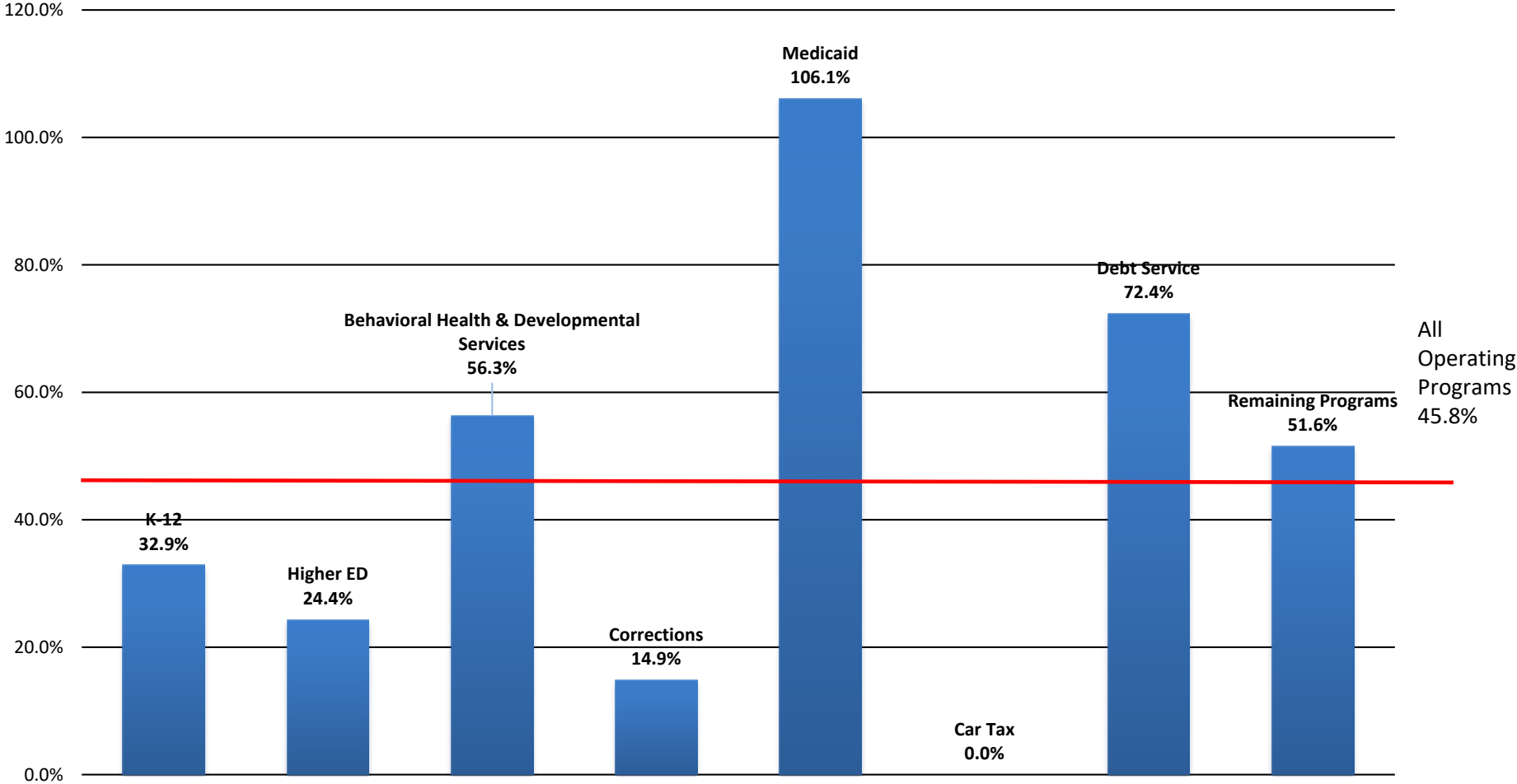
CH 836 is the FY 2018 base from which growth is measured.

In FY 2020, the five budget drivers remain at 73 percent of the general fund in HB/SB 30 (introduced) . . .



Growth in general fund spending on budget drivers from FY 2010 to FY 2020 ranges from 14.9 percent in Corrections to 106.1 percent in Medicaid . . .

Ten-Year Growth Rates



Summary of Changes in Authorized Position Levels

The Education Secretariat accounts for the majority of the increase in position levels in the proposed budget for FY 2020 . . .

Secretarial Area	FY 2018 FTE (Chapter 836)	FY 2020 FTE (HB/SB 30 Introduced)	Proposed Net Changes FY 2020
Legislative Department	622.00	625.00	3.00
Judicial Department	3,371.71	3,373.71	2.00
Executive Offices	542.00	571.00	29.00
Office of Administration	847.00	849.00	2.00
Office of Agriculture and Forestry	834.00	836.00	2.00
Office of Commerce and Trade	1,676.00	1,676.00	0.00
Office of Education	59,121.72	60,048.22	926.50
Office of Finance	1,299.00	1,310.00	11.00
Office of Health & Human Resources	15,336.02	15,328.77	-7.25
Office of Natural Resources	2,178.00	2,182.00	4.00
Office of Public Safety and Homeland Security	19,843.50	20,033.50	190.00
Office of Technology	241.00	245.00	4.00
Office of Transportation	10,117.00	10,209.00	92.00
Office of Veterans and Defense Affairs	808.00	1,088.00	280.00
Central Appropriations	0.00	0.00	0.00
Independent Agencies	1,724.00	1,761.00	37.00
Grand Total	118,560.95	120,136.20	1,575.25

- Large increase in Education Secretariat primarily due to technical adjustments for various higher education institutions, predominately the University of Virginia Medical Center.
- Increase in Public Safety and Homeland Security due to stabilization of ABC workforce, opening of new ABC stores, the addition of probation and parole officers, and the creation of programs for seriously mentally ill inmates in the Department of Corrections.
- Increase in Veterans and Defense Affairs Secretariat primarily due to the planned opening of two new veterans care centers.