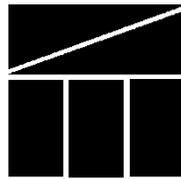


Highlights of Governor McAuliffe's Proposed Fiscal Year 2017 Savings Plan

Senate Finance Committee

October 20, 2016



Daniel S. Timberlake
Director

Virginia Department of Planning and Budget

The total projected shortfall in revenues and transfers exceeds \$1.5 billion over three years; however, it must be recognized over two . . .

	FY 2016 – actual	FY 2017	FY 2018	Biennial Total
Revenue				
Revised Interim Forecast - Post-GACRE	\$18,040.1	\$18,338.0	\$19,000.4	\$37,338.4
Official Forecast - CHs 732 & 780	\$18,309.0	\$18,902.4	\$19,633.1	\$38,535.5
Projected Revenue Shortfall	-\$268.9	-\$564.4	-\$632.7	-\$1,197.1
Change in Transfers	-\$10.4	-\$17.7	-\$21.6	-\$39.3
Total Shortfall	-\$279.3	-\$582.1	-\$654.3	-\$1,236.4
Shortfall Applied by Fiscal Year		-\$861.4	-\$654.3	-\$1,515.7

*Amounts shown in millions

The first two strategies to address this shortfall result from triggers provided in the appropriation act or in law . . .

Remove December 1, 2016, pay increase	\$125.1
---------------------------------------	---------

Transfer from Revenue Stabilization Fund	\$392.3
--	---------

Four strategies either use prior year unexpended balances or make adjustments that affect FY 2017 year-end balances . . .

Apply Credit for FY 2016 Pledges submitted by state agencies	\$23.5
Revert unexpended discretionary general fund balances from FY 2016	\$43.3
Adjust accelerated sales tax	\$35.1
Adjust carryover balance from FY 2017 to FY 2018	\$70.0

Technical revisions from loss of sales tax and use of additional Lottery and Literary Fund revenue produce general fund savings of approximately \$84 million in public education . . .

Use additional Lottery revenue for public education

➤ collected in FY 2016	\$33.2
➤ projected for FY 2017	\$5.3
➤ cash on balance sheet	<u>\$8.6</u>

Total additional Lottery revenue \$47.1

Capture net changes in sales tax dedicated to public education \$12.0

Offset teacher retirement costs in public education with Literary Fund revenue \$25.0

Targeted actions in higher education recover the nongeneral fund cost of VRS payments deferred during the great recession . . .

Recover NGF cost of VRS payment from institutions of higher education -

Amounts required in FY 2017 represent 60% of the nongeneral fund portion of each institutions share of the \$172 million paid on their behalf to VRS in FY 2016

\$24.8

Reverse credit card and interest restoration to institutions of higher education

\$4.0

The remaining savings required in FY 2017 are balanced by savings plans totaling \$73 million in executive branch agencies . . .

Savings Category	2017 GF Resources	2017 GF Appropriation Reduction	2017 Total Impact To The GF
Transfer of NGF operating balances	\$16.7	\$0.0	\$16.7
Reduce or Delay New Spending	\$0.0	\$15.5	\$15.5
Reduce discretionary expenses	\$0.2	\$11.5	\$11.7
Supplant GF with NGF	\$0.0	\$10.8	\$10.8
Reduce or eliminate current services	\$0.0	\$6.4	\$6.4
Turnover and Vacancy Savings	\$0.0	\$5.6	\$5.6
Revert GF Balances	\$0.0	\$2.6	\$2.6
Improved business practices and efficiencies	\$0.0	\$2.0	\$2.0
Reduce personnel costs	\$0.0	\$1.6	\$1.6
New Fees or Change to Existing Fees	\$0.1	\$0.0	\$0.0
Totals	\$16.9	\$56.1	\$73.0

*Amounts shown in millions

Executive agency savings plans include the potential for up to 26 layoffs . . .

Agency	Potential 2017 Layoffs
The Library Of Virginia (202)	15
Department of Conservation and Recreation (199)	4
Department of Forensic Science (778)	2
Department of Health (601)	2
Department for Aging and Rehabilitative Services (262)	2
Department of Behavioral Health and Developmental Services (720)	1
Total Potential Layoffs	26

After applying all strategies, the remaining balance in FY 2017 is approximately \$13.7 million . . .

Solving the Shortfall \$\$ in millions

	FY 2016 - actual	FY 2017
<u>Shortfall</u>		
Revised Interim Forecast – Post GACRE	\$18,040.1	\$18,338.0
Official Forecast – CH 780	\$18,309.0	\$18,902.4
Projected Revenue Shortfall	<u>-\$268.9</u>	<u>-\$564.4</u>
Change Transfers	<u>-\$10.4</u>	<u>-\$17.7</u>
Total Annual Shortfall	-\$279.3	-\$582.1
Shortfall to Recognize in Fiscal Year 2017		-\$861.4
<u>Strategies to Address Shortfall</u>		
Remove pay increase		\$125.1
Transfers from Revenue Stabilization Fund		\$392.3
Apply Credit for FY 2016 Pledges submitted by state agencies		\$23.5
Revert unexpended discretionary general fund balances from FY 2016		\$43.3
Adjust accelerated sales tax		\$35.1
Adjust carryover balance from FY 2017 to FY 2018		\$70.0
Use additional Lottery revenue for public education - collected in FY 2016		\$33.2
Use additional Lottery revenue for public education - projected for FY 2017		\$5.3
Use additional Lottery revenue for public education - cash on balance sheet		\$8.6
Capture net changes in sales tax dedicated to public education		\$12.0
Offset teacher retirement costs in public education with Literary Fund revenue		\$25.0
Recover NGF cost of VRS payment from institutions of higher education		\$24.8
Reverse credit card and interest restoration to institutions of higher education		\$4.0
Across-the-board agency savings - excludes institutions of higher education		\$73.0
Subtotal of Strategies *		<u>\$875.1</u>
BALANCE		\$13.7

* May not add due to rounding.

Next steps – the path ahead . . .

- October 7, 2016 – agencies submitted requests for new spending for FY 2017 and FY 2018
- Targets will be sent to executive branch agencies for FY 2018 savings plans
- October 31, 2016 – agencies submit FY 2018 savings plans
- December 16, 2016 – Governor introduces proposed budget to amend CH 780