

SENATE OF VIRGINIA

Senate Finance Committee

Overview of Proposed Budgets

SB 29 (Amendments to 2012-14 Budget)

SB 30 (2014-16 Biennial Budget)

January 14, 2014



Presentation Outline

- Overview/Resources**
- Retirement**
- K-12 Public Education**
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- General Government**
- Employee Compensation/Central Accounts**
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Overview/Resources



Proposed Budgets for FY 2014 and FY 2014-16 Biennium

- **Two budget bills:**
 - **SB 29: “Caboose Bill”** – Amendments to the *current* 2012-14 biennial budget.
 - Reflects FY 2013 revenue surplus and adjustments to the revenue forecast for FY 2014, based on fall forecasting process.
 - **SB 30: 2014-16 Biennial Budget** – Addresses additional spending requirements for the next two years, and proposes targeted spending reductions.



SB 29 Caboose Bill

- Additional GF resources of \$275.9 million.
 - Net additional revenues of \$29.2 million, based on fall forecast, offset by a reduction in transfers of \$24.0 million.
 - Withholding and sales tax reduced, offset by nonwithholding.
 - About \$270.7 million in adjustments to balances resulting from revenue surplus, almost all of which is reserved or designated for the Rainy Day Fund, the Water Quality Improvement Fund, and transportation's share of the accelerated sales tax.
- Net spending reduction of \$248.1 million.
- With Ch. 806 balance of \$11.6 million, \$536.6 million is available for use in the 2014-16 biennium.



GF Resource Changes in SB 29

	(\$ in millions)		
	Chapter 806	Revised Amount	Change
Unreserved Balance	\$ 976.0	\$ 1,350.3	\$374.3
Additions to Balance	3.6	(100.0)	(103.6)
Revenue Estimates	16,941.8	16,971.0	29.2
Transfers	<u>546.8</u>	<u>522.8</u>	<u>(24.0)</u>
Addl GF Resources	\$ 18,468.2	\$ 18,744.1	\$275.9
Ch. 806 Unappropriated Balance			11.6
SB 29 Net Budget Savings			<u>(249.1)</u>
Carry-Forward Balance			\$536.6



Major GF Spending Items in SB 29

	<u>FY 2014</u>
(\$ in millions)	
K-12: Increased Average Daily Membership	\$11.9
Comp Board: Per diem for local/regional jails	4.5
DSS: Adjust Child Welfare	3.4
Other Spending	<u>2.9</u>
Total, Proposed Spending	\$22.7



Major GF Savings Items in SB 29

	(\$ in millions)	<u>FY 2014</u>
Medicaid: Offset GF w/ Inc. Health Care Funds		\$ (90.3)
Medicaid: Adjust Utilization & Inflation		(73.6)
K-12: Update Lottery proceeds		(55.2)
K-12: Update Sales Tax Revenues		(16.6)
K-12: Unclaimed Compensation Supplements		(9.3)
Medicaid: Adjust FAMIS Utilization & Inflation		(8.6)
K:12: Update Categorical, Incentive & Lottery Prog		(7.9)
Agency Savings Strategies		(3.8)
Other Savings		(6.5)
Total, Proposed Savings		(\$271.8)



SB 30: GF Revenue Outlook

- Revenue forecast assumes continued sluggish growth over the next two years.
 - Forecast assumes Virginia's economy will underperform that of the nation as a whole.

FY 2015 = \$17,686.1 million; 4.2 percent growth rate.

FY 2016 = \$18,373.3 million; 3.9 percent growth rate.

- Previously adopted policy changes that were phased-in (single sales factor, educational scholarships tax credit, HB 2313) reduce revenues by \$220.1 million over the biennium.
- \$15.4 million is removed from the forecast based on proposed tax policy changes shown on the following table.



Proposed Tax Policy Changes Assumed in SB 30 GF Revenue Forecast

(\$ in millions)	<u>2014-16</u>
Accelerated Sales Tax – Continue Phase-out	(\$29.9)
Phase-out Diversion of NGF Interest Earnings	(11.4)
Increase Cap on Neighborhood Assistance Act	(3.0)
Tax Compliance Initiative	20.0
Firearms Transaction Fee – Reclassify as Rev.	1.8
Other	<u>(2.9)</u>
Total, Proposed Tax Policy Changes	(\$15.4)



SB 30: GF Resources Available for Appropriation

- About \$1.8 billion in additional resources over the base budget are available for appropriation.

(\$ in millions)	<u>2014-16</u>
Beginning Balance (from SB 29)	\$ 536.5
Adjustments to the Balance	94.0
Official GF Revenue Estimate	36,059.5
Transfers	<u>1,072.9</u>
GF Available for Appropriation	\$37,763.0



Proposed 2014-16 General Fund Budget

(\$ in millions)	<u>2014-16</u>
Resources Available for Appropriation	\$37,763.0
Ch. 890 Base Budget	\$35,972.2
Proposed Spending	2,676.6
Proposed Savings (including technicals)	<u>(939.6)</u>
Net New Spending	\$1,737.0
Operating Appropriations	\$37,709.2
Capital Appropriations	\$2.9
SB 30 Unappropriated Balance	\$50.9



Major Spending Items in SB 30

(\$ in millions)	<u>2014-16</u>
Medicaid Utilization and Inflation	\$674.4
K-12 Rebenchmark SOQ	584.1
Revenue Stabilization Fund Deposit	303.1
Debt Service	196.7
Higher Education (TJ 21, Financial Aid, Other)	184.5
VRS Rates for State Employees	151.2
State Employee Health Insurance	83.9
K-12: Backfill Lit. Fund Rev & Resume Loans	52.9
DMAS Mandatory Waiver Slots	45.3
All Other Spending	<u>400.5</u>
Total, Proposed Spending	\$2,676.6



Major Savings Items in SB 30

(\$ in millions)	<u>2014-16</u>
K-12: Eliminate Nonpersonal Inflation Update	(\$76.4)
K-12: Reduce PreK for Nonparticipation	(48.5)
DMAS: Withhold Hospital Inflation in FY 2105	(35.3)
K-12: Remove Support Pos. from Cost of Competing	(20.7)
DMAS: Indigent Care Savings at Teaching Hospitals	(15.0)
DOC: Repurpose Culpeper Juvenile Correctional Ctr.	(14.9)
DMAS: Withhold Teaching Hospital Inflation FY 2015	(9.4)
All Other Savings	(30.5)
Technical And Base Adjustments	<u>(688.9)</u>
Total, Proposed Savings	(\$939.6)



Retirement



Retirement System

Employer Contribution Rates

- Proposes \$157.5 million GF in FY 2015 and \$157.8 million in FY 2016 for increased employer contribution rates to the Virginia Retirement System as shown below, as well as \$15.1 million GF in FY 2015 and \$15.2 million GF in FY 2016 for Other Post-Employment Benefits:
 - Rates are based on the scheduled phase-in of the VRS Board certified rates as specified in Chapter 823 of the 2012 Acts of Assembly and also include the payment for the 10-year payback of deferred contributions.

	Retirement Rate	FY 2015	FY 2016
VRS - State Employees	12.33%	\$58.5	\$58.5
SPORS	27.63%	\$2.6	\$2.6
VALORS	18.24%	\$10.7	\$10.7
Judges	51.66%	\$3.8	\$3.8
VRS - Teachers	14.50%	\$80.7	\$81.9



VRS NGF Amendments

- Proposes several NGF amendments, including:
 - \$3.15 million NGF each year to fund nine new positions in the Investment Department to facilitate internal management.
 - \$1.4 million NGF each year, and 11 full time positions to support the implementation and administration of the new hybrid benefit plan.



K-12 Education



SB 29

- Proposed amendments to Direct Aid to Public Education **decrease GF by a net \$74.6 million while increasing NGF by a net \$52.7 million** in FY 2014, primarily reflecting an increase in projected Lottery Proceeds, a decrease in Sales Tax revenue, and higher projected enrollments offset by some balances:
 - Updates for Lottery, Sales Tax, and Literary Fund projections.
 - Reflects an increase of \$33.0 million in the revised forecast of Lottery Proceeds for FY 2014 as well as \$22.2 million in available transfers from proceeds earned in FY 2013. General funds are offset by a like amount.
 - Decreases funding by a net \$16.6 million GF based on the latest Sales Tax revenue projection.
 - Adds \$2.5 million GF to backfill available Literary Fund revenue used to pay a portion of teacher retirement.



SB 29 (Continued)

- Enrollment growth, program participation, and balances.
 - Adds \$7.6 million GF to fund an increase of 1,619 students from the latest Fall membership counts and backfills \$4.3 million GF that was transferred from FY 2014 to FY 2013 for higher than projected final enrollments.
 - Reduces funding by \$2.9 million GF across various Special Education regional based programs; \$898,488 GF to reflect actual enrollment in Remedial Summer School and English as a Second Language programs; \$474,800 GF based on actual participation levels in the new reading specialists program; and \$332,264 in Governor's Schools balances.
 - Reduces funds by \$9.3 million GF as a result of localities not providing the salary increases required to be eligible for the state incentive funding for a 2.0 percent salary supplement.
 - Captures \$3.0 million (out of \$7.5 million appropriated) in Strategic Compensation Grant initiative balances.
- In Department of Education, Central Office, proposes reducing funding by \$105,720 GF by holding positions vacant, \$50,375 GF for efficiency savings; and \$35,000 GF by reducing teacher evaluation training funds; removes funding for state dues to Education Commission of the States (ECS).



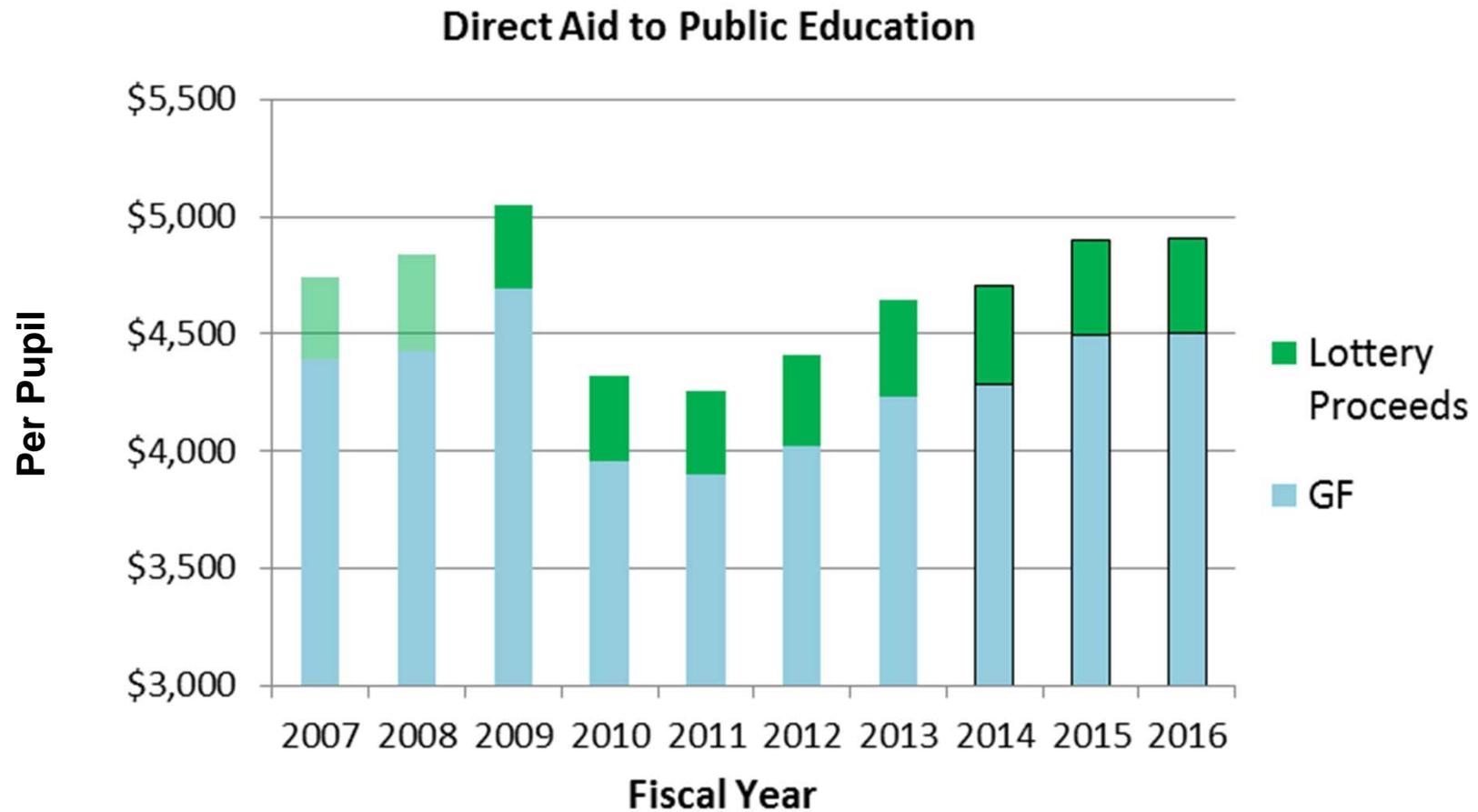
Overview of SB 30, As Introduced

Direct Aid to Localities for Public Education

	FY 2015		FY 2016	
	GF	NGF	GF	NGF
<u>Total \$ (in Millions)</u>				
Base Budget (Ch. 806)	\$5,342.5	\$1,472.4	\$5,342.5	\$1,472.4
Proposed Increases	418.1	38.0	455.4	38.0
Proposed Decreases	<u>(190.7)</u>	<u>(28.1)</u>	<u>(182.5)</u>	<u>(24.7)</u>
Net Change	\$227.4	\$9.9	\$273.0	\$13.3
SB 30, As Proposed	\$5,569.8	\$1,482.2	\$5,615.4	1,485.6
% Change, Over Prior Yr.	4.3%	0.7%	0.8%	0.2%
<u>\$ Per Pupil (Unadj. ADM)</u>				
SB 30, As Proposed	\$4,498	\$1,197	\$4,505	\$1,192
Net Change, Over Prior Yr.	\$149	(\$1)	\$7	(\$5)
% Change	3.4%	(0.1%)	0.2%	(0.4%)

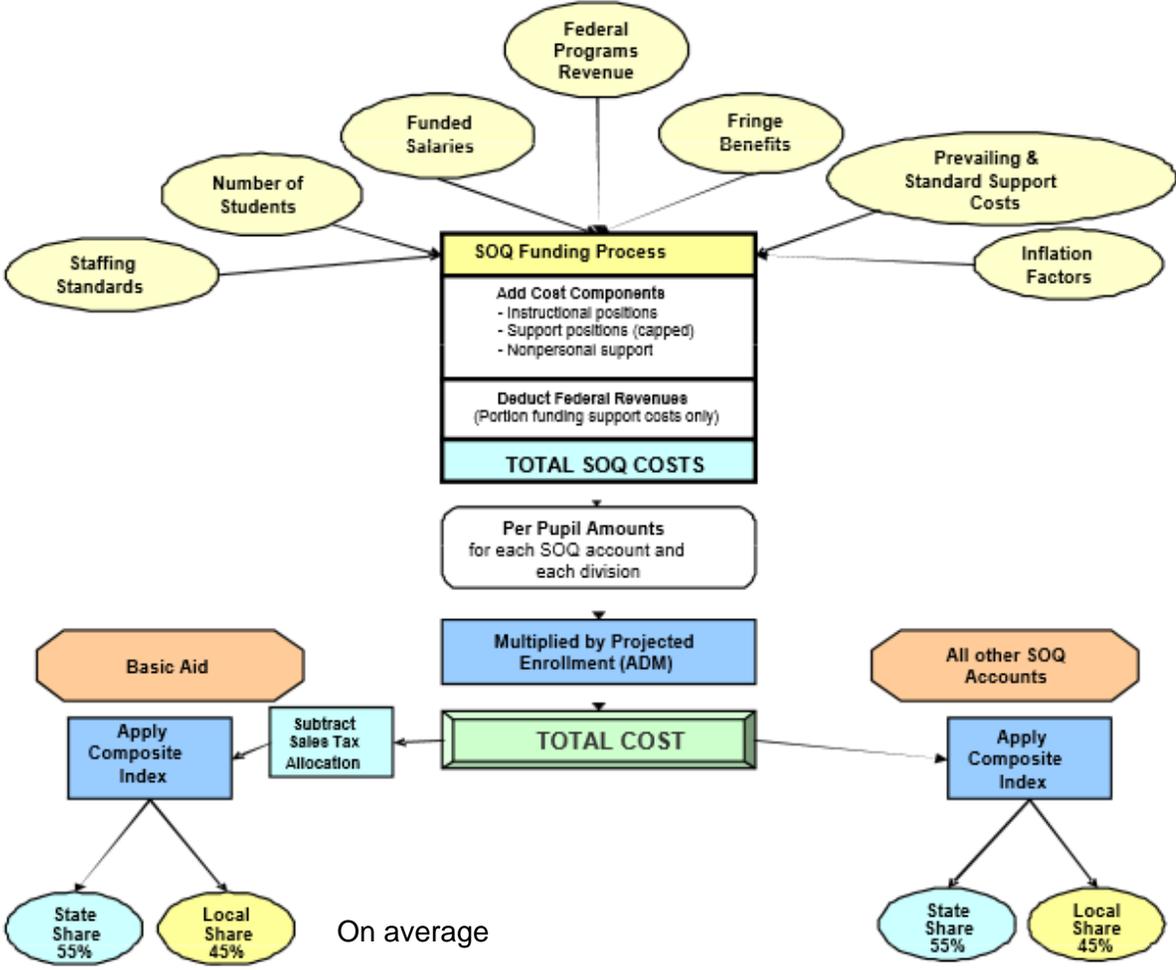


Trends Since Pre-Recession



Proposed Actions for Direct Aid (\$ in Millions)	FY 2015	FY 2016	Total
Rebenchmarking (including retirement rates)	\$267.3	\$316.8	\$584.1
Backfill Literary Fund Revenue	18.1	14.7	32.9
Resume Literary Fund Loans for School Construction	10.0	10.0	20.0
Instructional Specialists in Schools Not Accredited	1.8	1.8	3.6
Update National Board Certification	0.6	0.6	1.2
Combine Year Round Schools and Other Alternatives	0.6	0.6	1.2
New Teach for America Grants	0.5	0.5	1.0
Expand Communities in Schools to Petersburg	0.3	0.3	0.5
Expand Positive Behavioral Intervention	0.3	0.3	0.5
Expand PlugGEDInVA	0.2	0.2	0.5
Expand GReat Aspirations Scholarship Program	0.2	0.2	0.4
Eliminate Support for Cost of Competing Adjustment	(10.2)	(10.5)	(20.7)
Estimate Non-Participation Savings for PreK	(24.2)	(24.3)	(48.5)
Eliminate Inflation Update for FY 2012 Spending	<u>(38.1)</u>	<u>(38.3)</u>	<u>(76.4)</u>
TOTAL	\$227.4	\$272.9	\$500.3

SOQ Funding Model



Rebenchmarking Updates (\$ in Millions)	FY 2015	FY 2016	Total
Retirement Contribution Rates	\$84.2	\$84.5	\$168.7
Federal Revenue Deduct	52.0	52.0	103.9
Base Year Expenses for Non-Personal Support	39.4	39.8	79.2
Inflation Factors for Non-Personal Support	37.7	37.9	75.6
Lottery-Funded Programs	32.9	39.7	72.6
Health Care Premiums	26.7	26.7	53.4
Reset PreK Non-Participation Estimate to 0%	23.4	23.4	46.8
Student Transportation	18.2	18.8	37.0
Composite Index	18.3	18.5	36.8
SOL Failure Rates and Free Lunch	17.8	18.0	35.7
Other Student Membership Enrollments	5.6	26.5	32.1
Sales Tax Forecast & Basic Aid Offset	6.1	25.6	31.7
Incentive and Categorical Programs	(0.6)	(0.2)	(0.8)
Funded Salaries and Positions	(0.7)	(0.7)	(1.5)
Lottery Forecast to \$500M and Offset GF	(38.0)	(38.0)	(76.0)
Remove FY 2014 One-Time Funding	<u>(55.6)</u>	<u>(55.6)</u>	<u>(111.3)</u>
TOTAL	\$267.3	\$316.8	\$584.1

Retirement Contribution Rate Up 2.84 Percent of Payroll; Funded at 80 Percent, Per Statutory Phase-In Schedule

- Adds \$84.2 million GF the first year and \$84.5 million GF the second year for the state’s share of the cost from increasing the professional “teacher” rate to **14.50 percent for the employer contribution, up from 11.66 percent in Chapter 806.**
 - Reflects the six-year phase-in to full VRS Board approved rates as required in Chapter 823 of the 2012 Acts of Assembly, reform legislation and is shown in the table below.
 - Also includes 1.38 percent for the payback over ten years due to the decision of the 2010 General Assembly to defer the portion of the contribution rate attributable to the unfunded liability rate. The 10-year repayment schedule will be completed in FY 2022.

	FY 13-14	FY 15-16	FY 17-18	FY 19-20
Teachers VRS Employer Contribution Rate	69.5%	79.7%	89.9%	100.0%



Eliminate Non-Personal Inflation Update

- Proposes saving \$38.1 million GF the first year and \$38.3 million GF the second year by eliminating (make permanent?) the update of the FY 2012 base year non-personal costs, including textbooks, pupil transportation, utilities, insurance, and health care premiums, up to the beginning of FY 2015.

	2014-16 Biennium
FY 2012 (“Base Year”)	Prevailing actual spending
FY 2013	<i>Inflation update eliminated</i>
FY 2014	<i>Inflation update eliminated</i>
FY 2015	No “prospective” inflation provided
FY 2016	No “prospective” inflation provided

- The introduced budget also reflects a reduction of \$55.0 million GF each year from the FY 2014 base budget contained in Chapter 806. Chapter 806 provided the funding to assist school divisions with any costs associated with inflation, retirement contribution rates, or any one-time costs associated with Virginia Preschool Initiative Programs.



Prevailing Salaries Decline Slightly from 2009-10 School Year to 2011-12 School Year

- Reflects updated funded salary levels from 2012-14 to 2014-16 due to base year (FY 2012) prevailing salaries adjustments and reflects the state's two percent salary incentive for FY 2014.

Prevailing Salaries	2012-14 Biennium (2009-10 Actual)	2014-16 Biennium (2011-12 Actual)	Percent Change
Elementary			
Teachers	\$45,188	\$44,998	(0.3%)
Asst. Principals	63,824	63,868	0.1%
Principals	78,510	78,362	(0.2%)
Secondary			
Teachers	\$47,267	\$47,260	(0.0%)
Asst. Principals	67,824	67,626	(0.3%)
Principals	86,464	86,374	(0.1%)
Instructional Aids	\$16,223	\$16,315	0.6%



Composite Index Impacts Vary

- The elements used to calculate each school division's composite index of local ability-to-pay (LCI) are updated from 2009 to 2011, which is the most current available at the time the LCI updates are calculated.
 - Measures local wealth through true value of real property (50 percent), adjusted gross income (40 percent) and retail sales tax collection (10 percent); weighted two-thirds by ADM and one-third by population.
- The revised index went up for 52 school divisions (i.e. the locality is responsible for a larger percentage of SOQ costs), and down for 74 school divisions (decreasing the locality's share of SOQ costs). The composite index was unchanged for the remaining eight divisions that are still capped at 0.8000.



Virginia Preschool Initiative for At-Risk Four-Year-Olds

Current Funding Formula	Statewide FY 2014
1. The estimated number of four-year-olds (based on kindergarten enrollment)	96,575
2. That number is multiplied by the percent of students eligible for free lunch (as proxy for at-risk)	<u>39.6%</u>
	31,210
3. The number of four-year-olds served by Head Start is subtracted	<u>(7,833)</u>
4. Up to a maximum number of eligible slots,	23,403
the level of actual local participation (75.6%)	17,700
is multiplied by the per pupil dollar amount.	X \$6,000
5. Each locality's composite index is applied to determine the state share and the required local match	X on average about 55% state share (min. state share of 50%)
6. State share	\$67.4 million



Summary of Proposed Amendments

GF Changes for the 2014-16 Biennium		
	FY 2015	FY 2016
Sec. of Education – End College Partnership Lab Schools Grants	\$0.0	(\$600,000)
DOE – New Center for Excellence in Teaching at GMU	315,923	330,137
DOE – Academic Reviews	309,680	309,680
DOE – PBIS (Effective School-wide Discipline Training)	125,000	125,000
DOE – Phonological Awareness Literacy Screening (UVA)	104,752	89,652
OEI – New Agency Code	450,000	450,000
VA School for Deaf and Blind – Technical Adjustments Only	506,876	511,695



Overview of Other Education Agencies

- ***Jamestown-Yorktown.*** Adds \$802,584 GF for operating the larger facility in Yorktown; \$326,525 for planning 2019 commemorations; and \$109,554 for security equipment. Saves \$122,000 GF based on operating efficiencies and reduced advertising. Reduces appropriation by \$1.7 million NGF and 20 FTE to reflect reduced visitation levels.
- ***Virginia Museum of Fine Arts.*** Reduces funding by \$172,282 GF for various actions; adds \$728,884 NGF and 19 FTE to convert part-time to full-time positions; and adds \$513,196 NGF to reflect both federal grant and food services and special events revenue.
- ***Science Museum of Virginia.*** Adds \$444,794 GF and 2 FTE for statewide STEM-related instructional activities; \$100,000 GF and NGF for operation and content of the digital domes in Richmond and Danville; and authorizes the museum to accept the donation of the Rice House property.
- ***Virginia Commission for the Arts.*** Adds \$137,000 GF the first year for facility maintenance in Central Virginia.
- Technical amendments only proposed for:
 - ***Library of Virginia, Frontier Culture, and Gunston Hall.***



Higher Education



Overview of Higher Education

- SB 29: mostly NGF appropriation increases and a few small technical adjustments.
- SB 30: proposed amendments result in an **increase of over \$91.5 million GF** in FY 2015 and **\$92.9 million GF** in FY 2016.
 - **Includes \$75.2 - \$75.5 million GF** per year to support initiatives identified in the *Virginia Higher Education Opportunity Act of 2011* (TJ 21).
 - \$6.8 million GF for base adequacy;
 - \$31.5 million GF for degree incentives;
 - \$10.5 million GF for enrollment growth (per student = to TAG);
 - \$15.8 million GF for undergraduate and graduate student financial aid; and
 - \$10.7 million to almost \$11.0 million per year for research and institution specific initiatives.



Overview of Higher Education (continued)

- Recommends between \$4.3 million to over \$5.0 million GF annually for additional support at the higher education centers, Virginia Institute of Marine Science (VIMS), and the Jefferson Lab (JLab).
- Recommends almost \$3.1 million GF annually for the Tuition Assistance Grant (TAG) program (to raise awards \$200 to \$3,300/student).
- Recommends \$3.1 million GF over the biennium for the Virtual Library of Virginia (VIVA) Library e-books initiative and contracts.
- Proposes \$2.5 million GF over the biennium for workforce development initiatives at the Virginia Community College System (VCCS).
- Recommends \$2.3 million GF over the biennium for operations and maintenance funding for a new facility at the VA Tech (VT) Extension.
- Proposes almost \$2.7 million for technology at Old Dominion University (ODU).
- Recommends \$1.0 million GF per year for additional funding at Eastern Virginia Medical School (EVMS).



Summary of Proposed Amendments

GF Actions for the 2014-16 Biennium - (\$ in millions)	
Base Adequacy (TJ21)	\$ 13.5
Degree Incentives (TJ21)	63.0
Enrollment Growth (TJ21)	21.0
Undergraduate & Graduate Financial Aid (TJ21)	31.5
Research & Institution Specific Initiatives (TJ21)	21.7
HE Centers/JLAB/VIMS/EVMS	11.3
Tuition Assistance Grant	6.2
VIVA	3.1
VCCS Workforce Development	2.5
V-Ext. O&M New Building & VT-ext./VSU-ext. positions	2.8
ODU Technology	2.7
Veteran Initiatives for Completion and Workforce	1.6
Commonwealth Grad. Nursing Consortium, GMU support/Lyme Disease, 4-VA, CCAL VCU, HE Procurement Coop., VA Military Survivors, Radford Learn. Lab, & VSU Summer STEM	<u>3.7</u>
TOTAL	\$184.5



Other Actions

- **Reallocations:** Recommends reallocations of an additional \$25.2 million per year (or 2% of the FY 2014 E&G appropriation) at higher education institutions to go toward the goals of the Virginia Higher Education Opportunity Act of 2011 (TJ21). These amounts are equal to about one-third of the new funding per year.
- **Language amendments:**
 - Proposes a higher education procurement cooperative.
 - Recommends language **to implement TJ 21, codify and restrict the proposed funding methodologies** for base adequacy, enrollment growth, degree incentive funding and research to the process proposed in the introduced budget.
- Proposes an **allocation of \$64.2 million per year for the Higher Education Equipment Trust Fund**. Debt service for the program is \$10.2 million and begins in FY 2016.



Health and Human Resources



Overview of SB 29 (Caboose)

- The introduced budget proposes net savings of **\$169.7 million GF** in FY 2014 compared to Chapter 806, 2013 Acts of Assembly.
- Almost all of the savings -- **\$174.2 million GF** -- result from lower projected spending on health and long-term care programs within the Department of Medical Assistance Services and revenue to the Virginia Health Care Fund (VHCF).
 - The introduced budget includes savings of **\$85.6 million GF** due to lower than anticipated caseload and expenditure growth.
 - The proposed budget also includes savings of **\$90.3 million GF** from prior year cash balances and additional revenue to the VHCF including pharmacy rebates consistent with the Affordable Care Act and recoveries due to a national settlement.
- Finally, the proposed budget includes a net increase of **\$3.4 million GF** for child welfare services and **\$2.9 million GF** to fully fund child support enforcement activities.



Overview of Health and Human Resources

- The Governor's proposed amendments in HHR include a **net increase of \$823.8 from the general fund (7.3 percent)** and a **net increase of \$678.1 million from non-general funds (4.4 percent)** for the 2014-16 biennial budget compared to Chapter 806.
- Proposed general fund spending of \$1.1 billion is offset by \$251.0 million in reductions for the biennium.
- Excluding mandatory spending on health and long-term care services and technical budget proposals, discretionary spending in HHR accounts totals \$120.1 million GF for the biennium or 11.2 percent of new general fund spending in HHR.
 - The largest discretionary spending initiative includes \$38.6 million GF for behavioral health services.



Summary of Major GF Changes

Major General Fund Increases (\$ in millions)	Biennium
Mandatory spending	\$740.1
High priority items including behavioral health services	38.6
High priority items other than behavioral health services	57.4
Discretionary and Other Spending items	24.1
Technical (e.g., DOJ settlement and central appropriation actions)	214.5
TOTAL, All GF Increases	\$1,074.8
Major General Fund Decreases (\$ in millions)	Biennium
Reduce spending on state intellectual disability training centers	(\$84.7)
Provider rate reductions	(66.6)
Supplant GF spending with NGF revenues (e.g., federal funds)	(66.4)
Forecast-related and other reductions	(15.4)
Technical	(17.7)
TOTAL, All GF Decreases	(\$251.0)



Mandatory Spending Increases

Major GF Increases for the 2014-16 Biennium - (\$ in millions)	
Medicaid utilization and inflation	\$674.4
DOJ: Additional funding for required ID and DD waiver slots	45.3
Adjust Appropriation from Virginia Health Care Fund	11.1
Adjust Appropriation for child welfare services	6.5
Increase funding for foster care and adoption payments	<u>2.8</u>
TOTAL, Mandatory Spending Increases	\$740.1



Mandatory Spending Increases

- The proposed budget includes **\$674.4 million GF** for the 2014-16 budget to address the cost of providing acute and long-term care services under Medicaid.
 - Enrollment in Medicaid has fallen significantly from recession-level highs. Caseloads have risen one percent compared to the prior year in FY 2014.
 - The rates paid to Medicaid managed care organizations are expected to average four percent a year during the upcoming biennium.
 - Approximately \$100 million of the projected general fund increase in Medicaid is related to inflation and rebasing for inpatient hospital services and nursing homes.
- The introduced budget also includes **\$45.3 million GF** to add 525 ID and 50 DD waiver slots from the community waiting list and 175 ID waiver slots to transition individuals from training centers, as required by the DOJ Settlement Agreement.



High Priority Spending (Behavioral Health)

Major GF Increases for the 2014-16 Biennium - (\$ in millions)	
Backfill loss of federal revenue at Eastern State Hospital	\$10.0
Increase access to outpatient mental health services for youth	7.5
Add funds for Therapeutic Assessment (Drop-Off) Centers	5.4
Expand adult mental health services capacity at ESH	4.4
Modify policies surrounding TDOs	3.1
Add funding for two new Programs of Assertive Community Treatment (PACT)	2.9
All other (e.g., tele-psychiatry, peer support, operational costs at WSH and community-based recovery program)	<u>5.3</u>
TOTAL, High Priority Spending (Behavioral Health)	\$38.6



High Priority Spending (Non-Behavioral Health)

Major GF Increases for the 2014-16 Biennium - (\$ in millions)	
Backfill support costs at Central State Hospital for services previously shared with Southside Virginia Training Center	\$20.4
Backfill loss of state training center revenue that previously supported state mental health facilities	7.6
Increase funding for AIDS Drug Assistance Program	7.2
Offset decline in Child Support Enforcement	5.8
Re-evaluate service needs of ID and DD waiver recipients	2.8
Provide funding for unanticipated facility closure costs	2.8
Add funding for community capacity in NOVA	2.8
All other increases	<u>5.6</u>
TOTAL, High Priority Spending (Non-Behavioral Health)	\$57.4



Discretionary and Other Spending Items

Major GF Increases for the 2014-16 Biennium - (\$ in millions)	
Add funding for electronic health records at DBHDS	\$5.5
Expand federal Fostering Connections program (i.e., foster care and adoption subsidies) to youth ages 18 to 21	4.9
Remove limit on physician supplemental payments to Children's Hospital of the King's Daughters	2.8
Provide funds to implement kindergarten readiness assessment report based on report due January 1, 2015	2.0
Increase funding to Proton Beam Therapy Institute	1.0
Eliminate emergency room physician "PEND" program	0.9
All other spending	<u>7.0</u>
TOTAL, Discretionary and Other Spending	\$24.1



Reduce Funding for State Intellectual Disability (ID) Training Centers

- The largest proposed reductions within HHR reflect net savings of \$84.7 million GF for the biennium realized from closing down operations at state intellectual disability training centers.
- While the Department of Justice Settlement Agreement does not require the closure of four of the five ID training centers, the Governor's proposed budget mirrors the current budget in assuming the closure of state operations to offset a portion of the cost of expanding the ID and DD waiver programs as required by the settlement agreement.
- Most of the savings are generated through the closure of Southside Virginia Training Center in Petersburg with additional savings generated by reduced operations at Northern Virginia and Central Virginia.



Provider Rate Reductions

Major GF Decreases for the 2014-16 Biennium - (\$ in millions)	
Continue withholding inflation from hospital operating rates (FY 2015)	(\$35.3)
Continue reduction to indigent care funding for state teaching hospitals (FY 2015)	(15.0)
Continue withholding inflation for state teaching hospitals (FY 2015)	(9.4)
Align rates paid for durable medical equipment with Medicare	(4.9)
Reduce clinical laboratory fee rates to managed care levels	<u>(2.2)</u>
TOTAL, Provider Rate Reductions	(\$66.6)



Supplant GF with NGF Revenues

Major GF Decreases for the 2014-16 Biennium - (\$ in millions)	
Net GF reduction resulting from use of enhanced federal funding pursuant to Affordable Care Act – FAMIS	(\$32.9)
Net GF reduction resulting from use of enhanced federal funding pursuant to Affordable Care Act – SCHIP	(21.2)
Adjust appropriation to reflect contract changes related to development of new eligibility information system at DSS	(9.0)
Adjust appropriation to reflect enhanced federal Medicaid funding for eligibility systems and operations at DSS	<u>(3.4)</u>
TOTAL, Supplant GF with NGF Revenues	(\$66.4)



Forecast-Related and Other Budget Reductions

Major GF Decreases for the 2014-16 Biennium - (\$ in millions)	
Reduce general fund share of Medicaid funding to Eastern State Hospital to reflect fewer geriatric patients	(\$5.0)
Capture anticipated surpluses from Auxiliary Grant Program due to underutilization of services	(4.0)
CSA savings from expanding federal Fostering Connections program to youth ages 19 to 21	(2.9)
Net GF savings from expanded community mental health audits and reviews	(1.5)
All other reductions	<u>(2.0)</u>
TOTAL, Forecast-related and Other Reductions	(\$15.4)



Public Safety



Overview of SB 29

- Department of Juvenile Justice
 - *Culpeper Juvenile Correctional Center.* Captures a savings of \$2.7 million GF in FY 2014 by freezing positions in anticipation of closing this facility, along with closing two halfway houses (in Hampton and Staunton).
 - The Culpeper facility will be turned over to the Department of Corrections to be operated as a women's correctional center.



Overview of SB 30, As Introduced Public Safety

	FY 2015		FY 2016	
	GF	NGF	GF	NGF
Base Budget (Chapter 806)	\$1,691.2	\$874.6	\$1,691.2	\$874.6
Proposed Increases	118.9	52.3	133.3	73.8
Proposed Decreases	<u>(20.2)</u>	<u>(2.1)</u>	<u>(20.1)</u>	<u>(2.1)</u>
\$ Net Change	\$98.7	\$50.2	\$113.1	\$71.6
SB 30, As Introduced	\$1,789.9	\$924.8	\$1,804.4	946.3
% Change	5.8%	5.7%	6.7%	8.2%



Juvenile Corrections

- **Transfer of Culpeper.** Saves (net) \$7.6 million GF the first year and \$7.3 million the second year by closing Culpeper Juvenile Correctional Center and transferring it to DOC to become a women's prison, including:
 - Closing Culpeper JCC as of July 1, 2014, along with two remaining halfway houses (Hampton and Staunton), due to low utilization;
 - Restoring the Community Placement Program, to support 40 beds in selected local or regional juvenile detention centers, at \$200 per day, including treatment (\$2.9 million GF each year);
 - Restoring the Second Chance grant program at Tidewater Juvenile Detention Center, which was discontinued, (\$312,000 first year/\$375,000 second year);
 - Starting a short-term independent living program, with 50 housing placements for juveniles age 18 or older, at \$400 per month (\$240,000/year); and
 - Adding 72 juvenile correctional officers to meet federal PREA standards, and 14 additional unit managers in state facilities.



Adult Corrections

- Department of Corrections
 - **River North Correctional Center.** Adds \$5.6 million GF/year to annualize the cost of this facility in Grayson County, which opened in October 2013.
 - **Inmate medical costs.** Adds \$4.8 million GF the first year and \$9.7 million GF the second year, offset by projected Medicaid savings of \$2.8 million the first year and \$2.9 million the second year.
 - **Culpeper Women’s Correctional Center.** Adds \$12.4 million GF the first year, \$12.7 million GF the second year, and 191 positions to operate the former juvenile facility as a women’s prison.
 - Transfer of women from VCCW (Goochland County) will enable DOC to expand capital projects for upgrading older VCCW facilities.
- Virginia Parole Board
 - **Geriatric Release.** Adds language directing the board to conduct annual reviews of those offenders eligible for geriatric conditional release.



DCJS

- Department of Criminal Justice Services
 - **HB 599** – Adds \$7.1 million GF the first year and \$14.2 million GF the second year, consistent with the projected increase in GF revenues.
 - This represents a 4.1% increase the first year and 4.0% the second year above the current amount of \$172.4 million.
 - Adds \$750,000 GF each year for grants to localities for **school resource officers or school safety officers**.
 - Adds \$500,000 GF each year for existing **victim-witness programs**.
 - Restores \$100,000 GF each year for the **Court Appointed Special Advocates (CASA) program**.
 - Continues the moratorium on establishing or funding any new criminal justice **training academies** through June 30, 2016.



Military Affairs, Emergency Mgmt.

- Department of Military Affairs
 - **Armory Maintenance.** Adds \$5.0 million NGF each year from federal funds to maintain state armories and facilities.
 - **Commonwealth Challenge.** Adds \$31,771 the first year and \$245,312 NGF each year to expand this program at the State Military Reservation (SMR).
 - **STARS Equipment.** Adds \$240,000 GF and \$100,000 NGF the second year for radio equipment for military vehicles, using MELP.
 - NGF - armory rentals, billeting and other rental charges at SMR and Fort Pickett.
- Department of Emergency Management
 - **Sheltering Coordinator.** Adds one position responsible for coordinating all state and local emergency sheltering services, in response to a recommendation of the October 2013 JLARC report on Disaster Preparedness.
 - **Federal Funds.** Adds \$15.0 million NGF/year - expected federal funds.



State Police

- **Gasoline Costs.** Adds \$0.9 million GF/year for increased cost of gasoline.
 - State Police consumes 2.6 million gallons per year @ \$2.82 per gallon.
 - The proposed amendment only covers 31 percent of the projected shortfall (assuming September 2013 gasoline prices).
- **Patrol Vehicles.** Adds \$0.8 million GF each year to replace marked and unmarked patrol vehicles.
 - The proposed amendment only covers 56 percent of the projected shortfall.
- **Aircraft Purchase.** Includes \$1.6 million NGF the first year for purchase of a replacement fixed-wing aircraft.
 - NGF – Asset Forfeiture funds (OxyContin settlement).
- **Restoration of Rights.** Adds three positions to address the increased workload associated with automatic restoration of civil rights for felons convicted of non-violent crimes.



Forensic Science, ABC

- Department of Forensic Science
 - **Vacant Positions.** Adds general funds to fill four vacant scientist positions, including two in controlled substances, one in forensic biology, and one in toxicology, to reduce case backlogs.
- Department of Alcoholic Beverage Control
 - **New Stores.** Provides \$1.0 million NGF and 23 positions the first year and \$2.8 million NGF and 45 positions the second year to open seven new stores the first year and seven more (for a total of 14 stores) the second year.
 - **Increased Merchandise for Resale.** Adds \$19.6 million NGF the first year and \$40.2 million the second year to reflect the anticipated increase in purchases of merchandise for resale in ABC stores statewide.
 - **Technology.** Adds \$2.25 million NGF the first year and \$3.0 million NGF the second year to upgrade agency computer systems for financial management, case management, and licensing.



Veterans Affairs and Homeland Security



Overview of SB 30, As Introduced

Veterans Affairs and Homeland Security

	FY 2015		FY 2016	
	GF	NGF	GF	NGF
Base Budget (Chapter 806)	\$10.9	\$48.7	\$10.9	\$48.7
Proposed Increases	1.5	2.5	1.4	(0.1)
Proposed Decreases	<u>(0.1)</u>	<u>(0.0)</u>	<u>(0.1)</u>	<u>(0.0)</u>
\$ Net Change	\$1.4	\$2.5	\$1.3	(\$0.1)
SB 30, As Introduced	\$12.3	\$51.2	\$12.2	\$47.9
% Change	13.1%	5.2%	11.5%	(1.6%)



Veterans Services

- Secretary of Veterans Affairs and Homeland Security
 - Office of the Secretary was formerly Office of Commonwealth Preparedness.
 - Provides \$3.1 million NGF the first year as the NGF portion of the \$7.5 million state contribution to address encroachment at Oceana in FY 2015.
 - The GF share (\$4.4 million) is included in the FACT fund.
- Department of Veterans Services
 - **Wounded Warrior Program.** Adds \$0.4 million GF each year, and \$0.4 million NGF each year, including \$0.3 million GF each year to increase the annual grant to the five CSBs that manage the regional consortia.
 - **Benefit Services Field Offices.** Adds \$0.2 million GF each year and one position to open a new field office in Fredericksburg and convert four administrative positions to claims agent positions.



Judicial Department and Executive Offices



Overview of SB 30, As Introduced

Judicial Department

	FY 2015		FY 2016	
	GF	NGF	GF	NGF
Base Budget (Chapter 806)	\$424.2	\$32.9	\$424.2	\$32.9
Proposed Increases	21.2	1.3	21.8	1.4
Proposed Decreases	<u>(0.0)</u>	<u>(0.0)</u>	<u>(0.0)</u>	<u>(0.0)</u>
\$ Net Change	\$21.2	\$1.3	\$21.8	\$1.4
SB 30, As Introduced	\$445.4	\$34.2	\$446.0	\$34.3
% Change	5.0%	3.9%	5.1%	4.3%



SB 29 and 30, As Introduced

- Judicial Department
 - **Criminal Fund** (\$1.0 million GF in SB 29; \$2.7 million/year in SB 30).
 - \$50,000 GF the first year for the **judicial performance evaluation project**.
 - Eliminates \$3.9 million reversion/year (from not filling **vacant judgeships**).
 - Includes language authorizing the filling of 13 Circuit, eight General District and four JDR District judgeships that are currently or soon to become vacant.
 - *NCSC report recommends net increase of 27 additional judgeships.*
- Office of the Attorney General
 - **Asset Forfeiture.** Adds \$2.5 million NGF each year to reflect the Abbot Laboratories settlement, which the Attorney General and federal prosecutors agreed would be used to support law enforcement and prosecution.
 - **Division of Debt Collection.** Adds \$0.2 million NGF and two positions each year to support non-Medicaid fraud activities (Fraud Against Taxpayers Act).



General Government



Technology



Overview of Technology

- Transfers \$3.2 million GF in each year from the Secretary of Commerce and Trade to the Center for Innovative Technology (CIT) for the base amount of funding provided to the Growth Accelerator Program.
 - A separate proposed action would increase the amount of funding provided for these investments by \$500,000 in each year.
- Proposes \$1.0 million GF in each year for support of CIT efforts in identifying and mapping localities and populations that lack broadband access.
 - CIT is also directed to provide technical assistance to localities in identifying areas where broadband telecommunications are limited.
- Proposes an additional \$750,000 in each year to increase support for efforts in recruiting cyber security and modeling and simulation businesses to Virginia.
 - This is in addition to the \$1.0 million GF base amount that is included in support of this program.



Other Technology Initiatives

- Several proposed amendments seek to provide transparency into Virginia's statewide technology contract and replacement of sum sufficient appropriations:
 - Eliminates three sum sufficient appropriations to VITA by providing appropriations totaling \$341.8 million NGF in each year for vendor payments, optional technology services, and administrative overhead.
 - Includes \$396,436 GF in FY 2015 and \$5.0 million GF in FY 2016 for increases in 109 line agency budgets to support increased vendor charges including contractually required cost of living increases.
 - Increases the amount of telecommunications expenditure by \$3.4 million NGF in FY 2015 and \$18.2 million NGF in FY 2016.
- Proposes several actions related to improving business functionality at VITA, including:
 - Funding for a telecommunications management and billing system to enhance agency service ordering and cost recovery.
 - Funding for development of an information sourcing strategy for contract transition at the conclusion of the current managed services agreement.



Administration



Overview of Administration

- The proposed amendments **increase** by \$37.9 million GF in FY 2015 and \$42.4 million GF in FY 2016 the appropriations to the agencies of the Secretary of Administration.
- Increases the NGF appropriations to these agencies by \$1,225.8 million in FY 2015 and \$1,227.3 million in FY 2016 primarily from a significant policy change regarding traditionally “sum sufficient” appropriations.
 - This increase is driven by a more accurate reflection of appropriations for employee health insurance and services provided to line agencies by the Department of General Services.
- The amendments **increase** by \$65,139 GF the appropriations to the Secretary of Administration for funding two wage positions in support of the Virginia Jobs Investment Program (no budget language identifying the funding for this purpose or assignment of functional responsibility for this Commerce and Trade program).



Other Initiatives in Administration

- Within the Department of Human Resources Management, \$2.7 million GF is proposed in each year to replace the 30 year old, mainframe-based personnel system.
- Proposes \$225,000 in FY 2015 and \$175,000 in FY 2016 to implement several of the recommendations of the 2013 Employee Compensation Workgroup:
 - Online exit interview for employees leaving service.
 - Statistical software for analysis of employee data.
 - An additional \$800,000 is proposed for the Joint Legislative Audit and Review Commission to retain appropriate consultancy for updating the 2011 Review of total compensation.
- Consistent with policy actions related to “sum sufficient” appropriations, the proposed amendments include \$590,353 in each year for direct GF appropriations to the human resources shared services center.
 - Provides services for smaller agencies that do not have in-house HR staff.



Compensation Board

- SB 29 adds:
 - \$4.5 million GF in FY 2014 for jail per diems (but no increase in SB 30).
- SB 30 adds:
 - \$4.6 million GF the first year and \$7.8 million GF the second year to open the new RSW Regional Jail and expansion of the Southwest VA Regional Jail;
 - 48 jail deputies to address overcrowding (100% + over BOC rated capacity);
 - 29 law enforcement deputies the first year and a total of 62 the second year (to meet the 1:1500 standard);
 - \$4.7 million GF/year – 2% salary increase for deputy sheriffs (grades 7 and 8);
 - \$0.4 million GF/year – 4% salary increase for Circuit Court Deputy Clerk I positions and 2% for Deputy Clerk II positions;
 - \$2.1 million GF/year for the second phase of the increase for all Assistant Commonwealth’s Attorneys (raising the starting salary to \$52,000); and
 - \$0.8 million GF/year for Career Development Programs.



Compensation Board: Change in GF Support

Description	Ch 806	SB 29	SB 30		Change					
	FY 2014*	FY 2014*	FY 2015	FY 2016	Ch 806 v SB 29		Ch 806 v FY15		Ch 806 v FY16	
					\$	%	\$	%	\$	%
Local Sheriffs and Regional Jails (Law Enforcement and Jails)	\$411.3	\$411.3	\$437.2	\$441.7	\$0.0	0.0%	\$25.9	6.3%	\$30.4	7.4%
Jail Per Diem Payments	50.1	54.6	50.1	50.1	4.5	9.0%	0	0.0%	0	0.0%
Commonwealth's Attorneys	66.1	66.1	70.1	70.1	0.0	0.0%	4.0	6.1%	4.0	6.1%
Clerks of Circuit Courts	41.5	41.5	43.3	43.3	0.0	0.0%	1.8	4.3%	1.8	4.3%
Treasurers	16.0	16.0	16.7	16.7	0.0	0.0%	0.7	4.4%	0.7	4.4%
Commissioners of the Revenue	17.0	17.0	17.8	17.8	0.0	0.0%	0.8	4.7%	0.8	4.7%
Directors of Finance	5.2	5.2	5.4	5.4	0.0	0.0%	0.2	3.9%	0.2	3.9%
Constitutional Officers Liability Insurance	0.0	0.0	0.0	0.0	0.0	NA	0.0	NA	0.0	NA
Compensation Board (Administration)	<u>3.2</u>	<u>3.2</u>	<u>2.4</u>	<u>2.5</u>	<u>0.0</u>	<u>0.0%</u>	<u>-0.8</u>	<u>-25.0%</u>	<u>-0.7</u>	<u>-21.9%</u>
Total	\$610.5	\$615.0	\$642.9	\$647.4	\$4.5	0.7%	\$32.4	5.3%	\$36.9	6.1%

Note: Columns may not add due to rounding.
 Figures represent \$ in millions.



Finance



Overview of SB 29 (Caboose)

- The introduced budget includes an additional \$200,000 GF in FY 2014 for payments of Tennessee Valley Authority payments in lieu of taxes.
 - The increase payment level is carried forward into SB30.
- Within the Department of Taxation, includes an increase of \$232,616 in FY 14 to fund additional compliance collection staff. This initiative is continued in the 2014-16 biennium.
 - Revenues from this initiative of \$747,531 are assumed for FY 14 and \$10 million in both FY 2015 and FY 2016.
- Debt service savings of \$3.6 million GF are assumed within the revenues included for redistribution in FY 2014 from lower than anticipated interest rates for 2014 VCBA and VPBA issuances.



Overview of Finance

- The proposed amendments **reduce** the appropriation for the agencies of the finance secretariat by \$13.0 million GF in FY 2015 and \$149.0 million GF in FY 2016.
 - Decreases are the result of reduction to the base year amounts required for deposit to the Revenue Stabilization Fund.
- Increases the general fund amounts required for debt service on currently authorized and outstanding General Obligation, Virginia College Building Authority, and Virginia Public Building Authority bond projects by \$75.6 million in FY 2015 and \$122.1 million in FY 2016.
- Includes language directing the Secretaries of Finance and Administration to convene a workgroup for the purposes of identifying options to improve the Commonwealth's current method of maintaining state property data.



Revenue Stabilization Fund Deposit

- The amendments provide \$243.2 million GF for the FY 2015 deposit and \$59.9 for the estimated FY 2016 deposit to the Revenue Stabilization Fund.
 - This includes the \$95.0 million amount reserved for the FY 15.
 - Chapter 806 included \$244.6 million for the base year amount.
 - The FY 2016 amount will be finalized by the Auditor of Public Accounts based on actual FY 2014 collections.
- A series of amendments is included to both replace “sum sufficient” appropriations and increase the amounts provided for the operations of the central accounting system and the performance budgeting system.
 - The combined actions provide \$2.2 million GF and \$19.4 million NGF in FY 2015 and \$3.3 million GF and \$18.6 million NGF in FY 2016.
 - Also included is an additional 5.0 FTE in FY 2015 and 11.0 FTE in FY 2016 for financial analysis and reporting staff as well as staffing required to support standardized vendor database.



Other Finance Actions

- Proposes \$75,000 GF each year for the Council on Virginia's Future to further develop interactive agency report cards and a development of a measurement system for state economic competitiveness.
- Includes \$1.2 million GF in FY 2015 and \$1.4 million in FY 2016 for automation initiatives within the Department of Taxation. One action is intended to equip field compliance audit staff with mobile processing capacity. A separate action is intended to enhance the security of databases containing taxpayer information.
 - Increased revenues of \$500,000 in FY 2015 and \$1.5 million in FY 2016 are also assumed as a result of this initiative.
- Proposes to increase E-911 payments to localities by \$11.8 million NGF. each year based on actual increases in revenue collected for this purpose.



Compensation/Central Accounts



Employee Compensation Actions

- Amendments proposed for SB 29 and SB 30 include **\$50.0 million in funding to address salary actions for public employees**, including education and compensation board (except elected officials).
- Proposes a **one-time bonus** payment equal to **two percent** of base pay on December 1, 2014 for employees that **“meet expectations”** and additional one-time performance bonus of **one percent** for those employees that **“exceed expectations”** in annual performance evaluations.
 - Employed between April 1, 2014 and November 24, 2104.
 - Contingent upon FY14 discretionary general fund balance of at least twice the estimated cost of the bonus.
 - Similar to approach used for three percent bonus in FY 2012.
- Several actions are included in SB 30 to address the recommendations of the employee compensation workgroup.
 - DHRM online exit interview, statistical software, and benchmark data.
 - Funding for JLARC update of employee total compensation assessment.



Proposed Employee Compensation Actions (General Fund \$ in millions)

Employee Compensation Actions	
Description	SB 30
State Employees Bonus (2.0 + 1.0 percent)	Balances
State Supported Locals Bonus (2.0 + 1.0 percent)	Balances
Targeted High-Turnover Positions (2.0 percent)	\$20.1
Deputy Sheriffs, Grade 7 & 8 (2.0 percent)	9.8
Assistant Commonwealth Attorneys	4.2
Circuit Court Deputy Clerks	0.9
K-12 Strategic Compensation Grants	15.0
TOTAL, Employee Compensation Amendments	\$50.0



Targeted Employee Compensation

Targeted Employee Compensation Roles	
Law Enforcement Officer I	Registered Nurse I
Security Officer I	Registered Nurse II / Nurse Practitioner
Security Officer II	Licensed Practical Nurse
Probation Officer Assistant	Therapy Assistant / Therapist I
Direct Service Associate I	Therapist II
Direct Service Associate II	Compliance / Safety Officer II
Direct Service Associate III	District Court Deputy Clerk, Grade 6
Housekeeping / Apparel Worker I	District Court Deputy Clerk, Grade 7
Emergency Coordinator I	District Court Deputy Clerk, Grade 8
Emergency Coordinator II	



Employee Health Insurance

(General Fund \$ in millions)

Employee Health Insurance Actions	
Description	SB 30
FY 2014 Premium Increases – <i>Introduced</i>	\$83.2
Funding for UVA Health Plan	<u>0.7</u>
TOTAL, Employee Health Insurance	\$83.8



Other Central Account Actions

- Proposed amendments in SB 29 include savings from management actions in FY 2014 of \$3.8 million from 22 line agencies.
- Additional proposed savings strategies included in SB 30 reduce appropriations to 23 line agencies by \$3.4 million in FY 2015 and \$3.7 million in FY 2016.
 - Majority of the savings come from *seven* agencies: Small Business and Supplier Diversity, Criminal Justice Services, Agriculture and Consumer Services, Conservation and Recreation, General Services, Behavioral Health and the Virginia Economic Development Partnership.
- Proposes \$11.0 million GF in FY 2015 for the planning, design and construction of the Pavilion at Lumpkin's Jail as well as improvements to the Richmond Slave trail.
 - Local matching funding of \$5.0 million is required.
- Finally, SB 29 proposes \$50,000 GF in FY 2014 to cover the unanticipated expenditures from the 2013 Attorney General election recount.



Transportation



Overview of SB 29 (Caboose)

- The introduced budget contains no resource changes for the agencies of the Transportation secretariat for the current fiscal year.
- Language contained in the Department of Transportation seeks to reappropriate \$31.1 million in 2007 General Fund Balances to the Transportation Partnership Opportunity fund.
 - An appropriation of \$500 million GF was originally provided in Chapter 847 (2007) and dedicated to specifically identified transportation projects.
 - Legislative action in 2008 “clawed back” \$180 million and provided a like amount of debt authorization.
 - The projects have been completed and the language proposes to reappropriate the balance of \$31.1 million.



Overview of Transportation

- The proposed amendments include an increase of **\$888.2 million NGF** in FY 2015 and \$1,253.1 million NGF in the second year to reflect increased transportation program revenue from the funding actions adopted in HB 2313 (2013).
 - Additionally proposed increases of \$0.7 million GF in FY 2015 and \$7.6 million GF in FY 2016 are included primarily for funding dredging actions at the Port of Hampton Roads and to increase the base amount of funding for the Port Grant programs.
- Language amendments in the Office of the Secretary remove the designation of funding for VRE track lease payments from federal Surface Transportation Program proceeds, ensure that state bridge project matching funds can come from statewide amounts, and placing the NHPP and STP funding in the interstate program for matching purposes.



Commercial Aerospace

- Establishes the Virginia Commercial Spaceflight Authority as an agency and increases the base appropriation to \$15.8 million on Transportation Trust Fund revenues.
 - Increases the base year appropriation by \$4.0 million NGF to offset lower than anticipated launch related revenues.
 - Includes \$800,000 NGF for shoreline protection at the Virginia Commercial Space Flight Authority on Wallops Island approved in Chapter 806.
 - This is in addition to the \$11.0 million NGF authorized by Chapters 779 and 817 of the 2012 Acts of Assembly.
- Within the Department of Aviation, appropriations are increased by \$0.8 million NGF each year to fund increases in employee compensation, financial reporting software and state aircraft maintenance.



Port of Virginia

- Includes \$6.5 million GF in FY 2016 in support of dredging the Norfolk Harbor to 55 feet and the Elizabeth River Channel to 45 feet as the Commonwealth prepares for post-Panamax shipping environment.
- Proposes to increase the Port of Virginia Economic Development Zone Grant program to \$1.5 million in FY 2015 and \$2.0 million in FY 2016. The base amount of \$1.0 million GF was established in Chapter 806.
 - Used to provide grants to qualified companies locating or expanding within the economic development zone.
- Increase payments in lieu of taxes to host cities by five percent, bringing the total payments to \$2.2 million in FY 2015 and \$2.3 million in FY 2016.
- The introduced budget also contains three VPA capital projects including:
 - \$60.0 million NGF authorization for Craney Island Connector (road and rail),
 - \$37.7 million NGF for APM Terminal Equipment purchases, and
 - \$30.0 million NGF for northern expansion of NIT container yard.



Other Transportation Initiatives

- Proposes \$0.8 million NGF in FY 2015 and \$1.7 million NGF in FY 2016 to provide an operating appropriation for a new customer service center in Northern Virginia. No location has been selected.
- Language clarifying that changes to motor fuels sales taxes approved in HB 2313 do not apply to aviation fuels is provided in Part 4 in both SB 29 and SB 30.



Commerce and Trade



Economic Development Incentives

- **Proposes \$59.3 million GF in FY 2015 and \$77.3 million GF in FY 2016.**
 - \$11.8 million GF each year for the Governor’s Opportunity Fund and \$4.8 million GF each year for the Commonwealth Research Commercialization Fund (same levels provided in the 2012-14 biennium).
 - \$4.75 million GF the first year and \$3.0 million GF the second year for the Motion Picture Opportunity Fund (an increase of \$1.75 million first year only).
 - Funding for performance based grants based on projected progress:

Performance Grant (\$ in millions)	FY 2015	FY 2016	Total
Major Eligible Employer	\$6.8	\$6.8	\$13.6
Semiconductor Manufacturing	5.4	3.8	10.8
VA Investment Partnership	3.9	3.6	7.5
Aerospace Engine Facility Incentive	0.6	19.3	19.9
Advanced Shipbuilding Training Facility	8.0	7.6	15.6
VA Economic Development Incentive Grant	4.5	5.9	10.4
VA Jobs Investment Program	5.7	5.7	11.4



Department of Housing and Community Development

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- Provides \$4.0 million GF each year for the Housing Trust Fund, which was originally capitalized with \$8.0 million in FY 2014 from revenues generated from settlements with mortgage servicing firms.
- Also provides \$1.0 million GF each year for rapid re-housing programs and \$585,413 GF the first year and \$91,782 GF the second year to improve data collection on homelessness.
- Proposes \$172.3 million NGF each year and 1.5 FTE positions to administer the federal funded Section 8 Housing Assistant Payments Contract under agreement with the U. S. Department of Housing and Urban Development. DHCD will not manage the program but serve as a pass-through entity through which the funding will be provided to an outside vendor.



Fort Monroe Authority

- SB 29 provides an increase in the Department of Housing and Community Development of \$701,620 GF in FY 2014 to bring the total Fort Monroe operating appropriation to \$5.8 million GF.
- SB 30 creates Fort Monroe Authority as a stand-alone agency and proposes \$6.7 million GF the first year and \$5.5 million GF the second year for operations of the former U. S. Army installation.
- SB 30 also proposes \$22.5 million in VPBA bonds for the Authority's capital outlay needs for a variety of maintenance projects to include roof, elevator and utility repairs.
 - The capital funding is to be administered through the Department of General Services.



Other Commerce & Trade Actions

- Establishes the Department of Small Business and Supplier Diversity to implement legislation approved in 2013 to merge the Department of Business Assistance and the Department of Minority Business Enterprises.
 - Provides \$5.9 million GF and \$1.7 million NGF and 41 FTE positions.
- Proposes an additional \$2.5 million GF each year for the Life Sciences Consortium.
- Provides an increase of \$1.4 million GF each year in the VA Tourism Authority to increase advertising and marketing.
- Provides \$1.3 million GF each year for the Commonwealth Center for Advanced Manufacturing for workforce development.
- Proposes \$1.0 million GF each year in the Department of Mines, Minerals and Energy to support offshore wind energy development.



Agriculture and Forestry



Department of Agriculture and Consumer Services

- Proposes \$531,325 GF the first year and \$379,736 GF the second year to upgrade the agencies computer security programs.
- Provides \$262,409 GF the first year and \$270,047 GF the second year to enhance the food safety inspection program.
- Provides an increase of \$250,000 GF each year for the Governor's Agriculture and Forestry Industries Development Fund.
- Provides \$267,768 GF the first year and \$220,038 GF the second year to enhance Weights and Measure Inspection program, which will continue to increase the frequency of inspection of these devices.



Department of Forestry

- Provides an additional \$485,782 GF the first year and \$999,500 GF the second year, which will fully fund the state's commitment to the Reforestation of Timberlands program. Also provides an additional \$200,000 NGF each year for the program based on projected revenues from increased sales of Virginia's forest products.
 - Language continues the prior authorization to utilize funds from the Reforestation of Timberlands program to complete the ongoing project to replace the agencies accounts receivable system, which is used to track these NGF revenues.
- Provides \$500,000 GF each year for debt service that allows the Department to purchase \$4.4 million in new forest firefighting equipment through the Master Equipment Lease Program.



Natural Resources



Water Quality Improvement

- Provides \$31.5 million GF the first year representing the statutorily required deposit to the Water Quality Improvement Fund.
 - \$23.9 million, or 75 percent, is provided to the Department of Conservation and Recreation:
 - \$18.2 million for the Natural Resources Commitment Fund for agricultural best management practices;
 - \$3.0 million to the WQIF reserve fund;
 - \$1.6 million for Soil and Water Conservation District for technical assistance; and
 - \$1.2 million for other nonpoint source projects.
 - \$7.6 million, or 25 percent of the deposit is provided to the Department of Environmental Quality for stormwater and other nonpoint source grants.
 - \$1.0 million to the WQIF reserve fund.
- Included in Capital Outlay is \$20.0 million for grants to local governments for stormwater management projects.



Other Natural Resources Actions

- Increases the transfers from the general fund to the Game Protection Fund by \$2.4 million each year in FY 2014, FY 2015 and FY 2016 from increased sales taxes on hunting and fishing related equipment, and by \$2.0 million in FY 2014 and \$2.2 million each year in FY 2015 and FY 2016 from increased watercraft sales taxes.
- Provides an additional \$1.0 million GF each year for the Virginia Land Conservation Fund, bringing the total to \$2.0 million GF each year.
- Provides \$1.0 million in VPBA bonds for the City of Alexandria Combined Sewer Overflow project in FY 2014 in SB 29.
- Transfers \$2.1 million GF and \$9.2 million NGF in FY 2015 and FY 2016 and 83.0 FTE positions from DCR to DEQ to implement legislation approved in 2013 that transferred responsibility for the stormwater management program.



Capital Outlay



Proposed Capital Outlay Funding

Fund Type (\$ in millions)	SB 29	SB 30
General Fund Cash		\$2.9
VPBA/VCBA Tax-Supported Bonds	\$29.3	\$249.0
9(c) Revenue Bonds		\$154.8
9(d) Revenue Bonds		\$225.2
Nongeneral Fund Cash	<u>(\$5.6)</u>	<u>\$303.5</u>
Total	\$23.7	\$935.4

- Includes \$61.5 million each year in VPBA/VCBA bonds for Central Maintenance Reserve, to be allocated based on square footage.
- Provides \$21.1 million the first year in VPBA/VCBA bonds for furnishing and equipment for capital projects nearing completion.
- Proposes \$53.3 million in VPBA/VCBA bonds for capital projects in various agencies that were determined to be critical life, health or safety projects.

