

SENATE OF VIRGINIA

Senate Finance Committee

Overview of Proposed Amendments

SB 5003 (2014-16 Biennial Budget)

April 8, 2014



SENATE FINANCE COMMITTEE

SB 5003 – What's Different from SB 30?

- Governor McAuliffe's proposed 2014-16 biennial budget uses Governor McDonnell's bill, SB 30, as its starting point.
 - Updates resources to reflect final revenue impact of bills and additional available balances.
 - Proposes a number of additional spending and savings, many of which were included in Senate and House budgets.
- Proposed budget before you today largely reflects SB 30 as adopted by the Senate on February 20, 2014.
 - Includes technical corrections, updated fiscal impact for bills that did not pass or were modified.
- Does not reflect preliminary budget compromises with the House budget, based on budget conference meetings prior to *sine die*.
- No shift in priorities or areas of emphasis.



Summary of Key Changes from SB 30

- Proposed SFC amendments retain Marketplace Virginia program, as adopted in SB 30.
 - SB 5003, as introduced, proposes a two-year pilot expansion of Medicaid.
- SFC amendments incorporate Marketplace Virginia general fund costs and savings into the budget bill:
 - Appropriates general funds for administrative expenses.
 - Reserves \$188.0 million GF from Marketplace Virginia savings.
 - Directs \$17.1 million GF in savings to provide 500 additional ID waivers, and reduce the urgent care waiting list.
- Provides a 2 percent base salary increase, effective March, 25 2015, for state classified employees and faculty, and April 1, 2015 for teachers and state supported locals.
 - SB 30 provided no specific increase for teachers; 1 percent salary increase for other groups in the first year and 1 percent bonus in the second year.



Key Changes from SB 30

- **Health and Human Resources:** Major difference relate to GF savings and spending for Marketplace Virginia, which were not reflected in SB 30.

Summary of Amendments Related to Marketplace Virginia (GF in Millions)	
Reflect Indigent Care Savings	(\$174.7)
Reflect General Fund Savings at CSBs	(37.6)
Reflect Savings for Involuntary Commitment Fund	(1.8)
Fund “Woodwork” Costs for Children’s Health Insurance Program	0.4
Fund “Woodwork” Costs for FAMIS Program	1.3
Fund DSS Administrative Costs	3.6
Fund 500 New Intellectual Disability Waiver Slots (contingent)	17.1
Fund DMAS Administrative Costs	28.7
Net HHR GF Impact of Amendments Related to Marketplace Virginia	(\$163.2)
*DOC: Reflect Savings from Inmate Medical Costs	(\$45.3)



Key Changes from SB 30

- **Health Reform and Innovation Fund:** Last year's budget included language setting aside any general fund savings from expanding Medicaid eligibility in the Virginia Health Reform and Innovation Fund.
 - Amendments to SB 5003 deposit **\$188.0 million** into the fund from general funds savings, consistent with the Senate's amendment that creates Marketplace Virginia.
 - Language creating the fund anticipates that revenues will be used initially to fund up to \$3.5 million each year in innovation grants to reduce health care spending.
 - When the cost of closing the coverage gap is estimated to exceed projected general fund savings, funds will be transferred to DMAS to cover the cost of care.



Key Changes from SB 30

- Other HHR amendments included in SB 5003 not related to Marketplace Virginia include:
 - Savings of \$24.4 million from the adoption of a corrective action plan by the federal government which allows for the elimination of a disallowance payment that was expected to be paid.
 - Additional funding in the second year of \$4.1 million GF to cover state facility costs as the provider of last resort.



Key Changes from SB 30

- **Public Education:** Reflects a net increase for Direct Aid to Public Education of \$52.1 million GF above Senate amendments to SB 30.
 - Includes \$100.9 million GF over the biennium for the state's share of a 2 percent salary increase.
 - Partially offset by providing \$9.6 million GF towards restoring inflation (25% in the first year only), compared with \$57.7 million GF in SB 30 (75% in both years).
- Other changes:
 - Provides \$10.0 million for Literary Fund school construction loans in FY 2016 (a net change of \$2.5 million GF from SB 30 amendments).
 - Funds Strategic Compensation Grants at \$2.5 million GF in FY 2015 (compared with \$4.5 million in SB 30 amendments).
 - Increases funding for Jobs for Virginia Graduates by \$200,000 GF each year.
 - Updates the cost of competing adjustment to \$5.4 million GF in FY 2015.
 - Updates sales tax revenue for K-12 and SOL savings to reflect legislation.
 - Directs the Department of Human Resource Management to facilitate the optional election of school divisions to participate in the state employee health insurance plan, effective July 1, 2015.



Key Changes from SB 30

- **Higher Education:** Includes \$21.2 million GF for a two percent salary increase for instructional and administrative faculty and teaching assistants, effective March 25, 2015.
 - Corresponding funding for higher education classified employees totals \$10.5 million GF (in Central Accounts and included in numbers below).
- **Compensation:** Includes \$78.3 million GF for a two percent salary increase for classified and state supported local positions, starting on March 25, 2015.
 - Amendments to SB 30 included a one percent salary increase starting in January 2015 and a one percent bonus in FY 2016.
 - Also provides \$12.5 million GF for a separate two percent increase for approximately 15,000 employees who are working in high-turnover positions, effective March 25, 2015.



Key Changes from SB 30

- **Public Safety:**

- Adjusts the final deposit to the Corrections Special Reserve Fund, based on criminal sentencing legislation as adopted.
- Reduces inmate hospitalization costs for the Department of Corrections, based on coverage provided through Marketplace Virginia.
- Revises the lease cost for the Department of Military Affairs to acquire STARS-compatible radios for the National Guard.
- Updates projected revenues and expenditures for the State Police firearms transaction program, based on the latest trend data.

- **General Government:**

- Provides up to \$17.0 million GF (\$8.5 million GF in FY 16 and up to \$8.5 million from FY 15 balances) to provide full or partial state subsidies to local governments for local employees covered under the Line of Duty Act.



Key Changes from SB 30

- **Economic Development/Natural Resources:**

- Changes provisions of language relating to the Biofuels Production Fund to reflect HB 1025.
- Reduction of \$2.9 million GF to the Motion Picture Opportunity Fund, consistent with HB 460 which increased tax credits for the program.
- Provides \$200,000 GF to the Department of Mines, Minerals, and Energy to update the Virginia Energy Plan, consistent with HB 1261/SB 615.
- One-time appropriation of \$1.0 million GF to Fairfax County in support of the World Police and Fire Games.
- Restores proposed reduction to the Planning District Commissions of \$70,000 GF in each year.
- Authorizes up to \$7.1 million GF from FY 14 balances for nonrecurring expenditures to the Virginia Land Conservation Fund for fee-simple and easement acquisitions of lands with public access.



Key Changes from SB 30

- **Capital Outlay:** Includes \$21.0 million in bond proceeds in one amendment for two actions that were moved from SB 29 (Caboose Bill) and several other language amendments:
 - \$20 million in bond proceeds in lieu of private funds designated for a previously approved project at George Mason University.
 - \$1.0 million for the Alexandria combined sewer overflow project.
 - Provides language that replaces a planning project that is no longer ready to move forward with two others at Northern VA Community College.
 - Two amendments relate to the Department of Corrections (DOC) and the Culpepper correctional facility that is being transferred from the Department of Juvenile Justice (DJJ).
 - The first amendment contains language establishing a project to equip and refurbish the facility, which will be funded from transferring balances from existing capital projects.
 - The second amendment contains language that allows DOC to use some of its maintenance reserve funding to retrofit the facility.



SFC Changes to GF Resources

(\$ in millions)	
	2014-16
Mid-session Revenue Reforecast	(\$15.0)
Increase Motion Picture Tax Credit	(8.0)
Increase R&D Tax Credit	(2.0)
Sales Tax on Satellite TV Equip.	19.1
Adjust Amazon Sales Tax Forecast	12.6
Adjust ABC Profits	11.2
Adjust Forecast for Ed Schol. Tax Credits	10.0
Enhanced Compliance/SB 611	6.3
SCC Balances	6.0
Other balances, revenues, transfers	<u>13.4</u>
Total, Resource Adjustments	\$53.6



SFC 2014-16

General Fund Budget

(\$ in millions)	<u>2014-16</u>
Resources Available for Approp.	\$37,705.1
Net SFC Incremental Resources	\$53.6
Adj. Resources Available	\$37,758.7
Operating & Capital Appropriations	\$37,712.0
Net SFC Spending	\$38.8
Total 2014-16 Appropriation	\$37,750.8
Revised Unappropriated Balance	\$7.9

