

SENATE OF VIRGINIA

Senate Finance Committee

Overview of Next Steps: The Fall Budget Process

2014-16 Biennial Budget Process

September 19, 2014



SB 5005/HB 5010 Closes the Gap...

- The just-passed bill addresses the additional \$881.5 million budget shortfall through \$267.7 million in additional resources and four reversion clearing accounts totaling \$614.4 million.

GF \$ in Millions		
	<u>FY 2015</u>	<u>FY 2016</u>
Balances/Transfers/Other	\$189.7	\$ 78.0
Reversion Accounts:		
State Agencies	\$ 92.4	\$100.0
Higher Education	45.0	45.0
Aid to Localities	30.0	30.0
Miscellaneous/Other Actions	<u>0.0</u>	<u>272.0</u>
Total	\$357.1	\$525.0



Governor Reviews Reduction Plans

- State agency reductions of \$92.4 million in FY 2015 and \$100.0 million in FY 2016 – approximately 4 percent each year.
 - Governor can determine agency targets and strategies, subject to the provisions of § 4-1.02, Chapter 2.
 - No cuts to agencies greater than 15 percent.
 - Governor requested each agency to plan for 5 percent reductions in FY 2015 and 7 percent reductions in FY 2016.
 - Agency budget reduction plans are due to the Department of Planning and Budget **today** for review by Cabinet Secretaries, and made available for review by money committee staff.
 - Reduction strategies approved by the Governor for FY 2015 will be presented to the General Assembly by mid-October, and will be incorporated into the amended budget bill presented in December.



Guidance Provided to Local Governments

- Savings from state aid to local governments of \$30.0 million each year.
 - Targets will be established by the Department of Planning and Budget and will be distributed among localities based on a pro rata share of total local aid received (likely within the next three weeks).
 - Localities will be given the flexibility to identify which programs to reduce to achieve the target.
 - Actual strategies adopted by localities for FY 2015 will be shared with the General Assembly in late fall.
- A Miscellaneous Reversion Account of \$272.0 million in FY 2016 will be addressed by the Governor in his December budget bill.



Higher Education Reduction Plans

- Reductions of \$45.0 million per year for public colleges and universities; exempts research and financial aid.
- Targets based on each institution's in-state/out-of-state mix and revenue capacity (equivalent GF cuts would range from 0.9 percent to 6.6 percent).
- Language, consistent with the Governor's guidance, directs institutions to achieve savings through productivity and efficiencies rather than mid-year revenue adjustments.
- Eliminates a \$20.0 million reserve for higher education in FY 2016, set aside in Chapter 2 for allocation in the 2015 Session.

Institution	Annual Reduction Amount
CNU	\$ 601,975
CWM	2,338,873
GMU	4,705,571
JMU	3,113,308
LU	542,707
NSU	550,089
ODU	2,230,669
RU	1,113,249
UMW	635,447
UVA	8,160,065
UVA-Wise	126,330
VCU	5,377,759
VMI	441,825
VSU	637,174
VT	6,133,525
RBC	64,754
VCCS	8,226,680



Next Steps: Revenue Forecasting

- Governor will reconvene JABE (Joint Advisory Board of Economists) in October to begin refining the revenue forecast.
- Senate Finance holds annual meeting in Staunton in November to discuss budget issues pending next session.
- GACRE (Governor's Advisory Committee on Revenue Estimates) will meet in November, to make recommendations to the Governor on the forecast.



Next Steps: Budget Development

- Governor will prepare and submit an amended budget, which will *incorporate* the actions in SB 5005/HB 5010.
- The Joint Money Committees will receive the Governor's proposed budget in December.
- The 2015 General Assembly has the latitude to review and modify any budget reduction strategies proposed for FY 2016.
 - Revised revenue forecast may require additional cuts.
 - Other spending requirements must also be considered.

