

SENATE OF VIRGINIA

# Senate Finance Committee

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## Overview of Proposed Budgets

**SB 29 (Amendments to 2014-16 Budget)**

**SB 30 (2016-18 Biennial Budget)**

January 19, 2016



# Presentation Outline

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- Overview/Resources
- Retirement
- K-12 Public Education
- Higher Education
- Health and Human Resources
- Public Safety and Homeland Security
- Veterans and Defense Affairs
- Judicial Department
- General Government /Employee Compensation/Central Accounts
- Transportation
- Commerce and Trade
- Agriculture and Forestry
- Natural Resources
- Capital Outlay



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# Overview/Resources



# Proposed Budgets for FY 2016 and FY 2016-18 Biennium

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- **Two budget bills:**
  - **SB 29: “Caboose Bill”** – Amendments to the *current* 2014-16 biennial budget.
    - Reflects FY 2015 revenue surplus and adjustments to the revenue forecast for FY 2016, based on fall forecasting process.
  - **SB 30: 2016-18 Biennial Budget** – Addresses additional spending requirements for the next two years, and proposes significant discretionary spending.



# SB 29: Caboose Bill

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- Additional GF resources of \$591.6 million.
  - Additional net revenues of \$588.2 million based on fall forecast.
  - Sales tax and individual income tax revenue forecasts (both withholding and nonwithholding) increased.
  - Corporate income tax revenue forecast reduced.
  - Includes a net balance reduction of \$1.0 million and transfer revisions totaling \$4.4 million.
- Net spending increases total \$170.7 million.
- Combined with \$5.1 million unappropriated balance in Ch. 665, \$426.0 million is available for use in the 2016-18 biennium.



# GF Resource Changes in SB 29

(\$ in millions)	<u>Chapter 665</u>	<u>Revised</u>	<u>Change</u>
Unreserved Balance	\$ 247.2	\$ 676.5	\$429.3
Additions to Balance	1.9	(428.4)	(430.3)
Revenue Forecast	17,720.6	18,308.9	588.2
Revenue Stabilization Fund	235.0	235.0	0.0
Transfers	<u>564.5</u>	<u>568.9</u>	<u>4.4</u>
Additional GF Resources	\$18,769.2	\$19,360.9	<b>\$591.6</b>
Ch. 665 Unappropriated Balance			\$ 5.1
SB 29 Net Spending Increase			<u>170.7</u>
<b>SB 29 Carry-Forward Balance</b>			<b>\$426.0</b>



# Net GF Spending in SB 29

(\$ in millions)	<u>FY 2016</u>
Medicaid Utilization & Inflation	\$166.6
Children's Services Act (CSA) Caseload	18.1
Comp Board - Jail Per Diems	11.3
DMAS - Rebase Training Centers to Reflect Closures	7.3
DSS - Eligibility System Operating Costs	7.1
MH - Support Hancock Geriatric Treatment Ctr	4.7
MH - Revenue Shortfall at Hancock	4.4
DMAS - Piedmont & Catawba Geriatric	4.0
Other Spending	14.9
K-12 ADM & Technical Adjustments	(35.8)
Other Savings	(33.4)
Capital Outlay Project	1.5
<b>Total, Net Spending</b>	<b>\$170.7</b>



# SB 30 Revenue Outlook

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- Modest economic growth anticipated for the next two years – the Commonwealth will underperform the nation as the impact of federal budget actions continues to dampen the Virginia economy.
- The GF revenue forecast assumes growth rates of 3.0 percent for FY 2017 and 3.7 percent for FY 2018.
- Continues the “modified collar” on nonwithholding tax collections which reduces revenues by \$188.2 million in FY 2017 and \$194.3 million in FY 2018.

Fiscal Year	Total GF Revenues (\$ in millions)	Growth
FY 2017	\$18,860.3	3.0%
FY 2018	\$19,551.4	3.7%

- \$204.6 million is removed from the forecast based on proposed tax policy changes; \$18.2 million is removed for other policy adjustments.



# Proposed Tax Policy Changes Assumed in SB 30 GF Revenue Forecast

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- **Accelerated Sales Tax.** Increases threshold from \$2.5 million in annual taxable sales to \$10 million in FY 2017 and \$25 million in FY 2018.
- **Exemptions.** Increases the personal/dependent exemption from \$930 to \$1000, and increases the aged/blind exemption from \$800 to \$900.
- **Corporate Income Tax Rate.** Lowers the rate from 6.0% to 5.75%.
- **Angel Investor Tax Credit.** Increases cap from \$5 million to \$9 million. Provides that \$2 million shall be allocated exclusively for tax credits for investments in qualified biotechnology companies.
- **Neighborhood Assistance Program Tax Credit.** Increases credits allocated for the Department of Social Services from \$8 million to \$11 million, and increases the amount allocated for the Department of Education from \$9 million to \$11 million.
- **R&D Tax Credit.** Increases cap from \$6 million to \$7 million and creates a new credit for taxpayers with at least \$5 million in qualified research expenditures. Cap is set at \$15 million for the large company credit.
- **ABLE Accounts Deduction.** Provides a deduction of up to \$2,000 for contributions to a Virginia College Savings Plan ABLE account.
- **Food Bank Tax Credit.** Provides a tax credit for food crops grown in the Commonwealth and donated to a nonprofit food bank.



# Proposed Tax Policy Changes Assumed in SB 30 GF Revenue Forecast

Tax Policy Changes (\$ in millions)	FY2017	FY 2018	2016-18 Biennium
Accelerated Sales Tax – Continue Phase-out	(\$36.7)	(\$27.0)	(\$63.7)
Personal Income Exemptions Increase	(13.9)	(28.1)	(42.0)
Corporate Income Tax Rate Reduction to 5.75%	(17.2)	(46.5)	(63.7)
Angel Investor Tax Credit – Increase Cap	(4.0)	(4.0)	(8.0)
Neighborhood Assistance Tax Credit – Increase Cap	(5.0)	(5.0)	(10.0)
R&D Tax Credit – Increase Cap	0.0	(1.0)	(1.0)
New R&D Tax Credit for Large Companies	0.0	(15.0)	(15.0)
ABLE Account Tax Deduction	(0.2)	(0.5)	(0.7)
Food Bank Tax Credit	<u>(0.2)</u>	<u>(0.3)</u>	<u>(0.5)</u>
<b>Total, Proposed Tax Policy Changes</b>	<b>(\$77.2)</b>	<b>(\$127.4)</b>	<b>(\$204.6)</b>



# Other Policy Adjustments Assumed in SB 30 GF Revenue Forecast

Other Policy Adjustments (\$ in millions)	FY2017	FY 2018	2016-18 Biennium
Unwind the retention of NGF interest earnings in the general fund	(\$11.1)	(\$11.1)	(\$22.2)
Eliminate profits to the general fund from prison phone charges	(2.6)	(2.6)	(5.2)
Technical adjustment to revenue stream from partnership between TAX and IRS	(0.3)	(0.8)	(1.1)
TAX enhanced refund review	3.2	5.2	8.4
TAX enhanced review of sales tax collections on tobacco products	<u>0.4</u>	<u>1.5</u>	<u>1.9</u>
<b>Total, Other Proposed Policy Adjustments</b>	<b>(\$10.4)</b>	<b>(\$7.8)</b>	<b>(\$18.2)</b>



# SB 30 GF Resources Available for Appropriation

(\$ in millions)	2016-18 Biennium
Beginning Balance (from SB 29)	\$ 426.0
Adjustments to Balances	666.3
Official GF Revenue Estimate	38,411.8
Transfers	<u>1,154.3</u>
<b>GF Resources Available for Appropriation</b>	<b>\$40,658.3</b>
Chapter 665 Base Budget	\$37,245.5
Operating Spending	3,243.9
Capital Outlay Spending	<u>151.3</u>
<b>Total Proposed GF Spending</b>	<b>\$40,640.7</b>
<b>Unappropriated Balance</b>	<b>\$ 17.6</b>



# Key Themes in Proposed Spending

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- **Funding for mandated, high priority items.**
- **Maintaining and improving structural balance in the budget.**
- **Investments in K-12 public education and higher education.**
- **Investments in economic development, biosciences research, and cybersecurity.**



# Major GF Spending/Savings in SB 30

(\$ in millions)	<u>2016-18</u>
Medicaid Utilization and Inflation	\$789.1
Revenue Stabilization Fund Deposit	605.5
K-12 Rebenchmark SOQ (Comp Index, Sales Tax, Other)	429.8
2% Salary Increase (teachers, state/ss local, faculty)	159.4
State Employee Health Insurance	143.2
K-12 Additional Instructional Staff	139.1
CO: Maintenance Reserve Funding	129.4
Debt Service (currently authorized projects)	107.8
DOJ Settlement (waivers, redesign, other)	102.9
HE: Access & Completion, Financial Aid	98.0
Fund Actuarial VRS Rates (State and Teachers)	91.0
Medicaid Expansion	(156.9)
Withhold Hospital/Nursing Home Inflation	(60.4)
All Other Net Spending	<u>817.3</u>
<b>Total, Proposed Net Spending</b>	<b>\$3,395.2</b>



## Research & Economic Development Initiatives Biennial GF

Agency/Item	Initiative	GF \$
HE Research Initiative	GF incentive for high-performing researchers, plus \$100 million in bond funding for research equipment and lab renovations	\$40.0
Medicaid Expansion (in Central Accounts)	Global Genomics & Bioinformation Institute	\$16.0
	VA Growth and Opportunity Fund (GO Virginia)	12.9
	Massey Cancer Center at VCU	8.5
DHCD	Virginia Growth and Opportunity Fund (GO Virginia)	\$25.9
Ec. Development Incentive Payments	Virginia Biosciences Health Research Corporation (VBHRC) – contract with private entities, foundations, and governmental sources to capture and perform research in biosciences and promote biosciences tools	\$12.5
Ec. Development Incentive Fund	Biotechnology industry funding to spinoff biotechnology companies evaluated by the VBHRC for merit and feasibility	\$60.0
Jefferson Lab	Funding to compete for the US DOE electron ion collider project	\$2.4
Tax Credits	Increases cap on existing R&D Tax Credit by \$1.0 million, creates new R&D credit with cap at \$15.0 million, & increases cap for the Angel Investor Tax Credit by \$4.0 million (total of \$8.0 million over the biennium)	\$24.0



# Cybersecurity Initiatives

## Biennial GF

Agency	Project / Initiative	GF \$
Virginia Tech	Cyber Range (skills practice)	\$4.0
State Council of HE	Cyber Scholarship (with state work commitment)	3.0
State Council of HE	Grant Funding to Qualify as a Center of Excellence	2.0
James Madison/VT	Collaborative Undergrad Cybersecurity Curriculum, Database, and Apprenticeships/Internships	3.6
VCCS	Funding to Qualify as a Center of Excellence	1.6
George Mason	Cyber Pathway for Veterans	0.8
State Police	Cyber Crime and Digital Forensic Analysis, 10 positions	2.8
ISAO (at CIT)	Establish Information Sharing & Analysis Org.	1.5
VA Fusion Center	4 Cybersecurity analysts to expand cyber intel. sharing	0.7
VITA	Small agency security and vulnerability scanning	<u>0.6</u>
<b>TOTAL</b>		<b>\$20.7</b>

Note: Additional NGF items are funded under the Virginia Information Technologies Agency (VITA).



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# Retirement



# Retirement System

## Employer Contribution Rates

- **Funds Employer Contribution Rates at 100% Beginning in FY 2017** (two years ahead of the phase-in schedule agreed upon in 2012). Adds \$23.5 million GF to increase employer contribution rates for the four employee plans other than teachers.
  - In Direct Aid to Education: \$87.0 million GF (90% in FY 2017, going to 100% beginning in FY 2018, one year ahead of the schedule).

Employer Contribution Rates	FY 2016	FY 2017	FY 2018
VRS (State Employees)	14.22%	14.46%	14.46%
State Police	27.83%	28.99%	28.99%
VALORS	19.00%	22.21%	22.21%
JRS	50.02%	45.15%	45.15%
VRS (Teachers)	14.06%	14.66%	16.32%

- **Other Post-Employment Benefits.** \$13.8 million GF for full rates for Group Life insurance, Virginia Sickness and Disability, and Health Insurance Credit.



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# K-12 Education



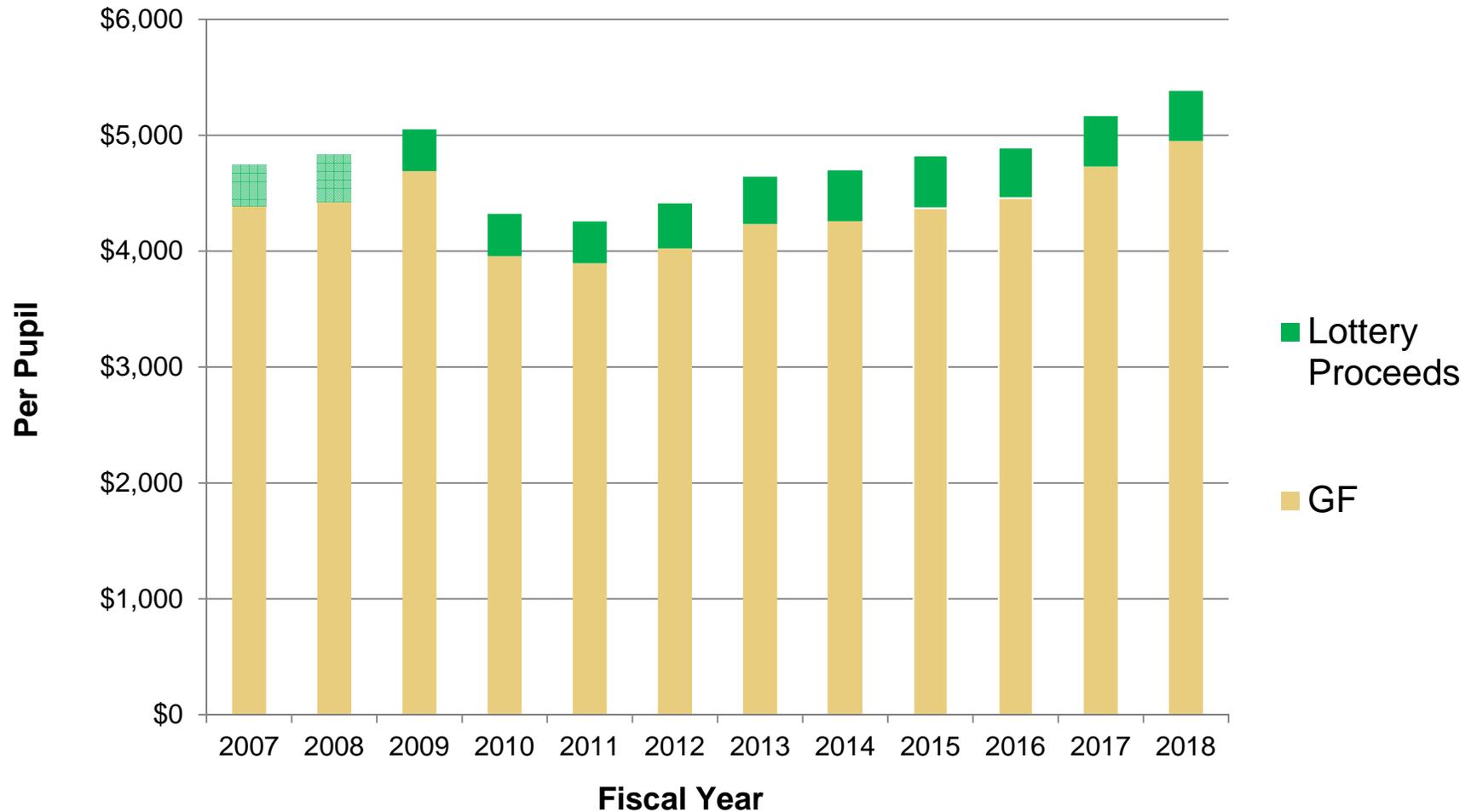
# Overview of SB 30, As Introduced

## Direct Aid to Public Education

	FY 2017		FY 2018	
(\$ in millions)	GF	NGF	GF	NGF
<b><u>Total \$</u></b>				
Base (FY 16, Ch. 665)	\$5,560.3	\$1,778.9	\$5,560.3	\$1,778.9
Net Change	272.2	(183.3)	582.7	(213.3)
SB 30, As Proposed	\$5,832.5	\$1,595.6	\$6,143.0	\$1,565.6
% Change	4.9%	(10.3%)	10.5%	(12.0%)
<b><u>\$ Per Pupil</u></b>				
SB 30, As Proposed	\$4,682	\$1,281	\$4,904	\$1,250
Net Change	\$213	(\$149)	\$435	(\$180)
% Change	4.8%	(10.4%)	9.3%	(14.0%)



# Trends Since Pre-Recession Direct Aid to Public Education



# Summary of Proposed Actions in Direct Aid to Education

(GF, \$ in millions)	FY 2017	FY 2018	Total
Biennial Re-benchmarking Technical Updates	\$190.3	\$239.4	<b>\$429.8</b>
Additional Instructional Positions Funding based on 1 Per Elementary School (FY 17), Plus 2 Per Middle/High School (FY 18)	42.7	96.4	<b>139.1</b>
2% Compensation Increase (July 10, 2017)	0.0	83.2	<b>83.2</b>
Advance VRS Employer Rates to 100% in FY 18	0.0	55.1	<b>55.1</b>
At-Risk Add-On Range to 2.5%-14%; Board Auth.	24.8	24.9	<b>49.7</b>
Restore Full Support Cost of Competing Adjustment	0.0	40.6	<b>40.6</b>
Literary Fund: GF to Reduce to \$135.2M Covering Part Retirement Costs	0.0	30.0	<b>30.0</b>
“No Loss” Relative to FY 16	3.6	0.0	<b>3.6</b>
All Other	<u>10.6</u>	<u>13.1</u>	<u><b>23.6</b></u>
<b>TOTAL</b>	<b>\$272.0</b>	<b>\$582.7</b>	<b>\$854.7</b>



# Re-benchmarking Updates

(GF, \$ in millions)	FY 2017	FY 2018
Prevailing Salaries (FY 14, plus 1.5%) & Other Personal-Related Data	\$97.3	\$97.8
Federal Revenue Deduct Per Pupil Amount	26.8	26.9
Incentive, Categorical, and Lottery Accounts	22.3	27.9
Other Student Enrollment Projections (as of Sept.)	11.3	35.4
Health Care Premium Cost (FY 14, plus inflation for FY 15 and 16)	21.2	21.3
SOL Test Scores, Student Free Lunch Eligibility (as of Sept.)	10.6	10.7
Reset SOQ Model Base Data	9.7	9.7
Other Non-Personal (Textbooks, Transportation, Inflation)	(7.9)	(8.0)
Support Position Ratio	(12.6)	(12.7)
Sales Tax Revenue and School-Aged Population	32.6	54.7
Composite Index (based on 2013 tax year)	25.2	25.3
Retirement, Health Care Credit, Group Life Rates to 100%	15.9	16.0
Reflect Increase in NGF Lottery Forecast (Uses to Supplant GF)	(9.6)	(9.6)
Other Updates (after Sept.; includes using most current free lunch eligibility data for Community Eligibility Provision schools, VPI non-participation savings)	<u>(24.5)</u>	<u>(23.9)</u>
<b>Subtotal, Re-benchmarking</b>	<b>\$190.3</b>	<b>\$239.4</b>



# Additional Instructional Positions

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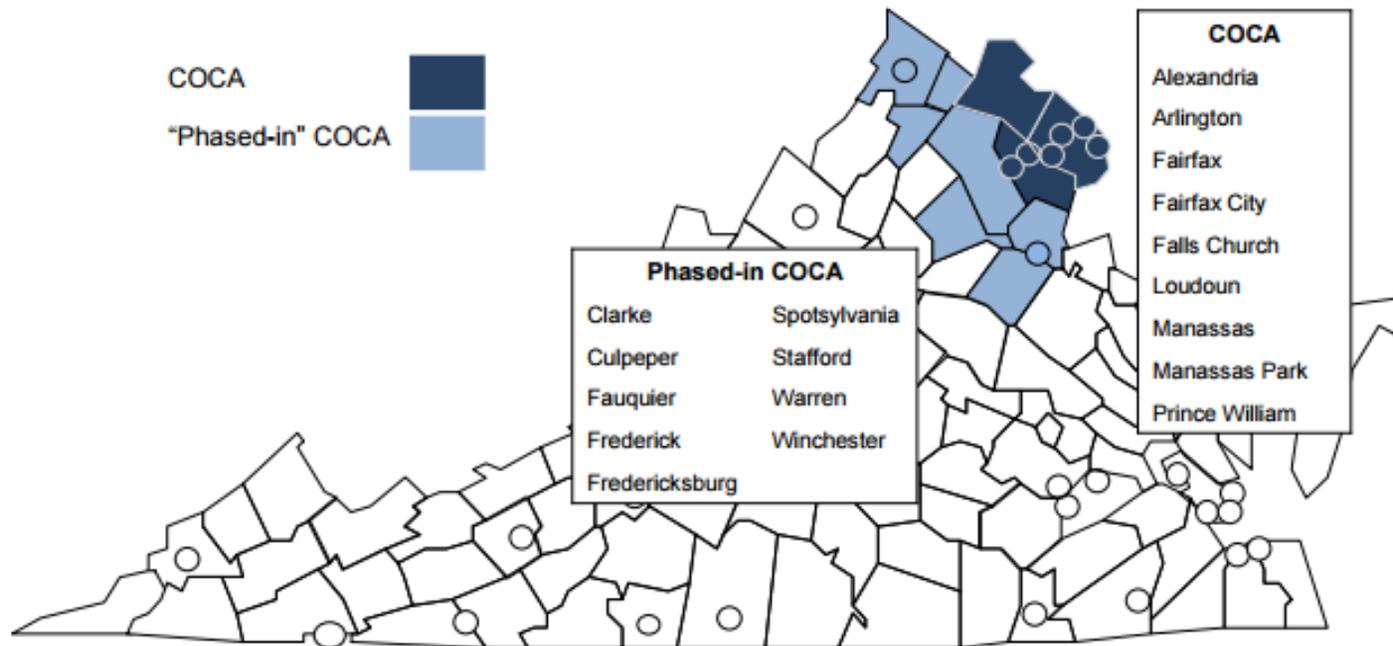
- \$42.7 million in state funding is proposed in FY 2017 and \$96.4 million in FY 2018 for this initiative.
  - Funding distribution: Based on the state’s share of the cost of one teacher for each elementary school in FY 2017 and 2018, and two teachers for each middle school, high school, and combined school in FY 2018 (approximately 2,500 positions statewide).
  - School divisions have flexibility to hire other qualifying instructional positions (i.e., teacher, guidance counselor, librarian, instructional aide, principal, or assistant principal) and determine at which schools they are assigned. No local match required.
  - To receive funding, the division superintendent must certify that the calculated number of **additional** instructional personnel (based on the number of schools) are employed. Division may elect to receive a portion of its eligible funding each year according to the number of additional instructional personnel employed and certified. Funds cannot be used to support existing instructional positions nor any district-wide positions.



# Fund Full Support COCA in FY 18

- \$40.6 million to restore Cost of Competing Adjustment (COCA) for support positions (full adjustment is 24.61%; phased-in divisions receive one-quarter of the full rate). (COCA for instructional positions (full adj. = 9.83%) remains in effect.)

## Nine Divisions Receive the COCA and Nine Receive the "Phased-in" COCA



Source: JLARC staff analysis of Appropriations Acts.



# Other Proposed Increases

(GF, \$ in millions)	FY 2017	FY 2018
New Formula for Academic Year Governor's Schools	\$1.9	\$3.7
Career and Technical Education (CTE): \$1.4 million for Equipment related to high-skill, fast-growth industries, \$600,000 for Grants, \$500,000 for Industry Credentials	2.5	2.5
Early Childhood: Workforce Scholarships and Coursework thru Community Colleges (VA Early Childhood Foundation)	1.6	2.3
Early Childhood: PreK Public-Private Partnerships Pilot (VA Early Childhood Foundation)	1.5	1.5
Virtual Virginia: Math Outreach (FY17: \$260,000, FY 18: \$330,000) and Full-Time High School Pilot (\$498,000 each year)	0.8	0.8
Computer Science Training for Teachers	0.6	0.6
Increase School Breakfast After the Bell Initiative	0.5	0.5
Increase Positive Behavior Intervention and Supports	0.5	0.5



# Other K-12 Actions and Other Education Agencies

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- **Other Actions in Direct Aid**

- A total of approx. \$2.0 million per year for proposed increases for six existing and two new initiatives.
- Decreases (or eliminates) seven items, totaling approximately \$1.2 million per year.

- **Department of Education**

- 8 new positions.
- \$5.0 million for computer adaptive testing.
- Several other smaller dollar actions primarily related to assessments and accountability.

- **Other Education Agencies**

- Allocates \$1.5 million per year in Item 477 (Central Appropriations) for commemorations of historic events of 1619.
- 4.0 positions and related funding for the new facility to be called the American Revolution Museum at Yorktown.
- Small, mostly one-time items at the Science Museum, Commission for the Arts, Gunston Hall, and Frontier Culture.



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# Higher Education



# Overview of Higher Education

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- **SB 29:** one technical amendment to increase the appropriation by \$25,631 GF in FY 2016 to correct the central fund distribution for the employee health insurance rates at the VT-Extension.
- **SB 30:** proposed amendments result in an increase of about \$175.6 - \$181.9 million GF per year. (About \$70.0 million per year of these actions are related to central account adjustments that have been done in the base budget in other years.)
  - **Includes almost \$50.6 million GF** per year to support initiatives identified in the *Virginia Higher Education Opportunity Act of 2011* (TJ 21).
    - \$1.5 million GF for base adequacy (Old Dominion University);
    - \$25.0 million GF for access and completion (previously called degree incentives); and
    - \$24.1 million GF for need-based undergraduate student financial aid.



# Overview of Higher Education (continued)

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- \$9.0 million GF in FY 2017 and \$15.6 million GF in FY 2018 for workforce initiatives at the Virginia Community College System (VCCS).
- \$1.0 million GF annually for the Tuition Assistance Grant (TAG) program to raise awards by \$300 to \$3,400/student.
- \$1.2 million GF per year for the Virtual Library of Virginia (VIVA) Library e-books initiative and contracts.
- \$6.6 million GF in FY 2017 and \$8.4 million GF in FY 2018 for cyber security initiatives at several institutions.
- \$770,246 in FY 2017 and over \$1.5 million GF in FY 2018 for additional funding at Eastern Virginia Medical School (EVMS).
- \$20.0 million GF and \$50 million in bonds per year for the Higher Education Research Initiative for inventive packages, lab renovations, and equipment purchases.
- \$17.0 million in FY 2018 for a 2% faculty salary increase contingent on revenues.



# Summary of Proposed Amendments

GF Actions for the 2016-16 Biennium - (\$ in millions)	
Base Adequacy (ODU)	\$ 3.0
Access and Completion (Degree Incentives under TJ21)	50.0
Undergraduate Financial Aid	48.2
Research Initiatives (plus \$100 million in bonds)	40.0
Workforce (VCCS and Centers)	26.2
Cyber Security	15.0
Tuition Assistance Grant	2.0
VIVA (Virtual Library of Virginia)	2.5
VA Degree Completion Network	8.1
Jefferson Labs	2.4
Other	21.0
Central Accounts Actions (part of new base)	<u>139.1</u>
<b>TOTAL</b>	<b>\$357.5</b>
2% Faculty Salary Increase in Central Accounts (effective July 10, 2017 contingent on revenues)	\$17.0



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# Health and Human Resources



## Overview of SB 29 (Caboose)

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- The introduced budget proposes net spending of **\$196.4 million GF** in FY 2016 compared to the current budget -- a 3.5 percent increase for HHR.
- Most of the spending -- **\$166.6 million GF** – is a result of increased spending in Medicaid.
  - Unexpected “woodwork” effect of low-income parents due to the Affordable Care Act resulted in a funding shortfall in FY 2015, delaying **\$73 million GF** in Medicaid payments into FY 2016.
  - The annualized cost of these “woodwork” parents adds **\$68 million GF** in FY 2016.
  - In addition, federal actions related to Medicare premiums and overtime requirements for personal care attendants requires **\$53.8 million GF**.
- Includes **\$18.1 million GF** for caseload and cost growth in the Children’s Services Act.



# Overview of Health and Human Resources in SB 30

	FY 2017 GF	FY 2017 NGF	FY 2018 GF	FY 2018 NGF
FY 2016 Base Budget	\$5,645.2	\$7,649.7	\$5,645.2	\$7,649.7
Proposed Increases	532.2	1301.8	705.6	3,052.5
Proposed Decreases	(180.8)	(89.8)	(232.7)	(148.2)
Net Change	351.4	1212.0	472.9	2,904.3
<b>SB 30, as Introduced</b>	<b>\$5,996.6</b>	<b>\$8,861.7</b>	<b>\$6,118.1</b>	<b>\$10,554.0</b>
Percent Change	6.2%	15.8%	8.4%	38.0%

- Capital Project Funding is included for:
  - Expansion of the Sexually Violent Predator facility in Burkeville.
  - Expansion of Western State Hospital in Staunton (56 beds added).
  - Phase II of the renovation of the Anderson Vocational Training Building at Wilson Workforce and Rehabilitation Center in Fishersville.



# HHR Major Policy and Funding Items

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- Medicaid Expansion
  - Proposes to expand in accordance with the Affordable Care Act.
  - Net savings of \$156.9 million GF is allocated as spending in the budget.
- Hospital Provider Assessment
  - Provides authority to impose up to a 3.0 percent assessment on private hospitals.
  - Proposes to reserve \$195 million of the assessment for future Medicaid Expansion costs.
- Department of Justice Settlement Agreement
  - Includes \$102.9 million GF for new waivers slots, redesign of the ID and DD waivers, along with other items to comply with the agreement.
- Closure of Catawba Hospital
  - Proposes the closure of the hospital by the end of the biennium and provides \$1.0 million GF for employee retention and diversion of new patients.



# Summary of Major GF Changes

<b>Major General Fund Increases (\$ in millions)</b>	<b>Biennium</b>
Mandatory spending	\$933.5
Medicaid Expansion Costs	195.0
High priority spending items	60.7
Discretionary and other spending	44.9
Technical and base adjustments (central appropriation actions)	45.1
<b>Major General Fund Decreases (\$ in millions)</b>	<b>Biennium</b>
Medicaid Expansion Savings	(\$351.8)
Eliminating Medicaid provider inflation increases	(60.6)
Forecast-related savings	(64.1)
Other Savings Strategies	(12.9)



# Medicaid Expansion

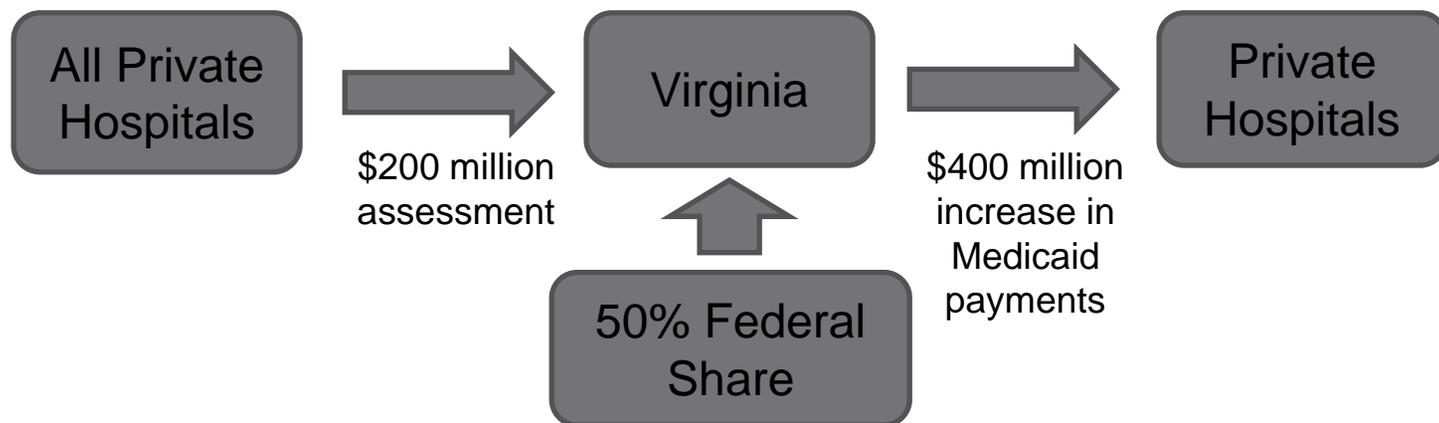
- The introduced budget proposes to expand Medicaid to 350,000 individuals age 18 to 64 with incomes up to 138 percent of the federal poverty level.
  - Net savings from Medicaid Expansion is allocated in the budget.

Item (\$ in millions)	FY 2017 GF	FY 2018 GF
Coverage of New Adults	\$18.8	\$141.8
Coverage of Woodwork (currently eligible)	0.2	3.3
Administrative Costs	13.5	19.8
<b>Total Costs</b>	<b>\$32.5</b>	<b>\$164.9</b>
Indigent Care Savings	(49.6)	(126.7)
State-funded behavioral health services	(12.1)	(29.1)
Inpatient hospital costs of state prisoners	(9.9)	(24.7)
Elimination of state-funded coverage for newly eligible	(20.1)	(82.0)
<b>Total Savings</b>	<b><u>(91.7)</u></b>	<b><u>(262.5)</u></b>
<b>Net Savings from Medicaid Expansion</b>	<b>(\$59.2)</b>	<b>(\$97.6)</b>



# Hospital Provider Assessment

- Proposed budget provides authority for the Department of Medical Assistance Services to impose a provider assessment on net patient revenue of up to 3.0 percent on private hospitals.
  - A 3.0 percent assessment generates \$448 million in revenue per year.
  - The revenue would be deposited into the Health Care Fund.
  - The introduced budget assumes in FY 2017 and FY 2018 that revenue would be reserved for the future costs of a Medicaid Expansion.
  - The following outlines a typical provider assessment (note this is not what the introduced budget includes.)



# Mandatory Spending Increases

Major GF Increases for the 2016-18 Biennium - (\$ in millions)	
Medicaid utilization and inflation	\$789.1
DOJ: Additional funding for required ID and DD waiver slots	46.0
Children's Services Act expenditure and caseload growth	36.2
Revenue shortfall at Hancock Geriatric Treatment Center	16.5
Increase funding for foster care and adoption payments	14.3
Federally-required Medicaid claims system	10.5
DOJ: Adjust Training Center costs for revised discharges	8.7
Medical costs of involuntary mental commitments	3.6
Other Mandatory Costs	\$4.1
<b>TOTAL, Mandatory Spending Increases</b>	<b>\$933.5</b>



# Medicaid Forecast

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- The proposed budget includes **\$789.1 million GF** for the 2016-18 budget to address the cost of health care services under Medicaid.
  - Projected growth is 3.8 percent in FY 2017 and 2.9 percent in FY 2018.
  - Enrollment growth in Medicaid is modest. Caseloads rose 1.8 percent in FY 2015.
  - The rates paid to Medicaid managed care organizations are expected to average just over three percent a year during the upcoming biennium.
  - Approximately \$69.3 million of the projected general fund increase in Medicaid is related to inflation for inpatient hospital services, nursing homes and other providers.
- Proposes savings in Medicaid:
  - \$47.7 million GF by withholding inflation for hospital rates
  - \$12.7 million GF by withholding FY 2018 nursing facility inflation
  - \$11.9 million GF by limiting overtime for personal care workers (16 hours)



# High Priority Spending

Major GF Increases for the 2016-18 Biennium - (\$ in millions)	
Medicaid ID/DD Waiver Redesign	\$36.2
Expand crisis stabilization programs	9.7
Rental Assistance Programs for developmentally disabled	6.4
Fund 100 reserve ID and DD waiver slots	3.8
Other DOJ-related funding items	3.1
All other high priority spending	2.9
<b>TOTAL, High Priority Spending</b>	<b>\$60.7</b>



# Discretionary and Other Spending Items

Major GF Increases for the 2016-18 Biennium - (\$ in millions)	
Increase Medicaid personal care rates (2.0 percent)	\$15.1
Fund comprehensive benefit package for substance use disorder treatment	11.0
Fund increase in costs for Medicaid administrative contracts	4.8
Support transitional housing for forensic patients	4.6
Address compensation issues at mental health facilities	2.4
Expand foster care to youth aged 18 to 21	2.0
All other spending	5.0
<b>TOTAL, Discretionary and Other Spending</b>	<b>\$44.9</b>

- The introduced budget also includes \$16.8 million in additional TANF spending over the biennium.



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# Public Safety and Homeland Security



# SB 29, As Introduced

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- **Department of Corrections**

- ***Culpeper Correctional Center.*** Adds \$0.3 million and 30 positions to begin hiring staff to operate the former juvenile facility as a 500-bed correctional center for women (opening January 2017).
- ***Telephone Commissions.*** Effective December 1, 2015, DOC reduced the rates for telephone calls from prison, based on a recent FCC ruling which capped inmate calling rates and discouraged “site commissions” paid by service providers to correctional agencies.
  - GF revenue from commissions is reduced by \$0.5 million in SB 29 (and \$2.6 million each year in SB 30)
  - Adds \$0.8 million for security equipment for the inmate telephone system, which would previously have been paid from commissions paid by the DOC telephone service provider (GTL).



# Department of Juvenile Justice

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- **Transformation.** Adds language directing DJJ to develop and implement a plan to reallocate savings from reducing the number of juveniles in state facilities to provide alternative placements and treatment -- to improve outcomes, including reducing recidivism.
  - Local placement options might include purchase of beds in local or regional secure detention homes, group homes, or independent living.
  - The language assumes closing the remaining two state facilities at Beaumont and Bon Air.
  - The capital budget includes bond authority (in the capital construction pool) to “construct two new juvenile correctional centers”.
    - DJJ has suggested these might be built on available land at Hanover Juvenile Correctional Center (which has been converted into a public safety training facility), and next to the Chesapeake Juvenile Detention Center.



# Department of Corrections

	FY 2017	FY 2018
Open Culpeper Correctional Center for Women (255 FTE)	\$17.0	\$22.3
Fill vacant correctional officer positions (36 FTE)	\$2.0	\$2.0
Mental health positions in district probation offices (11 FTE)	\$2.2	\$2.2
Jail re-entry programs – pilot sites (19 FTE)	\$1.6	\$1.6
Local & regional jail construction (cash/state share; + VPBA)	\$0.8	--
Medicaid expansion	(\$9.9)	(\$24.7)
Inmate medical costs	\$1.0	\$8.2
Electronic medical records (+ NGF from out-of-state beds)	\$0.6	\$0.8



# Dept. of Criminal Justice Services

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- **HB 599.** \$6.7 million GF each year for state aid to localities with police departments (consistent with increase in GF revenues).
  - The recommended total of \$179.1 million each year represents a 3.9 percent increase in FY 2017 above the FY 2016 appropriation.
- **Mental Health.** \$2.5 million GF each year for six pilot projects to improve mental health services in jails, or provide pre-incarceration crisis intervention services to divert the mentally ill from jail.
- **CASA.** \$438,121 GF each year to restore Court Appointed Special Advocates (CASA) to the FY 2008 funding level of \$1.6 million.
- **Criminal Justice Training Academies.** Continues the moratorium on establishing or funding new academies through June 30, 2018.



# Department of State Police

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- **Information Technology.** \$3.2 million GF the first year, \$1.1 million GF the second year, and four FTE to upgrade critical IT systems.
  - Also includes language in Central Appropriations to provide contingency funding of up to \$5.0 million GF for unanticipated costs.
- **Cyber-Crime.** \$1.4 million GF each year and 10 FTE to strengthen investigation of cyber-crime, plus an additional \$325,000 GF each year and four cyber-security analyst positions at the Fusion Center.
- **Driver and Firearms Training.** \$1.2 million GF and 9 FTE the first year and \$3.1 million GF and 18 FTE the second year for the new training facility at Blackstone (Fort Pickett).
  - Language authorizes State Police to charge a fee for other law enforcement agencies using the facility.



# Forensic Science, ABC

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- **Department of Forensic Science**
  - **PERK Kits.** \$0.9 million GF each year and six scientist positions to meet the expected increase in requests for Physical Evidence Recovery (PERK) Kits, along with an expected doubling of the workload.
  - **Toxicology.** \$0.4 million GF the first year and \$0.6 million GF the second year to fill six vacant toxicologist positions at the four regional labs to reduce turnaround time for certificates of analysis.
  - **Tracing Firearms.** \$0.6 million GF the first year and \$0.3 million GF the second year and two scientist positions to perform ballistics evaluations and trace firearms used in crime.
- **Department of Alcoholic Beverage Control**
  - **New ABC Stores.** \$1.3 million NGF and 55 positions each year, of which 30 positions will be dedicated to opening 14 new stores. The other 25 positions will address coverage gaps at the 353 existing stores.



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# Veterans and Defense Affairs



# Office of the Secretary

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- **Governor's Commission.** \$250,000 GF in SB 29, and \$600,000 GF each year in SB 30 to support recommendations of the Governor's Commission on Military Installations and Defense Activities.
- **Master Jet Base.** Amends language authorizing the Secretary to develop a grant application process for state assistance for acquiring property to reduce encroachment on the U.S. Navy Master Jet Base.
  - If the Grantee sells or leases the property, the Grantee shall return to the Commonwealth 50% of the sales or lease proceeds or 50% of the initial purchase price, whichever is less.
- **Auxiliary Landing Field.** Adds language in SB 29 increasing the amount of NGF revenue provided to a locality in which the U.S. Navy Master Jet Base auxiliary landing field is located, for the purpose of purchasing property or development rights to limit encroachment.
  - Dedicated special revenues in excess of \$2.1 million, up to an excess of \$2.5 million, may be provided as additional assistance.



# Department of Veterans Services

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- Includes increases of \$3.8 million GF (+27%) the first year and \$5.0 million GF (+35%) the second year, above the base budget.
  - ***Incentives to Hire Veterans.*** Amends language (in SB 29 and 30) adopted in 2015 creating a new incentive for employers to hire veterans, to require that the veteran must have been unemployed for at least one year.
  - ***VVFS Reorganization.*** Reorganizes the Virginia Veterans Family Services (VVFS), formerly the Virginia Wounded Warrior Program.
    - Provides \$0.7 million GF and 14 positions each year.
    - Currently, there are 45 full-time DVS staff, but 35 are actually local employees of 11 Community Services Boards (physically located in 19 CSBs).
      - Over three years, these 35 CSB jobs will become full-time state DVS employees.
    - Also provides funding for eight positions to open four new field services offices (Prince William County, Loudoun County, Williamsburg and the Pentagon).
      - Increases the number of field offices from 26 to 30.



# Veterans Care Centers

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- DVS operates two veterans care centers (Richmond and Salem).
  - Operating expenses paid from nongeneral funds. The U.S. Department of Veterans Affairs reimbursed the Commonwealth for 35% of the capital cost of the two existing facilities.
  - SB 30 adds \$11.2 million NGF each year and 35 positions to account for projected operating revenues at the new 40-bed addition at the Sitter-Barfoot Veterans Care Center in Richmond (opened in July 2015).
- Chapter 665 included \$66.7 million in VPBA bond authority to build two more centers -- in Hampton Roads and Northern Virginia.
  - **SB 30 includes \$29.3 million in VPBA bond supplements** to cover the current estimated total capital cost of these two projects.
  - It is not known when federal reimbursement for 65% of the total \$96 million capital cost of these two projects will become available.



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# Judicial Department



# Supreme Court

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- **SB 29, As Introduced**
  - ***Involuntary Mental Commitment Fund.*** Adds \$543,090 GF in FY 2016 for the increased cost of commitment hearings.
- **SB 30, As Introduced**
  - ***Involuntary Mental Commitment Fund.*** \$1.1 million GF each year.
  - ***Criminal Fund.*** \$1.8 million GF each year. These funds are distributed to the Circuit, General District, J&DR and Combined District Courts.
  - ***Mediators.*** \$310,000 GF each year for the Criminal Fund to reflect the cost of proposed changes in the way mediators are paid in cases that involve both adult and juvenile matters. Companion legislation will be introduced.



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# General Government



# Administration – SB 29

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- **Compensation Board**

- Removes language added by 2015 General Assembly regarding the collection of fines and fees by local Treasurers:
  - Although not specifically set out in language, the removal of this language may have a negative impact on deposits to the Literary Fund.
  - A companion amendment to HB/SB 30 removes the same language in FY 2017 and FY 2018
- \$11.3 million GF in FY 2016 for an increase in projected per diem payments to local and regional jails.
- \$2.0 million GF the first year and \$2.2 million GF the second year to support the state costs of recently completed jail expansion projects at the Central Virginia and Pamunkey Regional Jails.



# Administration – SB 30

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- **Compensation Board**

- \$3.6 million GF the first year and \$8.7 million GF the second year to fund a salary compression plan for sheriffs' offices and regional jails.
  - Would provide to sworn employees of sheriffs' offices and regional jails with three years or more of continuous service \$80 for each full year of service, for up to a maximum of 30 years. For non-sworn employees, the plan provides \$65 for each full year of service for those with three or more years of continuous service, for up to a maximum of 30 years.
- \$3.5 million GF each year to fund career development programs for all qualified constitutional officers.



# Administration

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## Department of General Services

- Transfers 4 FTEs and \$284,059 GF the first year and \$289,651 GF the second year for staff performing certain Executive Mansion operations from the Department of General Services to the Office of the Governor.
- Reduction in eVA Enhancement Costs, Usage Reduction and Systems Integration.
  - Proposes a reduction of \$1.9 million NGF each year to reflect removal of one-time costs of eVA procurement system enhancements completed in 2016.
  - Proposes a reduction of \$435,168 NGF the first year and \$546,558 NGF the second year to reflect lower utilization of the eVA procurement system.
  - Proposes that the department reserve \$2.0 million of existing eVA special fund balances for the costs of integration between eVA and Cardinal.

## Department of Human Resource Management

- Adds \$137,124 GF and 1.0 FTE each year to provide ongoing PMIS support following transition to new server platform.
- Proposes increased funding of \$1.0 million GF the first year and \$659,577 GF the second year, offset by decreases of \$371,367 NGF each year, and 1.0 FTE to support training and one-time software upgrades for the Commonwealth of Virginia Knowledge Center.



# Administration

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## Department of Elections

- Adds a total of \$445,129 GF in the first year for anticipated costs associated with the 2016 presidential election, including:

	FY 2017
Print Voter Registration and Absentee Ballot Applications	\$ 43,687
Voter Registration Outreach Program	196,000
Additional Support for State Mail Services	36,400
Call Center Support	169,042
<b>Total</b>	<b>\$ 445,129</b>



# Finance

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- ***SB 29: Debt Management Savings.*** Reduces debt service by a projected \$8.7 million GF, primarily from assumed savings on Virginia Public Building Authority (VPBA) refunding.
- ***SB 30: Debt Service.*** Increases the GF amounts required for debt service on outstanding obligations and issuances of currently authorized bond projects by:
  - \$51.2 million GF in FY 2017, and \$56.6 GF million in FY 2018
  - In addition, \$25.9 million GF is included in FY 2018 for new bond authorizations issued in the first year.
- ***Rainy Day Fund.*** Provides a \$605.5 million deposit to the Revenue Stabilization Fund for FY 2017, based on actual tax revenues collected in FY 2015.
  - Following an estimated withdrawal in FY 2016 of \$235.0 million, the forecasted ending balance for FY 2016 will be \$237.4 million.
  - The projected FY 2017 revenue stabilization fund balance is \$845.3 million



# Finance

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- **Dept. of Planning and Budget.** Provides \$554,045 GF and 2.0 FTE in each year to establish a centralized grants office to increase the number of grants received by Virginia state and local government agencies, businesses, universities, and nonprofit organizations.
- **Dept. of Accounts.** Provides up to a \$25.0 million working capital advance to the department to pay the initial costs of the replacement of the Commonwealth Integrated Payroll/Personnel System (CIPPS).
  - Up to \$10.0 million of the total amount may be used for any unforeseen costs associated with the roll-out of the Cardinal statewide financial management system.
  - Includes \$1.9 million NGF in FY 2017 and \$2.9 million NGF in FY 2018 to reflect the first full year that all state agencies will use the Cardinal financial system. Revenues are supported by user charges assessed to participating state agencies.



# Finance

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- **Department of Taxation**

- Provides \$828,868 GF in FY 2017 and \$945,018 GF in FY 2018 to fill 14 vacant positions to address identity theft and refund fraud.
  - Identifies general fund resources of \$3.3 million GF in FY 2017 and \$5.2 million in FY 2018 as a result of enhanced fraud/ID theft mitigation efforts.
- Adds \$2.5 million GF in FY 2017 to support the collection of data through dual reporting for a Market Based Sourcing Initiative. Requires every corporation with activity that is taxable both within and without the Commonwealth that is equal to or in excess of \$50 million to report its sales factor calculation using market based sourcing.
  - The required information would be reported to the department of taxation on or before June 1, 2016, with no extensions permitted.



# Finance

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- **Initiatives on Cyber Security, Taxpayer Protections and Sales & Use Tax Compliance**
  - Adds \$400,000 GF the first year, and \$150,400 GF the second year to procure IT security software.
  - Adds \$296,660 GF the first year, and \$288,792 the second year for 2 FTE to support compliance with software security update protocols.
  - Provides \$377,000 GF in the first year, and \$419,000 GF in the second year to implement a front-end taxpayer authentication program.
  - Adds \$285,362 GF in year one, and \$273,167 GF in year two for 3 FTEs to support sales tax collections through enhanced tobacco compliance efforts.
    - Identifies additional General Fund resources of \$350,000 the first year, and \$1.5 million the second year through enhanced compliance efforts.



# Finance

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- **Department of Treasury**

- \$1.1 million GF in FY 2017 to provide compensation to Michael Kenneth McAlister for wrongful incarceration.
- Adds language authorizing the Department of the Treasury to initiate data breach coverage under the Property Plan for state agencies on a pilot basis beginning in FY 2017.
  - In the event of a data breach, Treasury would assist agencies in meeting certain required expenses, up to a cap, to include forensic analysis, credit monitoring, and call centers to provide information for victims.

- **Council on Virginia's Future**

- \$708,000 GF in both years, as well as 7.0 new FTEs for the Council on Virginia's Future.



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# Compensation & Central Accounts



# Employee Compensation Actions

- Proposes a reserve account of \$76.2 million GF in the second year to provide a 2 percent compensation adjustment to state and state-supported local employees.
  - Funding of \$83.3 million in the second year for a 2 percent increase for teachers is provided under Direct Aid.

Employee Group	GF	NGF
Judges	\$1.8	\$0.0
State Troopers	2.4	0.4
Other Law Enforcement	7.5	0.7
Appointed Officials	0.2	0.1
Higher Education Faculty	17.0	25.4
Higher Education Appointed Officials	0.0	0.1
Other State Employees	31.6	49.1
<b>- State Employee Sub-Total</b>	<b>60.6</b>	<b>75.8</b>
State Supported Locals	15.6	0.0
<b>- Total State Employees (excl. Teachers)</b>	<b>76.2</b>	<b>75.8</b>
Teachers	83.3	0.0
<b>- FY 2018 Total</b>	<b>\$159.5</b>	<b>\$75.8</b>



# Employee Health Insurance Actions

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- **Compensation Supplements – Healthcare**
  - Includes a net increase of \$45.6 million GF in FY 2017 and \$91.7 million GF in FY 2018 to fund the employers' share of the increase in health insurance premiums for the State employee Health Insurance Program.
    - The proposed funding is based on an assumed 9.6 percent rate increase in FY 2017 and an 8.7 percent increase in FY 2018.
  - Includes \$5.9 million GF the first year only to fund the portion of the FY 2017 health insurance increase that is normally applied as the employee share.
    - Under the introduced budget, employees will not receive a salary increase until FY 2018, at which point the employee share for the health insurance program will be adjusted to reflect the premium increases for both FY 2017 and FY 2018.



# Medicaid Expansion Savings Allocation

- Allocates \$28.1 million GF the first year and \$23.1 million GF the second year from savings assumed from proposed Medicaid expansion to several initiatives as shown in the table below.

	FY 2017	FY 2018	Total
GoVa Grants - Per Capita	\$0.0	\$6.2	\$6.2
GoVa Grants – Competitive Grants	0.0	6.7	6.7
Comm. Center for Adv. Manufacturing	2.0	2.0	4.0
Establish Global Genomics & Bioinformation	16.0	0.0	16.0
Massey Cancer Center	5.5	3.0	8.5
Jamestown-Yorktown 2019 Commemoration	1.5	1.5	3.0
DSS to Extend Unisys Mainframe for 1 year	3.0	3.7	6.7
<b>Total</b>	<b>\$ 28.1</b>	<b>\$ 23.1</b>	<b>\$51.1</b>

- Also included is appropriation of \$32.1 million NGF the first year and \$162.8 million NGF the second year from the Virginia Health Care Fund.



# Other Central Appropriations Actions

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- Provides \$2.0 million GF in FY 2017 for the planning, design, and construction of the Pavilion at Lumpkin's Jail, improvements to the Richmond Slave Trail, and planning and design of a slavery museum.
- Proposes \$500,000 GF each year for economic contingencies.
  - Appropriations are currently proposed with no budgeted use identified.



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# Technology



# Major Technology Initiatives

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- Cyber Security initiatives:
  - \$1.5 million GF to support the development of an Information Sharing and Analysis Organization (ISAO) at the Center for Innovative Technology to facilitate the sharing of cyber-threat information between public and private sector organizations.
  - \$5.3 million in the first year (all funds) and \$12.1 million (all funds) in the second year for internal cyber security improvements, including:
    - Creation of a IT Shared Cyber Security center to ensure compliance with IT security audit standards, IT security officer, and vulnerability detection across all agencies.
    - Increase IT Security Architecture capacity, and
    - Providing \$0.2 million NGF in each year to support a web-based one-stop for cyber security related jobs, degrees, and certifications across the Commonwealth.
- Infrastructure and Business Process initiatives:
  - Proposed actions to initiate disentanglement of IT Partnership services.
    - \$4.5 million NGF and 17.0 FTE for anticipated transition costs and staffing needs;
    - An increase in the agency line of credit from \$40 million to \$60 million, and
    - \$0.3 million GF in the first year for the evaluation of cloud-based technology services.
  - Proposed actions to improve agency business functionality.
    - \$0.9 million NGF in the first year and \$0.6 million NGF in the second year for consolidating website management across multiple small agencies,
    - Providing \$1.3 million NGF in the first year for increasing internet bandwidth capacity in the Capitol Square complex, and
    - Conversion of seven contract positions to full-time classified positions.



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# Transportation



# Major Transportation Initiatives

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- **Department of Aviation.** A total of \$50.0 million NGF for the Metropolitan Washington Airports Authority to reduce the enplanement cost charged to commercial carriers at Dulles International Airport.
  - Funding would come from the excess revenues of the Priority Transportation Fund, the revenue stream statutorily dedicated to debt service on transportation capital improvements.
  - MWAA would be responsible for developing a plan to reduce the charges.
- **Port of Virginia.** \$350.0 million in bond proceeds for capital improvements and automation of Norfolk International Terminal.
  - Additional funding of \$10.0 million NGF is included for increased rent at the Virginia International Gateway as part of the 50-year lease-purchase agreement.
  - Direct funding of \$2.0 million GF in each year for the Port of Virginia Economic Development Zone Grant Program to supplant funding currently authorized from the Commonwealth Opportunity Fund.



# Other Transportation Initiatives

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- **Virginia Department of Transportation**
  - Increasing authorized staffing levels by 315.0 FTE.
  - Releasing \$23.1 million NGF in TPOF balances for military projects.
  - Rest area improvements totaling \$20.0 million NGF.
- **Department of Motor Vehicles**
  - Extension of online transaction discounts to other DMV accounts.
  - Consolidation of E-Zpass program and account management.
- **Department of Rail and Public Transportation**
  - Increasing authorized staffing levels by 7.0 FTE.
  - Additional Rail Enhancement funding for shortline railway capacity improvements
  - Language to allow up to 20 percent of the REF to be used for railway preservation.



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# Commerce and Trade



# Economic Development Incentive Payments

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- Proposes \$99.1 million GF and \$150,000 NGF in FY 2017, and \$92.2 million GF and \$950,000 NGF in FY 2018 for economic development programs.
- Major new spending items include:
  - \$60.0 million to fund a new initiative to develop biotechnology spinoff companies.
  - An additional \$12.5 million for the Virginia Biosciences Health Research Corporation, for total funding of \$17.5 million in the 2016-18 biennium.
  - \$5.0 million for the Pulp, Paper, and Fertilizer Advanced Manufacturing Performance Grant (Shandong Tranlin Paper Company).
  - \$2.0 million to the Virginia Economic Development Partnership for additional domestic and international marketing and trade missions.
    - This is in addition to a proposed increase of \$18.3 million in the VEDP operating budget.



# Economic Development Incentive Payments

Economic Development Incentive Payments (\$ in millions)	General Fund		
	FY 2017	FY 2018	Total
Commonwealth Opportunity Fund	\$20.8	\$20.8	\$41.5
Virginia Investment Partnership (VIP)	3.7	5.3	9.0
Major Eligible Employer Grant (MEE)	1.8	1.8	3.6
Motion Picture Opportunity Fund	3.0	3.0	6.0
Rolls-Royce	8.9	3.7	12.6
Virginia Economic Development Incentive Grant (VEDIG)	4.2	4.4	8.6
Advanced Shipbuilding Training Facility Fund	7.2	0.0	7.2
Pulp, Paper and Fertilizer Advanced Manufacturing Grant	2.0	3.0	5.0
Commonwealth Research Commercialization Fund	2.8	2.8	5.6
Life Sciences Research Consortium	7.5	10.0	17.5
Virginia-Israel Advisory Board	0.2	0.2	0.4
Virginia Jobs Investment Program (VJIP)	5.7	5.7	11.3
Tourism Grant	0.5	0.5	1.0
VEDP Trade Missions	1.0	1.0	2.0
Biotech Company Spinoff Incentive	<u>30.0</u>	<u>30.0</u>	<u>60.0</u>
<b>Total</b>	<b>\$99.1</b>	<b>\$92.2</b>	<b>\$191.3</b>



# Housing and Community Development

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- An additional \$6.0 million GF in each year for the Housing Trust Fund, bringing the total appropriation to \$20.0 million GF for the biennium.
- \$25.9 million GF for deposit into the Virginia Growth and Opportunity Fund to establish and support Go Virginia, a new initiative to foster job growth.
  - Additional proposed funding of \$12.9 million GF is allocated to the Virginia Growth and Opportunity Fund from Central Appropriations.
- \$5.0 million GF in each year to establish a food retailer financing program to address “food deserts.”
- \$2.8 million GF in each year to establish the Virginia Telecommunications Initiative with the purpose of enhancing broadband infrastructure in the Commonwealth.



# Labor and Industry

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- \$940,000 GF each year to reflect the transfer of apprenticeship-related instruction from the Virginia Community College System.
  - Consolidating administration of the registered apprenticeship program under a single agency results in savings of \$400,000.
  - Executive Order 49, issued October 6, 2015, recognizes this savings and directs DOLI to initiate a program to provide fiscal incentives to private sector employers and state agencies in order to expand enrollment in the program.
- \$440,173 GF in each year to fill vacant positions in the agency's Labor and Employment Division and its Virginia Occupational Safety and Health Program.



# Mines, Minerals and Energy

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- The Biofuels Production Fund is moved from Economic Development Incentive Payments. Language expands grant eligibility.
- \$1.0 million GF in each year to incentivize the installation of solar panels by utilities and other third party developers.
- Other spending:
  - \$215,000 GF and two positions in each year to develop and expand energy efficiency and renewable energy activities within the agency.
  - \$200,000 GF and \$200,000 NGF in each year to match an available federal grant which will enable the agency to hire additional mining inspectors.
  - \$375,000 GF and one position in each year to expand the use of performance contracting. Includes funding to develop systems to analyze and track potential energy efficiency upgrades.
  - \$201,873 GF in each year to retain geologists currently supported by an expiring federal grant.



# Economic Development Partnership

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- An additional \$466,000 GF in each year to expand and rebrand the Virginia Jobs Investment Program (VJIP).
- An additional \$8.7 million GF in each year of the biennium for economic development and international trade programs. VEDP intends to allocate new funding as follows:
  - \$1.4 million GF in each year to expand international marketing efforts. Includes funding for a new office in South Korea and Canada, an additional office in China, and additional representation in Europe.
  - \$3.7 million GF in each year to expand international trade and export programs, including funding for the VITAL and STEP programs, the Going Global Defense Initiative, and the VALET program
  - \$3.6 million GF in each year for domestic business attraction and expansion.
- An additional \$2.0 million in Economic Development Incentives to support additional trade missions.



# Virginia Tourism Authority

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- \$2.0 million GF in each year to expand market research capabilities, advertising, and tourism marketing.
- \$450,000 GF in the first year for the final payment of a multi-year agreement for an Asian market tourism promotion campaign designed to promote travel from China to Virginia.
- \$600,000 GF in each year in additional funding for the Governor's Motion Picture Opportunity Fund (in EDIP).



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# Agriculture and Forestry



# Major Agriculture and Forestry Initiatives

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- **Department of Agriculture and Consumer Services**

- Increases funding for the Agriculture and Forest Industries Development Fund (AFID) by \$1.0 million GF in each year, doubling the size of the grant program.
- Additional funding of 0.2 million GF and 2.0 FTE to increase marketing efforts.
- Proposed policy changes include removing the cap on individual awards as well as the set-aside for local agribusiness economic development programs.

- **Department of Forestry**

- Increases funding for the Reforestation of Timberlands (RT) program by \$0.9 million GF in the first year and \$0.8 million GF in the second year.
  - Would fully fund state's matching share of the RT program in the second year.
- \$1.0 million GF in the first year and \$1.9 million GF the second year for debt service payments on approximately \$25.9 million in forest firefighting equipment through the Master Equipment Lease Program.



# Other Agriculture and Forestry Initiatives

	FY 17	FY 18
Farmland Preservation	\$250,000	\$250,000
Virginia Grown / Organic Specialist	\$243,696	\$230,696
IT Applications	\$907,788	\$907,788
Animal Health Lab Certification	\$250,138	\$224,098
Agricultural Marketing	\$300,000	\$300,000
Meat Inspection	\$104,255	\$103,655
Wine Promotion Fund	\$77,729	\$77,729

- Proposed consolidation of federal food-aid programs within VDACS.
  - Would authorize the transfer of an unspecified number of staff as well as approximately \$350 million NGF
  - Programs currently administered by the Departments of Health (VDH) and Education (DOE), including:
    - Summer Food Services Program
    - Child and Adult Care Feeding Program
    - Fresh Fruit and Vegetable Program
    - National School Lunch Program
    - School Breakfast Program
    - Special Milk Program



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# Natural Resources



# Water Quality Improvement Programs

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- The statutory deposit to the Water Quality Improvement Fund totals \$61.7 million GF the first year for allocation to nonpoint source programs:
  - \$8.2 million for the WQIF Reserve Fund – amounts expended for FY15
  - \$51.8 million for the Natural Resources Commitment Fund
    - \$26.0 million for agricultural best management practices
    - \$19.6 million for previously approved projects;
  - \$6.2 million for Soil and Water Conservation Districts technical assistance programs;
  - \$0.8 million for Conservation Reserve Enhancement Program
  - \$0.5 million for Information systems improvements
  - \$250,000 for forestry practices and,
  - \$100,000 for golf course nutrient management.
- Also proposed in Capital Outlay is an additional \$59.0 million in bond proceeds to meet point source protection commitments for municipal wastewater treatment plants.



# Land Conservation Programs

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- Land Conservation investments total \$20.0 million GF annually:
  - Virginia Land Conservation Fund - \$16.0 million
  - Battlefields Preservation Fund - \$2.0 million
  - Farmland Preservation - \$2.0 million (Agriculture & Forestry)



# Virginia State Parks

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- \$0.4 million in the first year and \$0.8 million in the second year for operational improvements at various parks, including:
  - Opening Seven Bends State Recreation Area in FY 18,
  - Continuing the transition of Natural Bridge to a state park, and
  - WiFi connectivity at contact stations in approximately 20 parks.
- Included under Capital Outlay is approximately \$140.0 million in appropriations-backed bond proceeds for the construction and maintenance of multiple park facilities:
  - Build-out of Biscuit Run and Widewater State Parks,
  - Land acquisition for certain contiguous parcels,
  - Revenue generation projects statewide, and
  - Cabin and campground renovations statewide.



# Other Natural Resources Actions

- Restores general fund transfers to the Game Protection Fund of \$5.0 million in each year from sales taxes on hunting and fishing related equipment, and by \$2.7 million each year from increased watercraft sales taxes.
  - Reflects increased sales of sporting equipment in addition to restoration of retained funds.
- Restore dedicated recordation tax revenues the Natural Resources Commitment Fund to \$10.0 million NGF in each year for Ag BMP cost share.
  - Total funding for Ag BMP cost share is \$33.4 million (all funds).

	FY17	FY18
Natural Heritage	\$500,000	\$500,000
Dam Safety	\$546,080	\$546,080
Shoreline Erosion	\$150,000	\$150,000
Lab Testing Fees	\$442,000	\$442,000
Easement Coordinator	\$94,311	\$94,311
Fisheries Management	\$318,000	\$262,000



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# Capital Outlay



# Capital Outlay Funding

Fund Type (\$ in millions)	SB 29	SB 30
General Fund Cash	\$1.5	\$151.3
VPBA/VCBA Tax-Supported Bonds		\$2,261.1
9(c) Revenue Bonds		\$14.4
9(d) Revenue Bonds		\$211.2
Nongeneral Fund Cash		<u>\$281.1</u>
<b>Total</b>	<b>\$1.5</b>	<b>\$2,919.1</b>

- \$1.6 billion in tax-supported debt for the construction, renovation, or improvements of 73 facilities across state government.
- \$129.4 million GF over the biennium and \$60.0 million in VPBA/VCBA bonds in FY 2017 for Central Maintenance Reserve.
- \$13.0 million the first year in VPBA/VCBA bonds for furnishings and equipment for capital projects nearing completion.
- \$20.0 million GF for planning 23 additional projects and supplementing the existing planning pool.



# Other Capital Outlay Actions

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- \$59.0 million in VPBA bonds over the biennium for the Stormwater Local Assistance Fund.
- \$350.0 million in VPBA bonds to expand the facilities operated by the Virginia Port Authority.
- \$100.0 million in VCBA bonds for lab enhancements and research equipment under the Higher Education Research Initiative.
- \$37.0 million in VCBA/VPBA bonds to supplement two previous capital outlay project pools.
- Savings of \$18.3 million from previous VPBA bonds related to 17 projects at the Department of Corrections and the Department of Juvenile Justice.
- In SB 29: \$1.5 million GF for maintenance of the Carillon in Richmond.

