Resources

Adopted amendments to the 2016-18 budget, Chapter 1 of the 2018 Special Session I Acts of Assembly (HB 5001), include $299.2 million in general fund resources above those assumed in Chapter 836 of the 2017 Acts of Assembly. These resources include: (1) a $134.9 million upward revision to the general fund revenue forecast; (2) transfer reductions totaling $15.5 million; and, (3) a net balance adjustment of $179.8 million. When combined with the $8.4 million unappropriated balance contained in Chapter 836, the net adjustments provide $307.6 million in available unappropriated resources. With these adjustments, general fund resources and transfers in FY 2018 total $20.7 billion.

Chapter 1, as adopted, includes additional net spending of $95.3 million, leaving a balance of $212.4 million to be carried forward into the next biennium in Chapter 2 of the 2018 Special Session I Acts of Assembly (HB 5002).

General Fund Resources Available for Appropriation
Chapter 1, 2018 Special Session I
($ in millions)

Total Resources Available	**Chapter 836**	**Chapter 1**	**Difference**
Prior Year Balance	$128.1	$782.80	$654.7
Additions to Balance	128.2	(346.7)	(474.9)
Revenue Forecast	19,193.3	19,328.20	134.9
Revenue Stabilization Fund	272.5	272.5	0.0
Transfers	640.8	625.3	(15.5)
Total GF Resources	**$20,363.0**	**$20,662.1**	**$299.2**
Unappropriated Balance (Ch. 836)			$8.4
Chapter 1 Difference in Available Resources			299.2
Chapter 1 Net Spending Increases			(95.3)
Chapter 1 Carry Forward Balance to Ch. 2			**$212.4**

Changes in Revenue

FY 2017 revenue collections exceeded the estimate by $134.9 million, with growth of individual withholding taxes and corporate income taxes well ahead of the forecast, offsetting shortfalls in nonwithholding and sales tax collections. As a result, FY 2018 general fund revenues have to increase only 2.7 percent to meet the budget forecast in Chapter 836, compared to the economic-based assumption of 3.4 percent growth.

The fall revenue reforecasting process resulted in an estimated GF growth rate of 3.7 percent, an increase of $184.7 million based on the recommendations of the Governor's Advisory Council on Revenue Estimates (GACRE). The revenue forecast was subsequently reduced by $49.8 million, reflecting a $47.3 million shortfall in the revenues anticipated to have been generated by the recently completed Tax Amnesty program and a reduction of $2.5 million resulting from conformity with federal tax changes which increase the deductions for charitable contributions to encourage support for hurricane relief efforts. The net result is a 3.4 percent adjusted growth rate in FY 2018, with the majority of the adjustments attributable to the higher than anticipated FY 2017 base, and little change to the underlying economic assumptions.

Adjustments to the revenue forecast contained in Chapter 1 yield additional general fund revenues of $134.9 million in FY 2018, representing growth of 3.4 percent. Year-to-date revenue growth through May was 6.1 percent, with both individual withholding and nonwithholding income tax collections exceeding the forecast.

FY 2018 Estimate of GF Taxes by Source
($ in millions)

	Dec. 2017 Forecast	Estimated % Growth	% Growth through May 2018
Net Individual	$13,491.9	3.4%	7.7%
Corporate	874.0	5.7%	4.7%
Sales	3,458.2	3.0%	3.0%
Insurance	362.1	6.2%	(0.9%)
Recordation	407.2	3.3%	(0.7%)
All Other	734.8	1.6%	(0.9%)
Total Revenues	**$19,328.2**	**3.4%**	**6.1%***

*YTD growth includes $42.2 million in one-time Tax Amnesty collections

Changes in Transfers

Net transfer adjustments reduce total transfers by $15.5 million and include a $4.8 million increase in the estimated sales tax transfer for K-12 education based on an overall increase in the sales tax forecast; offset by reductions of $24.0 million, the majority of which reflects the early receipt of funds from the Volkswagen and Kia-Hyundai settlements which were received in FY 2017 and were therefore, already included in the FY 2018 beginning balance. Other adjustments include an increase of $500,000 to the amounts the Office of the Attorney General may retain from the Regulatory, Consumer and Litigation Fund, and a reduction in the assumed transfer from the Court Debt Collection program of $2.1 million.

Changes in Net Balance

The general fund cash balance reported by the State Comptroller at the close of FY 2017 was $1.4 billion. This includes an unexpended GF appropriated balance of $354.8 million; a $128.1 million carry-forward balance assumed in Chapter 836; revenue collections in excess of the forecast totaling $134.9 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 $557.1 million. The majority relates to the $548.8 million balance in the Revenue Stabilization Fund as well as balances in the Lottery Proceeds Fund of $11.8 million and $4.3 million of Water Supply Assistance Grant Funds. After adjusting the balance for these liabilities, and for payments awaiting disbursement, the unrestricted general fund cash balance totaled $782.7 million, approximately $654.7 million more than assumed in Chapter 836.

The new adjustments to the unrestricted balances are committed under statutory requirements, and distributions include the reappropriation of $105.8 million in FY 2017 GF capital and capital planning funds, $111.2 million in mandatory and discretionary GF agency balances. Also included is $63.7 million from the Local Communications Sales and Use Tax and the Virginia Health Care Fund. A total of $121.4 million is set aside for the revenue cash reserve established in Chapter 836 to provide additional liquidity to address potential revenue shortfalls.

An additional $22.5 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 in FY 2019.

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 $654.7 million.

General Fund Resource Changes Since 2017 Session

($ in millions)

	2016-18
Balance Amendments:	
Unrestricted Fund Balance, Comptroller's August Report	$782.7
Amount Anticipated in Chapter 836	(128.1)
Additional Unreserved Balance	**$654.6**
Balance Adjustments	
Less: Reappropriated FY 2017 Capital/Planning Balances	($105.8)
Reappropriated FY 2017 Operating Balances	(111.2)
Cash Reserve Fund	(120.8)
WQIF – Balances & Deposit Based on FY 2017 Revenues	(60.1)
NGF Balances Reported in GF	(124.4)
Natural Disaster Reserve (sum sufficient)	(11.2)
Virginia Health Care Fund (NGF)	(28.1)
Local Telecom Sales & Use Tax (NGF)	(35.6)
Miscellaneous	1.0
Appropriated Cash Reserve	121.4
Total Balance Adjustments	**($474.8)**
Revenue Amendments:	
GACRE Tax Reforecast	$184.7
Tax Amnesty Shortfall	(47.3)
Federal Tax Conformity – Hurricane Charitable Deductions	(2.5)
Total Revenue Adjustments	**$134.9**
Transfer Amendments:	
Sales Tax Reforecast – K-12 Education	$4.8
ABC Profits	1.1
Kia-Hyundai Settlements	(19.9)
Reduction in Court Debt Collections	(2.1)
Miscellaneous Other Transfers	0.6
Total Transfer Adjustments	**($15.5)**

Judicial

- **Judicial Department Reversion Clearing Account**
  - *Criminal Fund Balance Reversion.* Reverts $1.5 million in FY 2017 Criminal Fund balances to the general fund.

Agriculture and Forestry

- **Department of Agriculture and Consumer Services**
  - *Wine Promotion Fund.* Provides an additional $256,198 GF in the current year of funds deposited to the Virginia Wine Promotion Fund from the dedicated sales taxes generated by the wine liter taxes attributable to the sale of Virginia wine, bringing total deposits to $2.3 million.

Commerce and Trade

- **Economic Development Incentive Payments**
  - *Pulp, Paper, and Fertilizer Advanced Manufacturing Performance Grant Fund.* Eliminates the $2.0 million GF deposit to the Pulp, Paper, and Fertilizer Advanced Manufacturing Grant Fund for Tranlin based on updated investment and job creation totals.

Public Education

The adopted budget for Direct Aid to Public Education decreases the general fund amount by a net of $67.1 million while increasing nongeneral funds by $61.7 million in FY 2018, primarily reflecting additional Lottery Proceeds and savings from lower than projected enrollments.

- **Direct Aid to Public Education**

  GF Increases

  – Adds $1.6 million GF increase for the actual English as a Second Language student membership count.

  – Adds $1.1 million GF to restore FY 2018 funds as a result of a FY 2017 shortfall. In FY 2017, an administrative adjustment was processed to transfer funds from FY 2018 to FY 2017 to avoid a proration of payments to school divisions.

    ▪ Note that the Department of Planning and Budget (DPB) did report that DOE received a discretionary carryforward balance of $271,300 GF that could be earmarked to offset a portion of the administrative adjustment.

  – Increases funding by a net of $728,263 GF that is based on the latest sales tax revenue projection, which increased the estimated forecast by $1.7 million, and the corresponding decrease of $929,938 in Basic Aid funding to offset the state's share of about 55 percent of the savings.

  – Adds $442,039 GF to reflect an update to the K-3 Class Size Reduction Program for the inclusion of two additional schools.

  – Adds a net amount of $384,476 GF to adjust for an update to the erroneous source data that the City of Charlottesville used to calculate the city's 2016-2018 biennium composite index of local ability-to-pay.

    ▪ A similar data error that would have resulted in a reduction of $883,331 GF in funding for Roanoke County was also discovered. However, the budget includes a new language provision for a "holding harmless" exception and did not reflect the correction and adjustment to Roanoke County's funding for the error.

  – Adds $285,000 GF, offset by a like amount of NGF decrease that is based on a projected reduction in Department of Motor Vehicle revenues available to fund the portion of Basic Aid that supports the costs for driver education courses offered in some high schools.

  – Adds $229,992 GF for the traditional school breakfast incentive payments based on the actual number of meals served during the 2016-2017 school year, for a revised total of $5.7 million in FY 2018.

GF Decreases

– Adjusts funding to reflect an increase of $52.0 million in the revised forecast estimate of Lottery Proceeds for FY 2018 plus another $10.0 million based on year-to-date performance, and the general fund revenue is offset by a like amount.

  - The additional $52.0 million in lottery revenues is generated from revising the Lottery Proceeds Fund estimated forecast up by an additional $40.2 million. In addition, the adopted budget increased expected Nongeneral Funds by another $10.0 million based on year-to-date performance. The remaining $11.8 million is attributed to unallocated lottery revenues collected in FY 2017 and carried forward into FY 2018.

– Captures $5.0 million GF based on a projected decrease of 1,099 students compared to the projected 1,248,936 ADM reflected in Chapter 836 due to the updates for the actual March 31, 2017, ADM and fall membership counts for September 30, 2017. The revised projected FY 2018 ADM is estimated to be 4,737 students higher than the actual ADM reported for March 31, 2017, an increase of 0.38 percent over the prior year.

– Also captures: net of $2.0 million GF to reflect actual enrollment in Remedial Summer School; $1.1 million from Categorical accounts, primarily from special education homebound, a decrease of $209,479, and state-operated programs, a decrease of $881,727; $1.0 million GF across nine Lottery-funded accounts; $457,500 based on the actual number of national board certified teachers; $99,291 GF from unspent balance in Foster Care payments; a net $59,902 from Governor's Schools update; $51,336 GF to reflect a decrease in student enrollment for Governor's Schools; $50,000 GF unspent balance in the planning grant allocation within the Targeted Extended School Year Grant program; and $30,000 GF unspent balance in the STEM Competition Team Grants.

Finance

- **Department of Accounts Transfer Payments**

  – ***Distribution of Rolling Stock Taxes to Localities.*** Decreases the appropriation for the distribution of payments to localities for rolling stock taxes by $570,000 GF.

  – ***Adjust Funding for the TVA Payments in Lieu of Taxes.*** Reduces by $100,000 GF the distribution to the Tennessee Valley Authority (TVA) for payments in lieu of taxes to reflect current revenue projections.

- **Treasury Board**

  – ***Debt Management Savings.*** Captures net debt service savings of approximately $24.3 million GF related to the refunding of General Obligation, Virginia Public Building Authority, and Virginia College Building Authority Bonds.

Debt Service Savings
(GF in $ millions)

Debt Type	FY 2018 Ch. 836	Caboose Ch. 1	$ Change (Amended)
General Obligation Bonds	$70.2	$ 70.2	$ 0.0
Public Building Authority Bonds	287.3	279.9	(7.3)
College Building Authority Bonds	450.9	433.9	(17.0)
Total Debt Service Savings (projected)			**($24.3)**

Health and Human Resources

- **Children's Services Act (formerly Comprehensive Services for At-Risk Youth and Families)**

  – ***Adjust Funding for Children's Services Act (CSA).*** Reduces $1.4 million GF in FY 2018 to reflect the latest forecast of expenditures for the CSA program. Overall, the program continues to grow based on caseload and the cost of services for those cases. Factoring in this minor adjustment to program spending, expenditures are still projected to increase by 6.7 percent in FY 2018. Expenditure growth in FY 2017 was 5 percent.

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

  Forecast Changes

  – ***Medicaid Utilization and Inflation.*** Adds $86.7 million GF and $198.3 million NGF in FY 2018 to fund increases in enrollment and medical costs for the Medicaid program. Medicaid spending is expected to increase by 7.8 percent in FY 2018, well above the 4.1 percent growth projected in the November 2016 Official Medicaid Forecast. Spending growth in the program is largely due to enrollment and increased supplemental payments to hospitals (approximately $180.0 million). Medicaid enrollment grew 2 percent in FY 2017 and so far in FY 2018 is up 2.7 percent.

– ***Adjust Appropriation for the Virginia Health Care Fund.*** Reduces the general fund appropriation by $40.7 million GF and increases the nongeneral fund appropriation by $40.7 million the second year to reflect changes in revenues to the Virginia Health Care Fund. Revenues from the Fund are used as a portion of the state's match for the Medicaid program; therefore, higher revenues result in a reduction of the general fund appropriation needed to maintain currently-funded Medicaid services. Conversely, lower revenues require additional general fund support. Total nongeneral fund revenues in the fund are expected to increase in FY 2018.

  Virginia Health Care Fund revenues are derived from tobacco taxes, Medicaid recoveries and revenue maximization initiatives, and a portion of the Master Tobacco Settlement Agreement (41.5 percent of tobacco settlement revenues). Changes to the revenues available to the fund include:

  - An increase of $7.0 million in Medicaid recoveries,
  - An increase of $14.8 million in expected pharmacy rebates,
  - An increase of $28.1 million to reflect the cash balance carried over from FY 2017,
  - A decrease of $9.2 million projected reductions in tax collections from cigarettes and other tobacco products.

– ***Family Access to Medical Insurance Security (FAMIS) Utilization and Inflation.*** Increases spending by $2.7 million GF and $19.9 million NGF from federal matching funds in FY 2018 to reflect the forecast of expenditures for the FAMIS program. The higher forecast is mainly due to increasing caseload and managed care rate changes. FAMIS enrollment of children increased by 4.9 percent in FY 2017 and through December 1, 2017, average monthly enrollment for FY 2018 is up 8.6 percent for children. The federal match rate for FAMIS increased from 65 percent to 88 percent beginning October 1, 2015. The FAMIS program serves pregnant women and children under the age of 19 in families with income between 133 and 200 percent of poverty.

– ***Medicaid Children's Health Insurance Program (CHIP) Utilization and Inflation.*** The adopted budget adds $654,928 GF and $4.8 million NGF in FY 2018 to reflect the forecast of expenditures in the Medicaid CHIP program. As with the FAMIS program, the growth is mainly due to increasing enrollment in the number of children served by the program and managed care rate changes. Enrollment in the Medicaid CHIP program increased by 5.3 percent in FY 2017 and through December 1, 2017, average monthly enrollment for FY 2018 is up 11.7 percent. The federal match rate for FAMIS increased from 65 percent to 88 percent beginning October 1, 2015. The Medicaid CHIP program provides services for Medicaid-eligible low-income children, aged 6 – 18, living in families with incomes between 100 and 133 percent of the federal poverty level.

– ***Adjust Funding for Involuntary Mental Commitments.*** Provides $2.2 million GF in FY 2018 to fund expected expenditure growth in the program as a result of higher caseloads for hospital and physician services related 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 Amendments

– ***Medicaid Transformation.*** The adopted budget adds language to provide authority for the Department of Medical Assistance Services (DMAS) to seek approval from the Centers for Medicare and Medicaid (CMS) to enhance Medicaid coverage to serve low income individuals with incomes up to 138 percent of the federal poverty level pursuant to the federal Patient Protection and Affordable Care Act (ACA), effective by January 1, 2019. Language creates a "dual track" for Medicaid transformation and key reforms by authorizing DMAS to seek federal approval for a State Plan amendment, while simultaneously seeking approval for a section 1115 Medicaid demonstration waiver to incorporate innovative reforms to promote health and well-being, personal responsibility, and fiscal sustainability.

Language detailed below provides the framework for coverage of newly eligible adults, the health care delivery system, the benefit package, cost sharing, health and wellness accounts, and requirements for able-bodied adults ages 18 to 65 to participate in the Training, Education, Employment and Opportunity Program (TEEOP).

- **Coverage**: Implements the ACA expansion by covering all adults up to 138% of the federal poverty level; estimated at 300,000 individuals.

- **Delivery System**: All newly eligible will be enrolled in private Medicaid managed care plans or employer sponsored plans, if cost effective.

- **Benefit Package**: Basic plan covers all ACA essential health benefits and current Medicaid covered mental health and addiction recovery and treatment services. The agency is authorized to develop supportive employment and supportive housing services for high risk individuals, which may be available at a future date.

- **Premiums**: Requires newly eligible adults with incomes between 100 and 138 percent of poverty to pay monthly premiums.

    - Premiums set on a sliding scale not to exceed two percent of income, nor less than $1 per month.

    - Failure to pay premiums results in a "lock-out" period and allows for recovery of payments owed through debt set-of collection; however, there are provisions for a grace period prior to suspending participation in the program.

- **Coverage Effective Date**: Coverage is effective the first of the month following receipt of the premiums payment (limits retroactive eligibility).

- **Copayments**: Individuals with incomes up to 100 percent of poverty would be subject to existing Medicaid cost sharing requirements. Individuals with incomes between 100 and 138 percent of poverty would be subject to copayments to promote healthy behaviors and to encourage personal responsibility, such as the appropriate use of emergency room services.

- **Health and Wellness Accounts**: All premiums will be deposited to a health and wellness account to be used to fund health insurance premiums and cover out-of-pocket expenses for any deductible amounts.

- **Training, Education, and Employment Requirement**: Requires able-bodied adults ages 18 to 65 to participate in the Training, Education, Employment and Opportunity Program (TEEOP).

    - Exceptions to the requirement: (i) children under age 18 or under age 19 who are participating in secondary education; (ii) individuals age 65 years and older; (iii) individuals who qualify for Medicaid due to blindness or disability or who qualify for Medicaid home and community-based services; (iv) individuals residing in institutions; (v) medically frail individuals; (vi) individual with serious mental illness; (vii) pregnant and postpartum women; (viii) former foster children under the age of 26; (ix) individuals who are the primary caregiver of a dependent, including a dependent child or adult with a disability; and (x) individuals who already meet the work requirements of the Temporary Assistance to Needy Families (TANF) program or the Supplemental Nutrition and Assistance Program (SNAP).

- o Required participation escalates from 20 to 80 hours per month after an initial three-month grace period from enrollment, with a lock-out period if individual fails to comply any 3 months out of a 12-month period from the time of enrollment. However, if an individual comes into compliance, he may re-enroll during this period.

- o Participation in the following activities: (i) job skills training; (ii) job search activities; (iii) education related to employment; (iv) general education, including participation in a program of preparation for the GED certification examination or community college courses leading to industry certifications or a STEM-H related degree or credential; (iv) vocational education and training; (v) subsidized or unsubsidized employment; (vi) community work experience, community service or public service that can reasonably improve work readiness; or (vii) caregiving services for a non-dependent relative or other person with a chronic, disabling health condition.

- o Waiver of the work requirement in areas of high unemployment as compared to the statewide average (150 percent of the statewide unemployment rate).

– ***Disenrollment Provision if Federal Funding is Reduced.*** Includes language directing the disenrollment of the expansion population if the federal government reduces their support of the overall Medicaid program.

– ***Fund Administrative Costs Associated with Medicaid Expansion.*** The adopted budget provides $4.1 million GF and $4.6 million in matching federal Medicaid funds in FY 2018 for administrative costs related to the transformation of the Medicaid program to include coverage for individuals with income up to 138 percent of the federal poverty level pursuant to the Patient Protection and Affordable Care Act. Funding will provide for contractual costs such as actuarial services and staff to carry out activities that must take place prior to the date the program expansion takes place. Of this amount $3.5 million GF and $3.5 million NGF the second year is provided to contract for services to assist in the development and implementation of a Medicaid waiver application and related activities designed to prepare the agency for federal approval to serve newly eligible individuals. Language requires the agency to ensure vendors have prior experience in designing or assisting in the development and implementation of similar activities and allows for the agency to carryover the funds into fiscal year 2019 for such purpose.

- ***Fund Mailings Related to the Launch of the New Medallion 4.0 Managed Care Program.*** Adds $500,000 GF and $500,000 in federal Medicaid matching funds in FY 2018 to fund mailings to Medicaid enrollees related to the start of the new Medallion 4.0 managed care program that will begin August 1, 2018. The programmatic changes as part of this new program will require an estimated six notices to be mailed to over 740,000 enrollees.

- ***Use Civil Money Penalty Funds to Improve Patient Care in Nursing Facilities.*** Adds $700,000 NGF in FY 2018 to support quality improvement initiatives at nursing facilities. Civil Money penalties are collected from nursing facilities that are found out of compliance of federal standards. These funds provide an emergency source of funds in cases of sudden nursing facility closures when resources are necessary to relocated residents. The proposed funding uses only a portion of the revenue collected.

- ***Reduce Disproportionate Share Hospital Payments for Nonparticipating Hospitals.*** Captures $136,425 in savings to the general fund and a like amount of matching federal Medicaid funds in fiscal year 2018 in Medicaid Disproportionate Share Hospital (DSH) payments because an out of state hospital has chosen not to participate in the program. The adopted budget adds language to clarify that these amounts will not be reallocated to other DSH-eligible hospitals in fiscal year 2018.

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

  - ***Fund Increasing Caseload for Part C Early Intervention Services.*** The adopted budget provides $881,716 GF in FY 2018 to cover the costs of the increasing caseload for the program. The program has been growing on average by 5 percent a year over the past six years. The program provides early intervention services to children from birth to 2 years old with a developmental delay or at-risk of a developmental delay. This program is part of the federal Individuals with Disabilities Education Act.

  - ***Fund Temporary Beds for Sexually Violent Predators with Significant Medical Needs.*** Adds $213,847 GF and 20 positions the second year to staff and operate 22 temporary beds for VCBR residents with significant medical needs. The temporary beds will be located at Piedmont Geriatric Hospital. The census at the VCBR is projected to be over capacity in 2018. Funds, staff and residents will be transferred back to the VCBR once the planned expansion is complete in FY 2021.

- **Department of Social Services**

  – ***Fund Projected Information Technology Costs.*** The adopted budget adds $4.2 million GF and $4.2 million NGF the second year for projected information systems operating costs through VITA and other systems costs related to the transition from the UNISYS system to the Virginia Case Management System. The agency is experiencing system redundancy costs as it terminates use of the UNISYS mainframe, which was not accounted for in VITA base budget adjustments that were proposed in Central Accounts.

  – ***Backfill Loss of Nongeneral Fund Revenues for Child Support Enforcement Operations.*** Provides an addition of $3.0 million GF and reduces $3.5 million NGF the second year for child support enforcement operations. Nongeneral fund revenues come from allowable retained child support collections on behalf of 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 decrease, the amount of child support collected on the families' behalf also declines. TANF collections declined by about 10 percent in FY 2017 and are estimated to decline by an additional 6 percent in FY 2018. These retained collections are used to provide the state match for federal child support enforcement funding, which are available at a two-to-one federal-to-state match rate. This action assumes that the Division of Child Support Enforcement will continue hold about 10 percent of its positions vacant as part of its efforts to increase efficiency.

  – ***Foster Care and Adoption Forecast.*** Provides $2.2 million GF and $4.1 million NGF in FY 2018 for forecast changes to the foster care and adoption subsidy programs. Adoption subsidies are projected to increase by $1.9 million GF and $3.9 million in federal Title IV-E funds, however the general fund increase is offset by the projected decline in state adoption subsidies. Title IV-E foster care expenditures are expected to increase by $2.2 million GF and $2.2 million NGF.

  – ***Fund Increase in TANF Unemployed Parents Program.*** Provides $796,839 GF in FY 2018 to fund the forecast of costs in the unemployed parents' cash assistance program.

  – ***Fund Rent Increases for Regional Offices.*** Adds funding of $331,919 GF and $417,041 NGF the second year to support increases in rent for regional offices whose leases are set to expire.

– *Adjust Appropriation for Local Staff and Operations.* Increases nongeneral funds by $27.0 million in FY 2018 to reflect a projected increase in federal appropriations for local DSS staff and operations. Federal funding is provided based on an agreed upon cost allocation formula which captures workload of local staff for programs which have shared federal and state funding responsibility.

– *Adjust Appropriation for Supplemental Nutrition Assistance Program (SNAP) Employment and Training Pilot Grant.* Reduces nongeneral funds by $3.9 million the second year for a SNAP employment and training pilot program. The purpose of this pilot program was to increase the number for SNAP recipients that obtain employment and increase the income of those employed with the ultimate goal of reducing reliance on SNAP benefits. The 3-year pilot program will be completed by December 31, 2018, and federal funding amounts will need to be adjusted downwards to reflect program spending.

– *Add Federal Child Care And Development Fund (CCDF) Funds for Child Care Subsidies and Improvements.* Adds $1.1 million NGF in FY 2018 from the federal CCDF awarded to the agency for child care subsidies and child care quality improvement activities. Out of this funding, $500,000 NGF will be used in underserved areas to increase the number of subsidies. The remaining funding will be used to address increased need for quality rating system (QRS) services to providers who are now required to participate in the QRS due to new federal program standards for the Head Start program.

– *Increase Appropriation for Virginia Birth Father Registry Program.* Provides an increase of $100,000 NGF each year from the Virginia Birth Father Registry Program for increased marketing about the registry. The program was created by the 2006 General Assembly to allow putative fathers to register with the Commonwealth and entitles them to notice if a child is conceived and placed for adoption.

– *Capture Surplus in Funding from the Auxiliary Grant Program.* Reduces $1.8 million GF the second year for the Auxiliary Grant program. Fewer individuals are expected to participate in the program. Expenditures in the program have declined steadily in recent years. Language is also added to capture an expected balance of $250,000 GF in the program as of June 30, 2018.

– *Capture Balance from Adoption Subsidy Payments.* Adds language to capture an expected balance of $490,000 GF in adoption subsidy payments as of June 30, 2018.

– *Adjust TANF Funding to Account for Providing Mandated Benefits.* Reduces nongeneral fund spending in the TANF program for mandated benefits by $20.5 million due to the continued decline in the TANF caseload. The following table details the changes from Chapter 836.

TANF Block Grant Funding
FY 2018 Adopted Budget (Chapter 1)

	Chapter 836 FY 2018	Chapter 1 Adopted FY 2018
TANF Resources		
Annual TANF Block Grant Award	$157,762,831	$157,762,831
Carry-Forward From Prior Fiscal Year	123,754,882	123,754,882
Total TANF Resources Available	**$281,517,713**	**$281,517,713**
TANF Expenditures		
VIP/VIEW Core Benefits and Services		
TANF Income Benefits	$45,431,357	$30,946,293
VIEW Employment Services	13,612,144	13,612,144
VIEW Child Care Services	7,234,225	1,250,137
TANF Caseload Reserve	2,000,000	2,000,000
Subtotal VIP/VIEW Benefits and Services	**$68,277,726**	**$47,808,574**
Administration		
State Administration	$3,002,653	$3,002,653
Information Systems	4,052,023	4,052,023
Local Staff and Operations	45,513,536	45,513,536
Eligibility System Maintenance/IT	1,000,000	1,000,000
Subtotal Administration	**$53,568,212**	**$53,568,212**
TANF Programming		
Healthy Families/Healthy Start	$9,035,501	$9,035,501
Community Employment & Training Grants	7,500,000	7,500,000
Community Action Agencies	4,250,000	4,250,000
Local Domestic Violence Prevention Grants	3,346,792	3,346,792
CHIP of Virginia (VDH)	2,400,000	2,400,000
Virginia Early Childhood Foundation	1,250,000	1,250,000
Resource Mothers	1,000,000	1,000,000
Boys and Girls Clubs	1,000,000	1,000,000
Child Advocacy Centers	825,500	825,500
Northern Virginia Family Services	500,000	500,000
EITC Grants	185,725	185,725
Subtotal TANF Programming	**$31,293,518**	**$31,293,518**
Total TANF Expenditures	**$132,670,304**	**$132,670,304**
Transfers to other Block Grants		
CCDF for At-Risk Child Care	$12,857,212	$12,857,212
CCDF for Head Start Wraparound Services	2,500,000	2,500,000
SSBG for Children's Services Act	9,419,998	9,419,998
SSBG for Local Staff Support	6,405,502	6,405,502
Total TANF Transfers	**$31,182,712**	**$31,182,712**
Total TANF Expenditures & Transfers	**$184,322,168**	**$163,853,016**

Natural Resources

- **Department of Game and Inland Fisheries**

  – ***Increase Transfer of Watercraft Sales Taxes.*** Decreases the transfer of watercraft sales tax revenues to the department by $1,600,000. The amendment also corrects an embedded number in the budget to accurately reflect the transfers to DGIF which had been overstated by $650,000.

- **Department of Marine Resources**

  – ***Adjust Funding for Tangier Island Seawall.*** Reduces the appropriation required to match federal Army Corps of Engineers grants for the Tangier Island seawall project from $226,000 to $50,000 to reflect available federal funding and shifts in the project schedule.

Public Safety and Homeland Security

- **Department of Alcoholic Beverage Control**

  – ***Estimated Net Profit Transfers.*** Includes language in Part 3 to increase the FY 2018 net profit transfer by $1.1 million over the amount assumed in Chapter 836 of the 2017 Acts of Assembly.

- **Department of Corrections**

  – ***Medical Costs.*** Provides an additional $5.0 million GF in FY 2018 for increased inmate medical costs.

- **Department of Forensic Science**

  – ***Overtime for Controlled Substances and Biology Scientists.*** Includes $125,000 GF in FY 2018 for the costs of mandatory overtime in the controlled substances and biology sections to address case backlogs in those sections. A companion amendment in Chapter 2 includes $1.2 million for the biennium to increase staffing in the controlled substances section to address the section's backlog.

Technology

- **Virginia Information Technologies Agency**

  – ***Virginia Enterprise Applications Program.*** Provides $2.25 million GF to repay a working capital advance owed for costs incurred by the Virginia Enterprise Applications Program. The contract supporting the repayment ended before the working capital advance was fully repaid.

  – ***Information Technology Shared Security Service Center.*** Adjusts the Shared Security Center appropriation increasing the amount by $722,000 NGF as a result of additional agencies signing up for the agency-provided service.

Transportation

- **Department of Motor Vehicles**

  – ***Increase Appropriation and Staffing Levels for Real ID Compliance Activities.*** Increases the nongeneral fund appropriation to the department by $1.5 million and authorizes an increase of 15.00 FTE positions to allow the agency to begin issuing federally compliant driver's licenses beginning October 1, 2018. Companion action in Part 3 of the caboose bill provides DMV a line of credit of $10.5 million which is anticipated to be repaid by a one-time additional charge of $10.00 for each federally-compliant credential issued. Additional language is included requiring the Secretaries of Finance and Transportation provide 10-days' notice to the Chairmen of the House Appropriations and Senate Finance committees prior to any draw-down of the line of credit.

  – ***Access to Regional Motor Fuels Tax Data.*** Includes language authorizing the Commissioner of Motor Vehicles to provide confidential fuels tax information, including prices and volume, to the executive directors of the regional transportation commissions located in Northern Virginia and Hampton Roads in order to facilitate compliance with collection of motor fuels taxes in the respective member jurisdictions. Companion language is also included in Chapter 2.

- **Department of Transportation**

  – ***Toll Proceeds in Hampton Roads.*** Includes language directing the Department of Transportation to dedicate any toll revenues, bond proceeds, or concession payments derived from the expansion of Hampton Roads express lanes towards reducing the contributions of the Hampton Roads Transportation Accountability Commission for the construction of interstate capacity expansion projects within the Interstate 64 corridor between the interchange with Interstate 664 to the east and Interstate 564 to the west. Companion language is also included in Chapter 2.

– *Allocation of Maintenance Payments to Localities.* Directs the Commonwealth Transportation Board to increase the FY 2018 allocation of payments to Henrico County by $363,706 and clarifies the legislative intent when calculating annual rates of payment for counties that have elected to withdraw from the secondary highway system. Companion language is also included in Chapter 2.

– *Align Appropriations with Revenue Forecast.* Provides an additional $359.5 million NGF in the current year to align expenditures with the revised revenue forecast approved by the Commonwealth Transportation Board. The major appropriation changes are additional allocations to highway construction totaling $355.9 million and increases in funding for toll facilities of $22.1 million. These are offset by debt service savings of $21.5 million.

Program	**Increase / (Decrease)**
Environmental Monitoring	$(698,505)
Planning & Research	550,539
Highway Construction	355,893,612
Highway Maintenance	511,124
Toll Facilities	22,1120,683
Local Assistance	1,309,111
Debt Service	(21,505,546)
Administrative	1,315,000
Total	**$359,496,018**

Central Appropriations

- **Central Appropriations**

  – ***Provide Funding for Revenue Cash Reserve.*** Adds $121.4 million GF to the Revenue Cash Reserve, bringing the FY18 amount to $156.4 million. Included within the deposit is approximately $42.2 million in one-time revenue resulting from the 2017 Tax Amnesty program. A companion action in Chapter 2 provides an additional $91.0 million over the biennium.

  – ***Provide Appropriation for the Slavery and Freedom Heritage Project.*** Provides $1.2 million GF for expected project expenditures for the City of Richmond to develop the Slavery and Freedom Heritage site, and make improvements to Lumpkin's Pavilion and the Slave Trail. Language is also modified in the item to direct the re-appropriation of unexpended general fund balances, as of June 30, 2018, that were appropriated for the purpose of supporting the City of Richmond in the development of the Slavery and Freedom Heritage site. Previously, those unexpended general fund amounts reverted to the general fund.

  – ***Line of Duty Act Cost Adjustment.*** Reduces appropriation by $198,774 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.

  – ***Adjust Funding for Agency Information Technology Costs.*** Reduces by $4.7 million the general fund share of cost for information technology and telecommunications usage by state agencies. The reduction is based on current agency utilization estimates provided by the Virginia Information Technologies Agency for 2018.

  – ***Commonwealth Center for Advanced Manufacturing Operating Costs and Business Plan.*** Provides $500,000 GF the second year for costs related to rent and operations. Language prohibits the use of funding for any compensation actions and requires that the Board and Executive Director submit to the chairmen of the House Appropriations and Senate Finance Committees, a business plan for the Center's operations. Language also prohibits the issuance of bonds for the Center, prior to submission of a business plan.

  – ***Additional Staff for Tax Audit Initiative.*** Provides $176,688 GF the second year to hire 12 additional audit staff for a tax audit initiative. A companion action in Chapter 2 provides funding for the positions in each year of the biennium, and assumes general fund revenues of approximately $14.6 million in each year related to the audit initiative.

– *Legislative Agency Balances (Language).* Directs the Joint Rules Committee to authorize the reversion of $526,952 in legislative agency balances to the general fund, which reflects savings generated by the agencies.

– *State Corporation Commission Year-End Balance Reversion (Language).* Directs the Director of Planning and Budget to authorize the reversion of $146,890 to the general fund, from the agency's unexpended balances.

Independent

- **State Corporation Commission**

  – *Increase Staff to Address Regulatory Workload.* Adds $242,807 NGF and 6.00 FTEs to address an increase in the agency's regulatory workload. Of the six positions, four are provided for the Utility and Railroad Safety Division, one is provided for the Securities and Retail Franchising Division, and one is provided for the Bureau of Insurance.

  – *Increase Funding for Performance Based Pay Plans.* Includes funding of $1.7 million NGF to support compensation assessment recommendations. Pursuant to Item 475 of the Appropriation Act, the Commissioner of the State Corporation Commission has the authority to utilize centrally appropriated salary adjustment funding, or existing agency funding, to implement the provisions of new or existing performance-based pay plans. The adopted funding of $1.7 million reflects appropriation to effectuate the 3 percent raise to state employees provided in Chapter 836 of the 2017 Acts of Assembly that was effective July 10, 2017.

  – *Increase Funding for the Clerk's Information System (CIS).* Provides an additional $1.5 million NGF for the Clerk's Information System replacement project. Bringing the total funding available for the project in FY 2018 to $4.5 million NGF.

  – *Provide Funding for Information Technology Security Enhancements.* Includes $1.5 million NGF in one-time funding to implement information technology and security features in accordance with the Commonwealth Information Security Standard, and to address findings included in the Auditor of Public Account's 2016 report.

  – *Enhance Bureau of Insurance's Consumer Portal.* Authorizes $1.0 million NGF to enhance the agency's consumer portal, which allows for the electronic receipt and transmission of confidential consumer complaint documents, as well as enhance electronic payment functionality for consumers.

- **Virginia Retirement System**

  – ***Implement Final Modernization Program Releases.*** Provides $1.8 million NGF to fund the implementation costs of the final three releases of the Modernization Program, which is expected to be completed in FY 2019. Funding of $5.5 million NGF the first year is also included for program finalization. VRS expects total expenditures for the Program to total $61.9 million through its completion in FY 2019.

Part 4: General Provisions

- **§ 4-6.01 Employee Compensation**

  – ***Modifies Salaries in the Salary Table for Cabinet Level Appointees of the Governor.*** Language is also included to allow incumbent appointees who are reappointed to earn a salary as high as his or her prior salary, notwithstanding the position salary amounts specified in Part 4.

Current and Approved Salaries for Cabinet Appointees

	Ch. 836 $ Current	Ch. 1 $ Approved*	Pct. Chg.
Chief of Staff	167,737	175,000	4.3 %
Administration	159,762	172,000	7.7 %
Agriculture & Forestry	159,817	172,000	7.6 %
Commerce & Trade	166,915	172,000	3.0 %
Commonwealth	158,966	172,000	8.2 %
Education	159,960	172,000	7.5 %
Finance	170,854	172,000	0.7 %
Health & Human Resources	159,291	172,000	8.0 %
Natural Resources	158,966	172,000	8.2 %
Public Safety	168,838	172,000	1.9 %
Technology	158,966	172,000	8.2 %
Transportation	166,915	172,000	3.0 %
Veterans	163,642	172,000	5.1 %

**Effective January 12, 2018 to June 30, 2018*