

SENATE OF VIRGINIA

Senate Finance Committee

Overview of SB 900 **Governor's Proposed Amendments** **to** **Ch. 780, 2016-18 Budget**

January 17, 2017



Highlights of Governor's Budget

- **Uses Chapter 780, enacted in April 2016, as the starting point.**
- **Resources: Net GF reduction of \$303.6 million.**
 - Reflects a downward adjustment of \$1.2 billion in GF revenues, based on August interim revised forecast.
 - Adds \$233.0 million GF per GACRE & collections through November.
 - Adds \$144.5 million of GF revenue from technical and tax policy actions, including \$58.2 million from Tax Amnesty.
 - Assumes withdrawals from the Rainy Day Fund of \$567.2 million.
- **Spending: Net GF reduction of \$298.5 million.**
 - \$359.0 million of **new** spending to address high priority, mandated items (Medicaid, CSA, inmate medical costs).
 - Discretionary spending of about \$130.0 million for bonus for teachers, state employees & state-supported locals; compression pay; & career development for constitutional officers.
 - Funding of \$31.7 million to address the state's mental health system.



Recap of 2016:

Key Dates in the Revenue/Budget Shortfall

- **December 2015:** Governor McAuliffe's biennial budget included \$3.4 billion in additional resources above the base budget sufficient to cover mandated, high-priority budget items.
 - Additional resources available for employee compensation, new investments in education, research, and economic development.
- **February 2016:** Downward adjustment to sales and corporate income tax, offset by positive adjustments to refunds, recordation and insurance for FY 2016, FY 2017, and FY 2018.
- **May/June 2016:** Based on collections through April, agencies directed to slow spending. In June, Governor indicated intention to reforecast revenues based on May year-to-date collections.
- **July 2016:** FY 2016 GF collections fell short by \$279.3 million, officially triggering the revenue reforecasting process.
 - GF revenues fell short \$268.9 million, driven mainly by withholding and sales tax; transfers off by \$10.4 million.
 - **GF revenues grew 1.7%, instead of the forecast rate of 3.2%.**



Calculating the Revenue Shortfall

(\$ in millions)	FY 2016 Ch. 732	FY 2017 Ch. 780	FY 2018 Ch. 780
Official Revenue Forecast	\$18,309.0	\$18,902.4	\$19,633.1
Actual / Interim Forecast	<u>18,040.1</u>	<u>18,338.0</u>	<u>19,000.4</u>
Revenue Variance	(\$268.9)	(\$564.4)	(\$632.7)
Transfers	<u>(10.4)</u>	<u>(17.7)</u>	<u>(21.6)</u>
Subtotal	(\$279.3)	(\$582.1)	(\$654.3)
* FY 2016 Balance Forward		<u>(\$279.3)</u>	<u>0.0</u>
Total		(\$861.4)	(\$654.3)
Total Shortfall			(\$1,515.7)
*FY 2017 budget assumed a balance forward from FY 2016 of \$265.3 million.			



Recap of 2016:

Key Dates in the Revenue/Budget Shortfall

- **August 2016:** Governor provides **interim revenue forecast** to the Joint Money Committees, based on the recommendations of the JABE and GACRE forecasting groups.
 - Growth rate lowered from 3.2% to 1.7% in FY 17; 3.9% to 3.6% in FY 18.
 - Biennial revenues lowered by **\$1.2 billion** from the official forecast; total problem of **\$1.5 billion**, when FY 16 shortfall included.
 - State agencies directed to develop budget reduction strategies.
- **October 2016:** Governor presented plan that identified about \$875 million in savings in FY 2017.
 - Included \$125.1 million from removing December pay actions & withdrawal from the Rainy Day Fund.
 - **K-12, aid to localities, higher education, and most “safety net” services were exempt.**
- **November/December 2016:** Based on Fall GACRE recommendations, combined with “money in the bank”, Governor’s budget includes about \$233.0 million in revenues above the interim revised forecast.



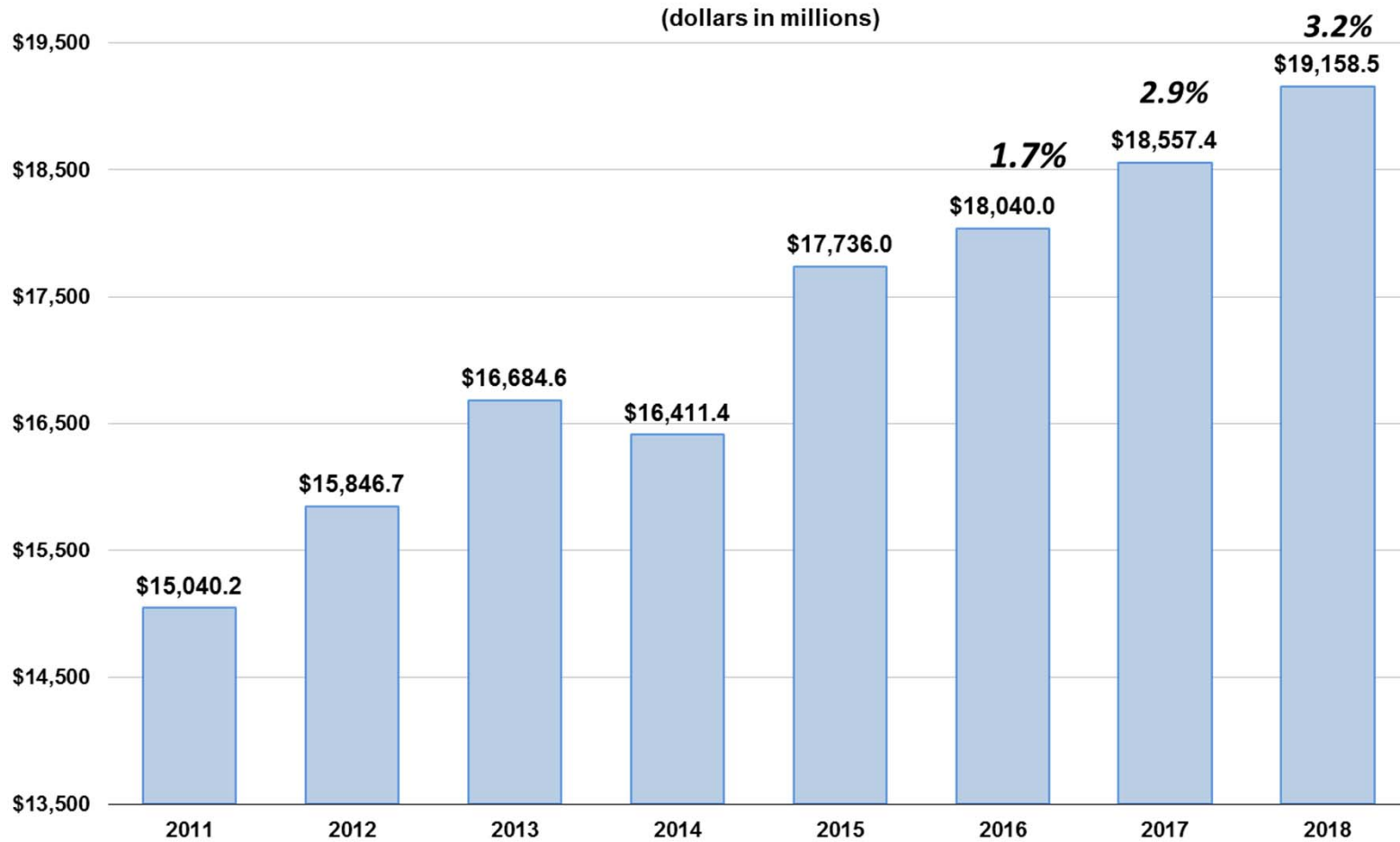
SB 900: GF Resource Changes

	(GF, \$ in millions)		
	<u>Chapter 780</u>	<u>SB 900</u>	<u>Change</u>
Unrestricted Balance	\$265.3	\$623.4	\$358.1
Additions to Balance	680.4	236.4	<u>(444.0)</u>
Net Balance Reduction			(\$85.9)
Revenue Estimate	\$38,535.5		
August Interim Forecast		(\$1,197.1)	(\$1,197.1)
Nov. GACRE Adjustment		233.0	233.0
Technical & Tax Policy Adj.		<u>144.5</u>	<u>144.5</u>
SB 900 Revenues		\$37,715.9	(\$819.6)
Revenue Stabilization Fund	\$0.0	\$567.2	\$567.2
Transfers	\$1,174.6	\$1,209.3	\$34.7
Net Change to GF Resources			(\$303.6)



Slow, but Steady, Revenue Growth Projected

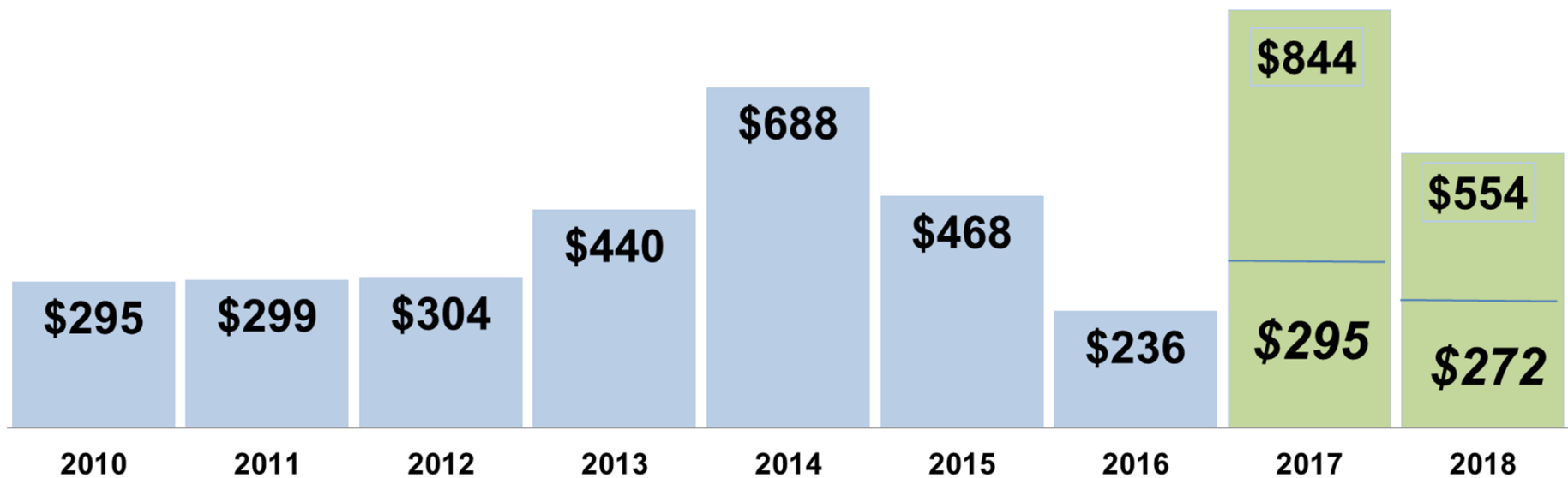
Va. General Fund Revenue Collections



Rainy Day Fund covers about \$567 million of two-year shortfall

Rainy Day Fund Balance
(\$ in millions)

- Deposit of \$605.6 million required in FY 2017.
- Withdrawal of \$295 million to help close FY 2017 gap, and \$272 million in FY 2018.



Major Tax Policy Changes Assumed in SB 900 GF Revenue Forecast

- **Tax Amnesty Program:** Qualifying delinquent tax payments made during the amnesty period would be exempt from penalties and half of the interest otherwise due. Qualifying participants who do not take part in the program would be subject to an additional 20 percent penalty (anticipated to generate \$58.2 million GF in FY 2018).
- **Defer phase-out of Accelerated Sales Tax:** Retains the threshold of \$2.5 million in annual taxable sales in FY 2017 and increases to \$4 million in FY 2018 rather than increasing to \$10 million and \$25 million as assumed in Chapter 780 (retains \$35.1 million in FY 2017 and \$12.8 million in FY 2018).
- **Tighten sales tax nexus on internet sales:** Requires out-of-state sellers who use Virginia warehouses owned or operated by a third party to register as dealers for the collection of retail sales and use tax (additional \$11.1 million in FY 2018).
- **Limit Historic Rehab Tax Credit to \$5 million per return:** Prohibits claiming more than \$5.0 million in Historic Rehabilitation Tax Credits for a single taxable year. Currently, claims are limited only by tax liability (additional \$9.9 million in FY 2018).
- **\$20,000 limit on Land Preservation Tax Credit:** The current limit on the amount that may be claimed per tax return of \$20,000 for a single filer and \$40,000 for joint filers is retained for tax year 2017, rather than increasing to \$50,000 as assumed in Chapter 780 (additional \$6.1 million in FY 2018).



Proposed Policy Changes Assumed in SB 900 GF Revenue Forecast

Policy Adjustment/Legislation (\$ in millions)	General Fund		
	FY 2017	FY 2018	Total
Tax Amnesty Program	\$0.0	\$58.2	\$58.2
Defer phase-out of Accelerated Sales Tax	35.1	12.8	47.9
Tighten sales tax nexus on internet sales	0.0	11.1	11.1
Limit Historic Rehab tax credit to \$5 million per return	0.0	9.9	9.9
\$20,000 limit on Land Preservation Tax Credit	0.0	6.1	6.1
Prevent double dipping of tax credits and deductions	0.0	2.0	2.0
Increase transfer fee on Land Preservation Credit to 3%	0.0	1.0	1.0
Payroll system breach notification (fraud prevention)	0.0	0.8	0.8
Increase in VOSH civil penalties	0.0	0.7	0.7
Dam safety clawbacks	0.5	0.0	0.5
License fee for adult services – DBHDS	0.1	0.2	0.3
Allow Telework Tax Credit to sunset	<u>0.0</u>	<u>0.1</u>	<u>0.1</u>
Subtotal, Policy Changes	\$35.7	\$102.9	\$138.6



Proposed Technical Changes Assumed in SB 900 GF Revenue Forecast

Technical Adjustment (\$ in millions)	General Fund		
	FY 2017	FY 2018	Total
Consumer Use Tax compliance	\$0.0	\$2.0	\$2.0
Charge card rebate	1.9	1.9	3.8
Fees for offers in compromise, rulings, and status changes	<u>0.0</u>	<u>0.1</u>	<u>0.1</u>
Subtotal, Technical Adjustments	<u>\$1.9</u>	<u>\$4.0</u>	<u>\$5.9</u>
Policy Adjustments	<u>\$35.7</u>	<u>\$102.9</u>	<u>\$138.6</u>
Total, Technical and Policy Adjustments	\$37.6	\$106.9	\$144.5



Major Proposed Spending

Spending Item	FY 2016-18 GF, \$ in millions
Medicaid Forecast	\$255.1
1.5% Bonus (teachers, state/ss local, faculty)	111.5
Children's Services Act – Caseload Growth	85.7
Mental Health Initiative	31.7
Other Compensation (DSP, compression, career dev)	19.1
Corrections – Inmate Medical Costs	18.5
DSS: VITA Funding for System Transition	8.6
DMAS: Personal Attendant Overtime Costs	8.5
Establish Va. International Trade Corporation	7.2
DMAS: Children's Health Insurance Forecast/Inflation	6.6
Advanced Shipbuilding Production Facility Grant Fund	6.0
State Police: Separation from VITA for Technology	5.9



Major Budget Reduction Strategies

Reduction Strategy	FY 2016-18 GF, \$ in millions
Remove Dec. 2016 Pay Increases	\$346.3
Across-the-Board Agency Savings	99.4
Higher Education 5% Reduction in Year 2	76.1
Additional Lottery Proceeds for K-12	52.3
Supplant K-12 GF with Literary Fund	50.0
Medicaid Offset from Health Care Fund	43.9
Recover HE NGF Share of VRS Savings	40.4
K-12 Update Net Sales Tax	38.1
K-12 Student Enrollment Projections	34.6
Delay Opening of Culpeper Correctional Ctr.	21.7
Reduce GO Virginia Funding	15.0
Adjust Debt Service	13.8



SB 900: Proposed Amended 2016-18 GF Budget

(GF, \$ in millions)			
	<u>FY 2017</u>	<u>FY 2018</u>	<u>2016-18</u>
GF Resources, Ch. 780	\$20,426.4	\$20,229.4	\$40,655.8
Net Resource Adjustments	<u>(242.6)</u>	<u>(61.0)</u>	<u>(303.6)</u>
Available Resources	\$20,183.8	\$20,168.4	\$40,352.2
GF Appropriations, Ch. 780	\$20,349.5	\$20,285.0	\$40,634.6
Net Spending Adjustments	<u>(248.6)</u>	<u>(49.9)</u>	<u>(298.5)</u>
Total Appropriations	\$20,100.9	\$20,235.1	\$40,336.1
Unappropriated Balance	\$82.9	(\$66.8)	\$16.1



Overview of Health and Human Resources

	FY 2017 GF	FY 2017 NGF	FY 2018 GF	FY 2018 NGF
Chapter 780	\$6,053.2	\$8,160.4	\$6,185.8	\$8,246.2
Proposed Increases	136.4	200.6	303.1	275.1
Proposed Decreases	(53.9)	(41.5)	(46.7)	(112.7)
Net Change	<u>82.5</u>	<u>159.1</u>	<u>256.4</u>	<u>162.4</u>
SB 900, as Introduced	\$6,135.7	\$8,319.5	\$6,442.2	\$8,408.6
Percent Change	1.4%	1.9%	4.1%	2.0%

- Mandatory spending totals \$355.2 million GF.
- Discretionary spending totals \$57 million GF.
 - Includes \$27.5 million for the Governor's behavioral health package, which represents 48 percent of HHR discretionary spending.
- Proposed budget includes \$73.3 million GF in savings.
 - Only \$29.4 million are budget reductions; remainder reflects increased revenue in the Health Care Fund.



HHR Major Policy and Funding Items

- Medicaid Expansion Language
 - Proposes language allowing the Governor to expand Medicaid if an enhanced federal match is available for an expansion population as of October 1, 2017.
 - Strikes language prohibiting an expansion of Medicaid unless otherwise approved by the General Assembly.
- Behavioral Health Funding - **\$27.5 million GF:**
 - **\$9.4 million** for opioid treatment, discharge assistance, detoxification, and community geropsychiatric services.
 - **\$8.2 million** to create same-day access at Community Services Boards.
 - **\$5.1 million** to contract for private psychiatric beds and additional staffing at state mental health hospitals.
 - **\$4.5 million** for evaluation and design of a transformed mental health system.
 - **\$280,000** to purchase Naloxone, and one position to coordinate the opioid treatment program.



Mandatory Spending

GF Increases for the 2016-18 Biennium (\$ in millions)

Medicaid utilization and inflation	\$255.1
Children's Services Act expenditure and caseload growth	85.7
Child Welfare Forecast and Mandated Reinvestments	7.2
Children's Health Insurance Programs	6.6
Medical costs of involuntary mental commitments	0.6
TOTAL, Mandatory Spending	\$355.2



Medicaid Forecast

- The proposed budget includes net funding of **\$255.1 million GF** for the 2016-18 budget to address the cost of health care services under Medicaid.
 - Projected growth is 7.4 percent in FY 2017 and 4.3 percent in FY 2018 (Ch. 780's forecast assumed 3.8 and 2.9 percent, respectively).
 - Enrollment growth in Medicaid was 2.6 percent in FY 2016.
 - Rates paid to Medicaid managed care organizations are expected to increase just over 5 percent in FY 2018.
- Proposed additional spending in Medicaid:
 - **\$8.5 million GF** by allowing 16 hours per week of overtime for consumer-directed personal care workers.
 - **\$5.5 million GF** to fully fund FY 2018 nursing facility inflation.
 - **\$1.3 million GF** for the Medicaid share to fund same-day access services at Community Services Boards.



Children's Services Act

- Includes **\$85.7 million GF** for the 2016-18 to address increasing caseload and cost increases in the Children's Services Act.
 - The primary factor driving growth in the program is private day placements that occur through the federally required Individualized Education Plans (IEP) for special education services.
 - Caseloads increased 4.3 percent in FY 2015 and declined slightly by 0.6 percent in FY 2016.
 - Despite the decrease in caseload in FY 2016, program expenditures increased by 6.0 percent, which was driven by an increase in cost per child of 6.6 percent.
 - The number of children in private day placements increased from 3,416 in FY 2015 to 3,585 in FY 2016.
 - The average cost of a private day placement was \$38,753 in FY 2016 as compared to the average annual cost of \$23,455 for all CSA services.
 - \$13.2 million GF of the proposed funding covers the shortfall in expenditures that occurred in FY 2016.



Discretionary Spending

GF Increases for the 2016-18 Biennium - (\$ in millions)	
Behavioral Health Funding Package	\$27.5
Fund VITA Costs for Department of Social Services	8.6
Provide Overtime to Personal Care Workers (Up to 16 Hours Weekly)	8.5
Fully Fund Nursing Home Inflation in FY 2018	5.5
Address Special Hospitalization Costs at State Mental Health Hospitals	3.2
Fund Foster Care Costs for Substance Exposed Infants	1.0
Fund Meningococcal Vaccine for Rising 6 th Graders	0.5
All other spending	2.2
TOTAL, Discretionary Spending	\$57.0



HHR Savings Strategies

GF Savings for the 2016-18 Biennium - (\$ in millions)	
Health Care Fund Revenue (Primarily Pharmacy Rebates)	(\$43.9)
Increase Restaurant Inspection Fee from \$40 to \$285	(4.3)
Supplant GF for Nonstate Agencies with TANF Funds	(2.5)
Capture Funding for Northern Virginia Training Center	(2.5)
Establish a Shellfish Sanitation Inspection Fee	(0.1)
All other savings	(20.0)
TOTAL, Savings	\$73.3

- Also proposes a new \$500 fee for applications to DBHDS for licensure related to adult services, which is projected to raise \$300,000 in general fund revenue.



Other Policy and Funding Items

- Reallocation of Medicaid Waiver Slots
 - Proposes to adjust the reallocation of the 440 waiver slots funded for FY 2018.
 - Intellectual Disability waiver slots will be reduced from 415 to 180 slots.
 - Developmental Disability waiver will be increased from 25 to 200.
 - Sixty slots will be added to the former Day Support waiver.
 - Proposed budget language would allow the Governor to approve additional slots if the projected spending from the reallocated slots is less than budgeted.
- Transfers the Summer Food Service and Child and Adult Care Food Programs, and associated federal funding of \$57.7 million, from the Virginia Department of Health to the Department of Education.
- Proposes **\$6.0 million** in Temporary Assistance to Needy Families (TANF) to expand access to Long Acting Reversible Contraceptives.



Summary of Proposed Actions in Direct Aid to Education

(GF, \$ in millions)	FY 2017	FY 2018	Total
Technical Updates & Forecast Changes	(\$162.4)	(\$165.1)	(\$327.5)
State's Share of 1.5% Bonus December 1, 2017; No Required Match	0.0	55.5	55.5
Increase Teacher Residency Program	0.0	1.0	1.0
New Summer Cyber Camps	0.0	0.5	0.5
Remove Math & Science Pilot Initiative	(0.4)	(0.4)	(0.8)
Defer New Teacher Improvement Prog.	<u>0.0</u>	<u>(2.0)</u>	<u>(2.0)</u>
TOTAL	(\$162.8)	(\$110.4)	(\$273.2)



Technical and Forecast Updates

(GF, \$ in millions)	FY 2017	FY 2018
Reverse 2.0% Dec. 1, 2016 Salary Increase	(\$49.3)	(\$86.0)
Supplant GF for Additional Lottery NGF Revenue Reforecast	(47.1)	(5.3)
Increase NGF Unclaimed Property Transfer to Literary Fund	(25.0)	(25.0)
Update Net Sales Tax Revenue Reforecast	(15.5)	(24.5)
Update Student Enrollment Projections	(14.7)	(19.9)
Update for Participation in Remedial Summer School and ESL	(2.8)	(3.5)
Update GF for Changes in Lottery-Funded Programs	(4.9)	(0.2)
Supplant GF with DMV Revenues for Driver Education	(1.5)	(1.6)
Update National Board Certification Levels	(0.9)	(0.8)
Update Categorical and Incentive Programs	(0.7)	(0.1)
Update Governor's School Courses and SW Va. Gov. School	(0.1)	(0.1)
Correct Data Submission Error	0.1	0.0
Update Net Sales Tax Distribution from School Aged-Pop.	<u>0.0</u>	<u>1.9</u>
Subtotal, Technical Updates and Forecast Changes	(\$162.4)	(\$165.1)



Other K-12 Proposed Actions

- **Transfer Dept. of Health Food Programs to VDOE.** Proposes moving administration of federal food programs (Summer Food Service Program and the Child and Adult Care Food Program) from the DOH to VDOE, transferring \$57.7 million NGF and 20.0 FTE the second year.
- **Special Education Personnel Traineeship.** Proposes increasing the grant awards to \$600 with a minimum of three semester hours.
- **Teach for America (TFA).** Proposes allowing unobligated balances in the TFA appropriation to be redirected to Teacher Residency.
- **Virginia School for the Deaf and Blind (VSDB)**
 - Proposed language in Capital Outlay requires VSDB to submit a formal plan to the Secretary of Education to address the school's declining enrollment and the current and future uses of Main Hall.
 - Transfers funds between programs.



Virginia Department of Education Savings

	FY 2017	FY 2018
Eliminate Four Positions and Change Funding Source for Two Positions	\$0	(\$649,164)
Principal and Teacher Training	(300,000)	(300,000)
IT Academy	(100,000)	(200,000)
Kindergarten Readiness Assessment	(100,000)	(100,000)
eMedia	(100,000)	(100,000)
Use Federal Funds for Dyslexia Training	(128,500)	0
School Performance Report Card	0	(150,000)
Teacher Evaluation Training	(34,625)	(34,625)



Virginia Department of Education Spending

- **Instructional Improvement System.** Proposes adding \$1.6 million in FY 2018 to increase funding for Instructional Improvement System to support statewide access to DOE's Instructional Improvement System at no cost to local school divisions.
- **Student Growth Model.** Proposes adding \$500,000 GF in FY 2018 for a second year of funding to continue a pilot program that provides personalized instructional and academic planning for students, facilitates data-driven school improvement efforts, and supports the state's accountability and accreditation systems.
- **Algebra Readiness Diagnostic Test.** Proposes adding \$400,000 GF in FY 2018 to fund increased contract costs of the Algebra Readiness Diagnostic Test (ARDT), which will allow the state to continue offering a required algebra diagnostic test at no cost to localities.



Other Education Agencies

- **5 Percent and 7.5 Percent Reductions.** Proposed amendments for Jamestown-Yorktown, Virginia Museum of Fine Arts, Virginia Commission for the Arts, and Frontier Culture reflect 5 percent reductions in FY 2017 and 7.5 percent reductions in FY 2018.
- **Reduce 2019 Commemorations.** Proposes an additional reduction of \$5.4 million GF for 2019 Commemorations. (Chapter 780 had added \$3.6 million in FY 2017 and \$7.0 million in FY 2018 to help plan, develop, and leverage partnerships for the 2019 Commemorations.)
- **Library of Virginia.** Proposed reduction to Library of Virginia for FY 2017 was reduced by about one-third from the amount announced in October when 15 layoffs (out of 25 statewide) were anticipated.
 - Aid to Public Libraries was exempted from the target calculation and was not reduced in either year.
- **Gunston Hall** was exempted from the reductions.



Overview of Higher Education

- Governor's proposed amendments for the 2016-2018 biennium include decreases of almost \$130.0 million GF (closer to \$140.0 million including Central Accounts).
 - Proposes a 5 percent GF reduction (excluding financial aid) at most institutions in FY 2018; a decrease of \$76.1 million GF in FY 2018.
 - Norfolk State and Virginia State Universities were exempt under the proposal as well as a few other small items.
 - Recommends a general fund recovery of an amount equal to the nongeneral fund portion of the prepayment made to the Virginia Retirement System (VRS) to reduce VRS rates per employee; a decrease of \$40.4 million GF over the biennium.



Overview of Higher Education

- Proposes 5% across-the-board reductions at higher education centers/other agencies (Eastern Virginia Medical School is exempt in FY 2017 and their financial aid and indigent care amounts are exempt in FY 2018), a decrease of \$2.6 million GF over the biennium.
- Recommends reductions at the State Council of Higher Education for Virginia (SCHEV) of 5% in the first year and 7.5% in the second year to all programs except the Virtual Library of Virginia (VIVA, 5% in each year); a decrease of \$1.5 million GF over the biennium.
- Proposes a reduction of \$10.0 million GF over the biennium to the higher education research initiative.
- Recommends a decrease of \$4.0 million GF in the first year under Central Accounts for higher education research partnerships with Inova.
- Proposes a reduction of \$8.0 million GF over the biennium under Central Accounts from restructuring incentives related to interest earnings and credit card rebates.



Other Actions and Spending

- Moves the \$24.1 million GF in financial aid funding under SCHEV in FY 2018 to the individual institutions using the same allocation as FY 2017.
- Virginia Community College System procurement language allows the Commonwealth to delegate authority to the System and then the System could delegate authority to the shared services center and other community colleges.
- New spending:
 - Proposes \$699,667 GF in FY 2018 for projected enrollment growth in the two-year college transfer grant.
 - Recommends \$1.0 million GF in FY 2017 for higher than anticipated demand for the New Economy Workforce Credential Grant.
 - Proposes \$900,000 GF in FY 2018 for a tuition differential backfill for out-of-state Virginia National Guard Members at Virginia Military Institute.
 - Recommends almost \$12.3 million GF for higher education faculty to receive the 1.5% bonus on December 1, 2017 (Central Accounts).



Capital Outlay Funding

SB 900 Proposed Amendments by Fund Type (\$ in millions)

General Fund Cash	\$ 0.0
VPBA/VBA Tax-Supported Bonds	270.8
9(c) Revenue Bonds	13.6
9(d) Revenue Bonds	121.3
Nongeneral Fund Cash	<u>25.0</u>
Total	\$430.7



Capital Outlay Detail

- Proposes \$270.8 million in VPBA/VCBA bonds over the biennium for:
 - \$104.8 million to acquire or construct a new warehouse and administrative building for the Department of Alcoholic Beverage Control;
 - \$94.7 million to supplant GF for previously authorized projects (language also authorizes the reversion of \$33.8 million from the planning pool and project balances);
 - \$37.9 million for two new projects and supplements for six previously approved projects;
 - \$19.6 million for furnishings and equipment for projects coming online in FY 2018;
 - \$7.0 million for infrastructure repairs at behavioral health state facilities;
 - \$3.0 million for blanket property acquisition for the Department of Military Affairs and another \$323,000 for the renovation of the Roanoke Field Maintenance Shop;
 - \$2.5 million for the exterior building envelope repairs at Main Street Centre under the Department of General Services; and
 - \$1.0 million for a maintenance reserve supplement for fire safety at the Department of Military Affairs.



Capital Outlay Detail

- Recommends \$159.9 million in nongeneral fund capital amendments.
 - \$134.9 million is funded through 9(c) and 9(d) NGF revenue bonds for eight higher education projects and
 - \$25.0 million is funded with nongeneral fund cash to support another six projects at multiple state agencies and higher education institutions.



Overview of General Government

Administration – Compensation Board

- Provides \$3.9 million GF the second year for career development programs for all qualified constitutional officers. Career development provides a salary incentive to elected constitutional officers and employees who pursue certification and accreditation programs.

	FY 2018
Sheriffs and Master Deputies	\$ 2,263,021
Commissioners of the Revenue and Deputies	240,731
Assistant Commonwealth's Attorneys	638,181
Circuit Court Clerks and Deputies	618,817
Treasurers and Deputy Treasurers	145,085
Total (GF)	\$ 3,905,835

- Restores \$8.7 million GF the second year to address salary compression within sheriffs' offices and regional jails. Sworn and non-sworn employees with three or more years of continuous service would receive \$80 / \$60, respectively, for each year of service, up to a maximum of 30 years.
- Funding for both initiatives was included in the approved budget (Chapter 780). The funding of \$3.9 million GF for career development represents an increase of \$443,995 GF to reflect the number currently eligible to participate.



General Government – Administration

Department of Elections

- Net of across-the-board and targeted reductions, proposed GF appropriation reflects an increase of \$4.0 million.

	FY 2018
Voter Registration and Absentee Ballot Application Printing Costs	\$ 50,000
Maintain Online Services for Overseas and Military Voters	570,000
Enhancements to Virginia Election and Registration System (VERIS), Improve Local Accessibility	1,217,869
Call Center for November 2017 Election	105,000
Continue Federal Help America Vote Act (HAVA) Activities	2,269,682
Total (GF)	\$ 4,212,551

Department of General Services

- Includes net reductions of \$1.0 million GF the first year and \$1.3 million GF the second year through across-the-board and targeted reductions, as well as supplanting GF with NGF.



General Government – Administration

Department of Human Resource Management

- Removes \$1.9 million GF the second year to establish the Personnel Management Information System and its subsystems as an internal service fund.
- Eliminates 3.0 FTEs through layoff, and \$379,289 NGF the second year. These positions currently administer obsolete software that is scheduled to be decommissioned. A separate amendment adds \$351,300 NGF and three technology related positions the second year to administer the PMIS system, funded through Internal Service Fund charges to participating agencies.
- Adds \$8.8 million NGF to reflect the transfer of administrative responsibility for Line of Duty Act (LODA) health benefits from the Department of Accounts Transfer Payments to the Department of Human Resource Management
 - A separate amendment provides \$192,905 NGF the second year and two positions to administer the health benefits coverage of LODA.



FY18 Employee Health Insurance Cost Absorbed by HIF

Department of Human Resource Management (cont'd)

- The state health insurance program premium rates were not increased for FY 2018, despite a projected total plan cost increase of about 10.5 percent.
- The total employer and employee share of the increase, which was approximately \$9.9 million GF, was absorbed by the Healthcare Insurance Fund (HIF).
- While the HIF currently has a sufficient balance (approximately \$180m) to absorb the premium increase, this may present a “structural balance” issue in subsequent years. This is because the cost increase was paid for using a one-time source, and not embedded in the premium.
- The following year’s premium increase will need to include not only the 10.5 percent increase from FY18, but also the projected increase for FY19.
 - The most recent estimate for FY19 projects an increase of 8.4 percent.



General Government – Finance

Department of Accounts

- Provides up to \$52.0 million working capital advance for replacement of the Commonwealth Integrated Payroll/Personnel System (CIPPS). Up to \$10.0 million may be used for unforeseen costs related to the roll-out of the Cardinal financial management system.

Department of Accounts Transfer Payments

- Transfers (reduces) \$9.5 million NGF the second year to the DHRM and VRS to reflect the transfer of administrative responsibility associated with the Line of Duty Act (LODA) program, pursuant to Chapter 677 (2016). There are corresponding amendments for DHRM and VRS that recognize those agencies' shares of the appropriations transfer.
- Authorizes withdrawal of funds from the Revenue Stabilization Fund (“Rainy Day Fund”) to deposit in the general fund. The withdrawal amounts are estimated at \$294.7 million in FY 2017 and \$272.5 million in FY 2018. For both years, the estimated amounts represent one-half of the anticipated budget shortfall.



General Government – Finance

Department of Planning and Budget

- Provides \$110,000 GF the second year to continue the Council's contracted services related to Virginia's Performance Reporting Scorecard. Pursuant to 2.2-2684, *Code of Virginia*, the Council will sunset on July 1, 2017.

Department of Taxation

- Reflects a reduction of \$2.5 million GF the first year and \$1.5 million GF the second year through across-the-board and targeted reductions, as well as shifting some GF to NGF.
- Language authorizes the use of revenue generated by the tax amnesty program for costs incurred. Authorizes a Treasury Loan of up to \$5.5 million for start-up costs to administer the program until it generates revenue.

Department of Accounts

- Provides up to \$52.0 million working capital advance for replacement of the Commonwealth Integrated Payroll/Personnel System (CIPPS). Up to \$10.0 million may be used for unforeseen costs related to the roll-out of the Cardinal financial management system.



General Government – Finance

Department of the Treasury and Treasury Board

- Within Treasury, there is a \$392,708 GF reduction over the biennium through targeted reductions, as well as shifting some GF to NGF.

	FY 2017	FY 2018
Provide Relief for Mr. Davey Reedy	\$ 976,873	\$ -
Shift GF Analyst Position to NGF	(49,285)	(126,365)
Allocates Administrative Support Costs to NGF		(20,572)
VPSA Cost Recovery		(32,546)
Reduce Appropriation for Banking Services		(205,397)
Check Printing Cost Reduction		(150,000)
Total (GF)	\$ 927,588	\$ (534,880)

- Reduction in debt service funding of \$12.8 million GF the first year and \$1.0 million GF the second year due to the refunding of general obligation bonds, Virginia Public Building Authority bonds, and Virginia College Building Authority bonds.



Central Accounts – Employee Compensation Actions

Removal of Chapter 780 Actions

- Recognizes savings of \$69.2 million GF the first year and \$121.1 million GF the second year to reflect the elimination of the salary actions approved in Chapter 780 of the 2016 Acts of Assembly, which were contingent upon FY 2016 revenues not being more than 1 percent below the revenues assumed in the budget for FY 2016.

Proposed Actions in SB 900, as introduced

- In total, \$111.5 million GF is proposed for a 1.5 percent bonus effective December 1, 2017, and \$19.1 million GF for targeted pay initiatives effective July 1, 2017.
 - \$42.2 million GF the second year for a 1.5 percent bonus for state employees.
 - \$13.8 million GF the second year for a 1.5 percent bonus for state-supported local employees.
 - \$4.0 million GF for the State Police to further address salary compression issues.
 - Amendments within the Compensation Board, Judicial Reversion Clearing Account, and the Department of Education reflect the removal and restoration of salary actions tied to the FY 2016 revenues.



Total Compensation Actions

Ch. 780 vs. SB 900 (as introduced) FY 2018 Compensation Actions

- Ch. 780 included funding for a 3 percent raise for state employees, and a 2 percent raise for state-supported local employees and teachers, totaling \$202.6 million GF the second year, and several targeted pay initiatives totaling \$18.7 million GF the second year.
- SB 900 includes a 1.5 percent bonus for all groups, effective December 1, 2017, totaling \$111.5 million GF, as well as \$19.1 million GF to restore the targeted pay initiatives. These actions total \$130.6 million GF in FY 2018.

	<u>FY 2018 GF Cost</u> <u>(Chapter 780)</u>	<u>FY 2018 GF Cost</u> <u>(SB900)</u>
	(in \$ millions)	(in \$ millions)
State Employees	\$ 70.5	\$ 29.9
Faculty	27.9	12.3
State -Supported Local Employees	18.7	13.8
Teachers	85.5	55.5
Total GF Cost (Base Adjustments)	\$ 202.6	\$ 111.5
State Police Salary Compression	\$ 4.0	\$ 4.0
District Court Clerks	2.5	2.5
Career Development	3.5	3.9
Sheriffs Salary Compression	8.7	8.7
Total GF Cost (Targeted)	\$ 18.7	\$ 19.1
Total GF Cost (all actions)	\$ 221.3	\$ 130.6



Other Actions in Central Accounts

Central Accounts

- Other GF funding changes identified within Central Accounts are indicated below:

	FY 2017	FY 2018	Total
Higher Education Interest/Credit Card Rebates	\$ (4.0)	\$ (4.0)	\$ (8.0)
Inauguration and Transition for Statewide Elected Officials	-	2.2	2.2
Funding Adjustments for Programs/Systems Through ISF	0.4	3.1	3.5
Research Funding Reductions (INOVA)	(4.0)	-	(4.0)
Government Internship and Management Training Program	-	1.2	1.2
Costs Related to FLSA Overtime Pay Regulatory Change	1.0	3.0	4.0
Funding for Potential Litigation	-	1.2	1.2
Total GF (in \$ millions)	\$ (6.6)	\$ 6.7	\$ 0.1



Independent Agencies

Virginia College Savings Plan – SOAR Program Increased Appropriation

- Adds \$1.0 million NGF the second year and increases authorization of up to \$2.0 million NGF for the program. Funding includes the increase in appropriation of \$1.0 million NGF, and the use of \$1.0 million NGF in existing appropriation. Language is included that requires the prepaid fund to have an actuarial value of at least 100 percent for the funds to be used for SOAR Virginia.

Virginia Retirement System - Reflect Transfer of Line of Duty Act Administration

- Adds \$63,556 NGF the first year and \$400,108 NGF the second year to fund the implementation and ongoing costs of assuming administrative responsibilities for the Line of Duty Act in accordance with Chapter 677 of the Acts of Assembly of 2016.



Captures NGF Share of FY 2016 Lump Sum Completion of 10-Year Payback to VRS

- Chapter 732 (2016 Caboose Bill) provided \$172.7 million GF to expedite completion of the repayment to the VRS of the 2010-12 biennium deferred retirement contributions for the four state employee plans.
 - As a result of this payment in FY 2016, savings of \$44.0 million GF FY 2017 and FY 2018 were captured due to the resulting adjusted rates.
 - Chapter 732 also captured \$16.2 million from VDOT NGF balances representing VDOT's portion of the re-payment as well as \$598,327 from DGIF for this purpose.
- **Higher Education Institutions.** SB 900 proposes capturing \$24.2 million in FY 2017 and \$16.1 million in FY 2018.
- **Other Agencies.** Also proposes capturing, via transfers of NGF balances, \$12.2 million and \$3.6 million from other agencies.
 - Overall, the fund split on the \$172.7 is about 55 percent GF and 45 percent NGF. The previous and proposed actions cumulatively re-capture over three-quarters of the NGF share of the one-time payment.



Overview of Public Safety and Homeland Security

ABC

- **Total Operating Revenues.** Projected to grow 8.7% over two years from \$772.0 million NGF in FY 2016 to \$836.9 million in 2018.
 - Reflects population growth, opening new stores, Sunday sales, and customers trading up to more expensive brands.
- **Net Profits.** Adds increased transfers to the general fund of \$13.0 million the first year and \$11.6 million the second year.
 - Total transfers from net profits projected to increase 2.8% from \$164.8 million in FY 2016 to \$169.4 million in FY 2018.
- **Retail Store Staffing.** Adds \$0.6 million NGF and 25 positions to address workforce shortages, due primarily to the 29-hour rule.
- **New Warehouse and Office Complex.** Authorizes \$104.8 million in bond financing as a Capital Outlay project.



Department of Corrections

- **October 2016 Savings.** Includes reductions of \$16.6 million GF the first year from delayed opening of Culpeper Correctional Center for Women, vacancies, equipment deferrals, and use of NGF balances.
- **Delayed Opening of Culpeper.** Delays the opening until the next biennium, for a savings of \$21.7 million GF the second year.
- **Inmate Medical Costs.** Adds \$11.4 million GF the first year and \$7.2 million GF the second year.
 - Ratio of inpatient to outpatient has increased, as has number of more serious patients with higher costs.
 - Assumes Anthem projection of 7.5% each year for IP/OP costs, and 3.5% for other medical costs based on CPI for health service.
 - Eliminates \$4.0 million supplement paid to VCU Health based on DOC use of Anthem Healthkeepers.



Dept. of Criminal Justice Services

- **Jail Mental Health Grants.** Adds \$4.2 million GF and 2 positions the second year for additional grants to regional and local jails for MH screening and assessment.
 - Chapter 780 included \$3.5 million for grants to up to six jails for improved MH services in jail and diversion from jail. Jails already awarded grants as of January 1, 2017, include:
 - Chesterfield County Jail;
 - Hampton Roads Regional Jail;
 - Middle River Regional Jail (in Augusta County);
 - Prince William-Manassas Regional Adult Detention Center;
 - Richmond City Justice Center; and,
 - Western Virginia Regional Jail (in Roanoke County).



Department of State Police

- **October 2016 Savings.** Includes reductions totaling \$6.8 million GF the first year from supplanting GF with NGF balances, deferring 2 positions for the new area office for the New River Valley, and deferring the new Special Operations Division.
 - Savings are continued in the second year by deferring the new area office (-\$0.2 million GF) and deferring 20 positions for the new Special Operations Division (-\$2.4 million).
- **STARS.** Provides \$0.6 million GF and \$3.4 million NGF the second year from unobligated bond balances for high-priority improvements to the State Agencies Radio System (STARS).
 - \$0.6 million GF for leasing repeater replacement units for each of 55 sites, with total cost of \$5.7 million over the term of the lease.
 - Bond balances for replacement of power plants, software components, and 200 mobile data terminals in patrol cars.



State Police – VITA Separation

- **Separation from VITA.** Provides \$5.9 million GF and 16 positions the second year to support the separation.
 - Includes \$3.1 million for hardware and software costs, \$0.5 million for construction or lease of space, and personnel and training costs.
 - This is in addition to \$7.6 million GF in the base budget for VITA charges.
 - The State Police separation from VITA is estimated to increase rates paid by all other executive branch agencies by \$3.6 million.
 - Language is included directing VITA to bill State Police for these “stranded” costs instead of raising rates for the other agencies.
 - The new funding (\$5.6 million) plus the base budget amount (\$7.6 million), less the \$3.6 million to be billed for stranded costs, leaves a net of about \$9.9 million for State Police for post-separation costs.
 - State Police indicates the new funding and positions are sufficient for FY 2018, but that additional funds will be needed in the next biennium.



State Police - Compensation

- In addition to the 1.5% bonus for all state employees, as of December 1, 2017, the introduced budget restores up to \$4.0 million GF in Central Appropriations for salary supplements, subject to approval by the Secretary of Public Safety and Homeland Security of a plan to address salary compression:
 - Applies to FY 2018;
 - At least three years of service as of July 1, 2017;
 - Not limited to sworn employees;
 - Capped at seven percent; and,
 - Prior to implementation, copies of plan to chairmen of SFC and HAC.
- Chapter 780 provided \$2.3 million GF the first year and \$4.0 million the second year for salary supplement, as of November 10, 2016.



Overview of Veterans Services

- **Reorganization of VVFS.** Adds \$0.6 million GF the second year and 34 positions to reorganize the Virginia Veteran and Family Support (VVFS) Program (formerly the Virginia Wounded Warrior Program).
 - Following 2015 JLARC report on DVS, language added last year directing a working group to review VVFS program and report to JLARC.
 - Included Secretaries of HHS and VDA and Director of JLARC.
 - Language provided that first year funding of \$0.4 million GF be contingent on a unanimous request from the working group.
 - Working group reported four options to JLARC in November 2016.
 - Introduced budget includes an additional \$0.7 million GF and 34 positions the second year to implement one of the options – converting all of the 34 positions currently working for 11 CSBs (and located at 19 CSBs) into state DVS employees, as of July 1, 2017.
 - This conversion is intended to provide better and more consistent services to clients.



Overview of Commerce and Trade

- The Governor's proposed amendments include net general fund reductions of \$36.5 million over the biennium.
- Major reductions include a decrease in Economic Development Incentive Payments of \$19 million GF from delaying certain performance grant payments and a \$15 million GF decrease in funding for GO Virginia.
- Other cuts include a \$1.8 million GF decrease in the Enterprise Zone grant program and a \$1.5 million decrease in support for the Brownfields Restoration and Economic Redevelopment Assistance Fund.
- Major new spending items include \$6 million GF for an incentive grant payment under the Advanced Shipbuilding Production Grant program, \$1.5 million GF and 15 positions in the Department of Labor and Industry, and \$1.1 million to create a solar development incentive program in the Department of Mines, Minerals and Energy.
- Also includes transfer of resources from VEDP, plus new funding and additional positions to create the Virginia International Trade Corporation.



Economic Development Incentive Payments

- Proposes net general fund reductions of \$11.4 million in FY 2017 and \$1.6 million in FY 2018. Major adjustments include:
- **Advanced Shipbuilding Production Facility Grant:** Includes new GF spending of \$6.0 million in FY 2018 for the first grant payment under the program authorized during the 2016 Session of the General Assembly.
- **VIP and VEDIG Grants:** Includes \$6.8 million GF reduction to reflect revised schedule of anticipated payments. \$4.6 million is also appropriated from NGF cash for payments that did not occur as scheduled.
- **Aerospace Engine Facility Incentive Payments:** Removes \$8.5 million GF in FY 2017 and \$3.7 million GF in FY 2018 based on anticipated investment and job creation levels. \$15.2 million NGF is appropriated from balances in the fund for payments expected in FY 2018.



Housing and Community Development

- **GO Virginia:** Reduces funding for the Virginia Growth and Opportunity Fund by \$15 million over the biennium.
 - Provides \$100,000 GF per region in FY 2017 and \$150,000 GF per region in FY 2018, and removes the local match requirement for organizational building and gap analysis funding the first year.
 - Reduces funding by half for grants based on population.
 - \$2.1 million GF reduction for competitive grants.

Virginia Growth and Opportunity Fund (\$ in millions)	Ch. 780			SB 900		
	FY17	FY18	Total	FY17	FY18	Total
Grants for organizational building and gap analyses	\$5.5	\$3.5	\$9.0	\$0.9	\$1.4	\$2.3
Grants based on each region's share of the state population	\$ -	\$12.2	\$12.2	\$ -	\$6.1	\$6.1
Competitive grants	<u>\$ -</u>	<u>\$14.3</u>	<u>\$14.3</u>	<u>\$ -</u>	<u>\$12.2</u>	<u>\$12.2</u>
Total	\$5.5	\$30.0	\$35.5	\$0.9	\$19.7	\$20.6



Economic Development Partnership

- Transfers \$6.2 million and 19 positions associated with the International Trade Division, to the newly created Virginia International Trade Corporation (VITC). Additional resources for VITC include:
 - \$150,000 GF representing the transfer of one position from the office of the Secretary of Commerce and Trade.
 - \$817,455 GF in new spending and five new positions to fulfill necessary administration functions of the new agency.
- Provides \$168,291 GF the second year to support hiring an internal auditor on the recommendation of the Joint Legislative Audit and Review Commission.
- Reduces support for the Brownfields Restoration and Economic Redevelopment Assistance Fund \$233,116 GF in FY 2017 and \$1.3 million GF in FY 2018.
- Other reductions total \$1.9 million GF over the two years.



Virginia Tourism Authority

- Proposes reductions to marketing and advertising, including implementation of the “Vision Strategy,” totaling \$500,000 GF the first year and \$1.3 million GF the second year.
- Removes \$211,039 GF in FY 2017 and \$237,225 in FY 2018 for sponsorship activities.
- Reduces funding for See Virginia First Program 50 percent in FY 2017, from \$627,556 to \$313,778 GF.
- Proposes new funding of \$400,000 GF the second year for the first of three payments under an Asian market tourism promotion campaign designed to promote travel from India to Virginia.



Other Commerce and Trade

- Provides a nongeneral fund appropriation of \$15.0 million in FY 2018 to offset expenditures related to Virginia's \$120.5 million federal grant award from the National Disaster Resilience Competition.
- Removes funding of \$925,797 GF for the Integrated Test Facility at the Center for Advanced Engineering and Research.
- Reduces first year funding for the Virginia Telecommunications Initiative by \$250,000 GF.
- Removes \$1.3 million GF for deposits to the Small Business Jobs Grant Fund, and appropriates \$1.2 million NGF from cash balances in the fund to meet anticipated grant commitments.
- Reduces Funding for the Small Business Investment Grant Fund \$230,247 GF over the biennium.



Other Commerce and Trade

- Additional savings of \$287,209 GF in the Department of Small Business and Supplier Diversity.
- Savings of \$690,366 GF from a combination of eliminating open positions, supplanting general fund spending with nongeneral funds, and other reductions in the Department of Mines, Minerals, and Energy.
- Transfers \$723,914 nongeneral fund cash balance in the Biofuels Production Fund to the general fund in FY 2018 (repealed effective July 1, 2017).
- Includes reductions of \$539,301 GF in the Fort Monroe Authority.
- Reduces funding from \$400,000 to \$200,000 GF in FY 2017 and delays full implementation of the Registered Apprenticeship incentive program in the Department of Labor and Industry.



Overview of Agriculture & Forestry

- Proposed actions in Agriculture & Forestry reduce spending by \$1.6 million GF in the first year (-2.8%) and \$3.6 million GF in the second year (-6.3%).

Department of Forestry

- Proposes to establish a new fee for the enforcement of silvicultural water quality inspections to supplant a \$500,000 GF reduction.
 - Fixed fee of \$100 per site.
 - Current service provided to land owners and logging operators at no cost.
- Authorizes the sale of five forestry tracts to backfill a reduction of \$340,000 GF.
 - Amelia, Emporia, Kilmarnock, Lexington, and Floyd.
- Proposes to reduce the GF match for the Reforestation of Timberlands program by \$0.3 million.
- Realizes savings of \$0.8 million GF from deferring new hires and the elimination of four positions.



Agriculture and Consumer Services

- Proposes to change the current \$40.00 fee for non-restaurant food establishment annual inspection to a variable fee ranging from \$40.00 to \$375.00 based on the size of the enterprise.
 - Estimated to generate \$400,000 to supplant a reduction of GF support.
- Other program reductions in VDACS include:
 - \$500,000 in the first year and \$750,000 in the second year to the Farmland Preservation/Purchase of Development Rights Matching Grant program;
 - \$220,000 in each year for the Agriculture and Forestry Industries Development Fund and the elimination of one new position established to support the programs by the 2016 General Assembly;
 - Elimination of state support for the federally funded coyote control program;
 - Sweep of balances in the Beehive Grant Fund and elimination of funding in second year;
 - Elimination of \$75,000 for Specialty Crop Commercialization funding; and
 - Reduction for domestic and international marketing of \$175,000 in the first year and \$250,000 in the second year.



Overview of Natural Resources

- Proposed amendments to Natural Resources reduce spending by \$2.1 million GF (-1.2%) the first year and \$7.4 million GF (-6.4%) the second year.
 - Majority of second year savings are from reductions to land acquisition programs at the Department of Conservation and Recreation and the Department of Historic Resources totaling \$3.8 million.
 - Several smaller reductions are offset by supplanting federal funds, transferring special fund balances, and increasing fees.
- Proposes to modify the 2016 prohibition on the acquisition of park land to allow for in-holdings and other lands contiguous to existing State Parks.
 - Separate actions in Capital Outlay would authorize \$1.0 million NGF for State Parks and \$2.3 million NGF for Natural Area Preserves.
- The October 2016 reductions total \$1.0 million GF and are largely from removing funding for the Swift Creek Bike Trail and the elimination of four positions.



Environmental Quality

Reductions

- Proposes three actions to supplant dedicated program funding or revert balances to offset general fund reductions.
 - Vehicle Emissions Inspection Fund: \$1.0 million.
 - Waste Tire Fund: \$1.6 million.
 - Hazardous Waste Management Fund: \$0.5 million.

Policy

- Two proposed environmental policy changes are also included:
 - Eliminate prioritization for Nutrient Offsets for animal waste to energy projects.
 - Adds Stationary Sources Air Pollution Programs to those eligible for funding from the Virginia Environmental Response Fund.



Other Natural Resources Actions

Marine Resources

- Proposes to end the Virginia Saltwater Sport Fishing Tournament, saving \$0.2 million.
- Reflects revenues from an increase of \$0.2 million NGF in Commercial Fishing license fees to offset a reduction in general funds.
 - Capped at \$5.00 or the rate of inflation since the last increase.
- Proposes to restore \$0.4 million GF to the Habitat Management Division eliminated in 2010.

Historic Resources

- Includes funding to allow for the preservation of historical African-American Graves and Cemeteries in addition to the current Revolutionary and Civil War grave site program.

Museum of Natural History

- Savings totaling \$0.3 million for the biennium are achieved through the delayed hiring and elimination of two positions.



Overview of Technology

- Proposed actions for Technology provide an increase of \$1.8 million GF in the first year and a reduction of \$2.2 million GF in the second year. NGF appropriations are reduced by \$3.4 million in the first year and \$11.9 million in the second year.
 - First year GF increases are driven by a proposed one-time expenditure of \$2.3 million to retire an outstanding debt for the Virginia Enterprise Applications Program.
- Within the Innovation and Entrepreneurship Investment Authority, reductions total \$0.4 million GF in the first year and \$0.1 million GF in the second year.
 - The majority of the first year savings are one-time balances and investment returns from the Growth Accelerator Program and the Commonwealth Research Commercialization Fund.



IT Infrastructure Partnership

- At the Virginia Information Technologies Agency, NGF savings are derived from reduced consumption of vendor services based on actual and forecast usage for FY 18.
 - Reduced utilization of Partnership services - \$7.8 million.
 - Reduced Medicaid IT services - \$5.3 million.
- Transition related actions result in savings of \$7.0 million NGF for the biennium and a reduction of 12.0 FTE due to changes in the timeline for disentanglement.
 - Additionally the VITA line of credit is increased from \$60 million to \$75 million to fund transition costs.
 - Language is included that would allow VITA to recover any rate increases that would be passed along to other Executive Branch agencies resulting from the proposed separation of VSP from the Partnership.
- New spending totaling approximately \$1.0 million NGF is proposed for the management of cloud-based services (\$0.6 million) and the expansion of bandwidth in the Capitol Square network (\$0.4 million).
 - Both of these increases are recovered through internal service fund rate calculations.



Overview of Transportation

- Proposed actions within the transportation secretariat provide for an increase of \$136.2 million NGF (2.0%) in the first year offset by a reduction of \$37.6 million NGF (0.6%) in the second year.
 - No proposed changes to GF appropriation for debt service and PILOT.
- Proposed amendments to VDOT and DRPT are primarily technical in nature and reflect revisions to the Commonwealth Transportation Fund forecast for FY 18.
 - **DRPT:** Increase of \$8.2 million NGF in FY 18.
 - **VDOT:** Increase of \$137.2 million NGF in FY 17 and a decrease of \$42.9 million in FY 18.
- Staffing increases are also proposed at both agencies.
 - **DRPT:** Increase of 6.0 FTE associated with management of the Atlantic Gateway project and funded by doubling the retained overhead from passenger rail funds.
 - **VDOT:** Increase of 10.0 FTE for state operated toll facilities (I-66 Inside the Beltway).



Overview of Transportation

- Proposes to eliminate approximately \$1.1 million in transfers from VDOT to DMV for administration of EZ Pass program.
 - Funding will be recovered through a chargeback to VDOT.
- Provides affirmative authorization for DMV to pass along indirect costs (SICAP) to agencies for which DMV collects revenues, resulting in approximately \$3.8 million NGF in revenue.
 - Most affected agencies include VDOT, VDH and the Virginia State Police.

Transportation Capital Projects

- Authorizes additional DMV Customer Service Centers, or relocation and expansion of existing centers, in Loudoun.
- VDOT Hampton Roads District Headquarters
 - Proposes to allow VDOT to sell or convey up to 88.43 acres in Suffolk.
 - Allows proceeds to be used for acquisition and construction of new District HQ.
 - Dedicates any remaining proceeds to the Transportation Trust Fund.

