











Overview of Proposed Budgets

SB 29 (Amendments to 2016-18 Budget)

SB 30 (2018-20 Biennial Budget)

January 16, 2018

Presentation Outline

 Overview/ Resources/ Econ. Dev.	Higher Education 	 K-12 & Other Ed.	Retirement 	 Health & Human Res.
 Public Safety & Veterans	Natural Resources/ Ag. & Forestry 	 Transportation	General Gov't 	 Capital Outlay

Overview/Resources

Proposed Budgets for FY 2018 and 2018-20 Biennium

Two budget bills:

- SB 29: “Caboose Bill” – Amendments to the current 2016-18 biennial budget (Chapter 836).
 - Reflects FY 2017 revenue surplus and adjustments to the revenue forecast for FY 2018, based on fall forecasting process and actual tax amnesty collections.
 - Effective when signed by Governor.
- SB 30: 2018-20 Biennial Budget – Addresses additional spending requirements for the next two years.
 - Goes into effect on July 1, 2018.

Key Themes in Proposed Spending

- **Funding for mandated and high priority items (Medicaid, K-12, inmate healthcare, state employee healthcare, and compensation).**
- **Maintaining and improving structural balance in the budget and increasing cash liquidity.**
- **Investments in higher education: need-based financial aid, base operations, infrastructure, and research.**
- **Investments in economic development and workforce.**

SB 29: Caboose Bill

- Additional GF resources of \$294.4 million.
 - \$134.9 million upward revision to the FY 2018 general fund revenue forecast.
 - Increases in the corporate and withholding income tax revenue forecasts are partially offset by reductions in nonwithholding.
 - Includes a net balance adjustment of \$177.7 million.
 - Net transfers are reduced \$18.1 million.
- Net spending increases total \$101.2 million.
- Combined with \$8.4 million unappropriated balance in Ch. 836, \$201.6 million is available for use in the 2018-20 biennium.

GF Resource Changes in SB 29

(\$ in millions)	Chapter 836	Revised	Change
Unreserved Balance	\$ 128.1	\$ 782.8	\$ 654.7
Additions to Balance	128.2	(348.8)	(477.0)
Revenue Forecast	19,193.3	19,328.2	134.9
Revenue Stabilization Fund Withdrawal	272.5	272.5	0.0
Transfers	<u>640.8</u>	<u>622.7</u>	<u>(18.1)</u>
Additional GF Resources	\$20,362.9	\$20,657.4	\$294.5
Ch. 836 Unappropriated Balance			\$8.4
SB 29 Net Spending Increase			<u>(101.2)</u>
SB 29 Carry-Forward Balance			\$201.6

Major GF Spending/Savings in SB 29

Major Proposed GF Spending / Savings (\$ in millions)	FY 2018	
Revenue Cash Reserve	\$124.4	
Medicaid Utilization and Inflation	86.7	
Inmate Medical	5.0	
DSS Information Technology	4.2	
Other Spending	<u>20.8</u>	
Total Spending		\$238.1
K12 Direct Aid: Additional NGF Lottery Proceeds	(52.0)	
Health Care Fund Revenues	(40.5)	
Debt Service Refunding	(24.3)	
K12 Direct Aid: Enrollment and Technical Updates	(5.3)	
Other Savings	<u>(14.8)</u>	
Total Savings		(\$136.9)
Net Spending		\$101.2

SB 30 Revenue Outlook

- The 2018-20 general fund revenue forecast assumes economic growth rates of 3.7% for FY 2019 and 3.9% for FY 2020, consistent with the advice of GACRE members.
- With proposed tax policy changes and technical adjustments, revenue growth of 4% is required to meet the budget forecast each year.
- The forecast continues the “modified collar” on nonwithholding tax collections, which lowers forecasted revenues by \$201.0 million in FY 2019 and \$209.0 million in FY 2020.
- U.S. tax changes are expected to have a net positive impact on Virginia income tax collections. Estimates are forthcoming.

Policy Adjustments Assumed in SB 30 GF Revenue Forecast

(\$ in millions)	FY 2019	FY 2020	2018-20 Biennium
<u>GACRE Revenue Forecast</u>			
Total General Fund Revenues	\$20,091.6	\$20,881.4	\$40,973.0
Total GF Revenue Growth	3.7%	3.9%	
<u>Policy Adjustments</u>			
Federal Tax Conformity	(3.3)	0.0	(3.3)
Tax Initiative to Expand Audits	7.9	10.6	18.5
Notification of Payroll System Breaches	<u>0.3</u>	<u>0.3</u>	<u>0.6</u>
Total	\$4.9	\$10.9	\$15.8
Total General Fund Revenues			
	\$20,096.5	\$20,892.3	\$40,988.8
Total GF Revenue Growth			
	4.0%	4.0%	

SB 30 Resources Available for Appropriation

(\$ in millions)	2018-20 Biennium	
Beginning Balance (from SB 29)	\$ 201.6	
Adjustments to Balance	21.5	
Official GF Revenue Estimate	40,988.8	
Transfers	<u>1,241.4</u>	
GF Resources Available for Appropriation		\$42,453.3
Chapter 836 Base Budget	\$40,709.2	
Proposed Operating Spending	1,717.0	
Proposed Capital Outlay Spending	<u>15.0</u>	
Total Proposed GF Spending		<u>\$42,441.2</u>
Unappropriated Balance		\$12.1

Major GF Spending/Savings in SB 30

Major Proposed GF Spending / Savings (\$ in millions)	FY 2018-20	
Medicaid Utilization and Inflation	\$575.8	
Update Costs of K-12 Standards of Quality	481.0	
Revenue Cash Reserve	270.7	
State Employer Health Insurance	118.2	
2% FY 20 Salary Increase (State, State-Supported, Teachers)	100.7	
Children's Services Act	54.2	
All Other Spending	891.9	
Total Spending		\$2,492.5
Medicaid Exp. Enhanced Match, Substance Abuse and MH, and Inmate Healthcare	(427.5)	
Capture Pre-K Nonparticipation, Ch. 836 Rate	(47.9)	
Training Center Closures	(27.6)	
Health Care Fund	(18.7)	
All Other Savings	(190.0)	
Total Savings		(\$711.7)
Net Spending/Savings Adjustments		\$1,780.8
Base Budget and Technical Adjustments/Capital Outlay Actions	(48.8)	
Total Adjustments		\$1,732.0

Commerce and Trade – Economic Development

Overview of SB 30 - Commerce and Trade

- Net increase of \$7.9 million GF over the biennium compared to the base budget.

(\$ in millions)	FY 2019		FY 2020	
	GF	NGF	GF	NGF
2018-20 Base Budget, Ch. 836	\$205.6	\$761.3	\$205.6	\$761.3
Proposed Increases	18.6	6.2	21.7	5.9
Proposed Decreases	(15.3)	(65.9)	(17.1)	(71.8)
\$ Net Change	3.3	(59.7)	4.6	(66.0)
HB/SB 30, as Introduced	\$208.9	\$701.6	\$210.3	\$695.3
% Change	1.6%	(7.8%)	2.3%	(8.7%)

Economic Development Incentive Payments

Economic Development Incentive Payments (\$ in millions)	General Fund		
	FY 2019	FY 2020	Total
Commonwealth Opportunity Fund	\$19.8	\$19.8	\$39.5
Virginia Investment Partnership (VIP)	4.9	5.4	10.3
Major Eligible Employer Grant (MEE)	1.8	-	1.8
Motion Picture Opportunity Fund	3.0	3.0	6.0
Rolls-Royce	-	-	-
Virginia Economic Development Incentive Grant (VEDIG)	4.4	3.0	7.4
Life Sciences Research Consortium	3.8	3.8	7.5
Virginia-Israel Advisory Board	0.2	0.2	0.4
Virginia Jobs Investment Program (VJIP)	5.7	5.7	11.3
VEDP Marketing and Trade Missions	<u>0.5</u>	<u>0.5</u>	<u>1.0</u>
Total	\$44.0	\$41.3	\$85.3

Housing and Community Development

- Proposes \$7.5 million GF over the biennium to establish the Virginia Grocery Investment Fund intended to incentivize development of supermarkets and healthy food retailers in underserved communities.
- Recommends doubling general fund support to \$2.0 million GF each year for the Virginia Telecommunications Initiative, a grant program supporting broadband deployment.
- Proposes removing \$1.3 million GF for the Building Collaborative Communities and Building Entrepreneurial Economies grant programs.
- Proposes an increase of \$100,000 GF each year for rapid re-housing efforts, bringing the total to \$1.1 million GF each year.
- Proposes \$1.7 million GF the second year to fund the Commonwealth's required match as part of the National Disaster Resilience Grant. The total required match is \$5.0 million to be appropriated over a three-year period.

GO Virginia

- Recommends additional general fund spending of \$1.3 million in administrative support for GO Virginia.
- Proposes to appropriate \$3.2 million NGF in unused capacity building funds from the Virginia Growth and Opportunity Fund to increase allocations for per capita grants.
 - Intended to provide a minimum of \$750,000 per year for each regional council.
 - Those regions receiving the minimum \$750,000 allocation would be required to provide a match on the general fund portion of the allocation only.
- Proposed deposits to the Virginia Growth and Opportunity Fund are \$24.5 million GF each year, equal to the FY 2018 appropriation.
- Includes language that proposes to override the requirement in statute that no more than 90 percent of moneys in the Virginia Growth and Opportunity fund be awarded or allocated in any fiscal year.

Economic Development Partnership Authority

- Proposes new spending of \$2.5 million GF the first year and \$5.0 million GF the second year to create a customized workforce recruitment and training program for eligible new or expanding companies.
- Provides an additional \$200,000 GF each year for marketing.
- Recommends an increase of \$364,035 GF each year to provide support for the Division of Incentives.
 - Legislation enacted by the 2017 General Assembly required the creation of the division responsible for reviewing, vetting, tracking, and coordinating economic development incentives.

Other Commerce and Trade

- Proposes \$2.2 million GF to incentivize solar energy and energy storage development.
- Proposes \$628,000 GF each year for the Fort Monroe Authority to supplant the loss of federal funding.
 - In addition, \$2.0 million the first year from maintenance reserve is designated for building and utility repairs at Fort Monroe.
- Proposes new spending of \$250,000 GF the first year for the Department of Small Business and Supplier Diversity to upgrade the agency's expenditure dashboard application used to track and report spending by state agencies with small businesses.
- Proposes an increase of \$200,000 GF each year to expand tourism marketing.
- Proposes new spending of \$150,000 GF each year to support a multi-year tourism development initiative in partnership with the Richmond Raceway.

Higher Education

Overview of Higher Education

- **SB 30:** proposed amendments result in an increase of about \$244.4 million over the biennium (about \$126.7 million over the biennium of these actions are related to technical adjustments that have been reflected in the base budget in other years).
 - **Includes \$80.6 million GF over the biennium to support base operations and undergraduate need-based aid.**
 - \$21.1 million GF for base adequacy (Old Dominion University, Virginia Military Institute, Richard Bland College, and Eastern Virginia Medical School);
 - \$14.0 million GF for base operations at George Mason University; and
 - \$45.5 million GF for need-based undergraduate student financial aid.
- An additional \$16.0 million for higher education research is available under the Virginia Research Investment Committee (funding could have been reflected as part of the base adjustments).

Higher Education: Summary of Proposed Amendments

GF Actions for the 2018-20 Biennium (\$ in millions)	
Undergraduate Need-Based Aid	\$45.5
Base Adequacy/Base Operations	35.1
Technology Infrastructure (UVA-Wise, VSU, & VIMS)	4.3
UVA-Wise – Enhance Academic Programs	3.8
Workforce Credential Grant Program	4.0
SCHEV Funding (cyber-scholarships, transfer grant, VRIC support, VIVA, & loan ombudsman)	3.0
HE Centers (So.AV HEC, IALR, & RHEA)	1.8
Tuition Assistance Grant (\$3,350 in the second year, supplement for teacher career)	1.8
NSU – Cyber-Security & Cyber-Psych. Programs and Biofuel Research	1.3
Other: (UVA Pop./VFH, RBC Positions, VIMS Mon., CWM Vet. Couns., VCCS Planning/Train. Transfer, NCI - planning, & Jeff. Lab)	4.1
HE Initiative Spending Total	\$104.5
HE Research (amount would normally be included in base)	\$16.0
Technical Actions & Restoration of Restructuring Benefits (CC Rebate & Interest Earnings)	\$139.8

Base Adequacy / Base Operations

Institution (GF \$ in millions)	FY 2019	FY 2020	Total
Old Dominion University	\$5,034,057	\$10,068,114	\$15,102,171
Eastern Virginia Medical School	1,684,573	3,369,145	5,053,718
Virginia Military Institute	269,721	539,422	809,143
Richard Bland College	0	128,143	128,143
George Mason University	4,000,000	10,000,000	14,000,000
Total	\$10,988,351	\$24,104,824	\$35,093,175

Need-Based Undergraduate Financial Aid

Institution (GF \$ in millions)	FY 2019	FY 2020
Christopher Newport University	\$149,430	\$649,994
College of William & Mary	104,510	649,191
George Mason University	6,520,989	8,192,542
James Madison University	1,363,345	2,386,599
Longwood University	585,017	908,839
Mary Washington University	104,051	376,241
Norfolk State University	289,250	907,505
Old Dominion University	666,561	1,675,412
Radford University	807,335	1,375,857
University of Virginia	190,389	978,180
UVA at Wise	218,252	373,304
VA Commonwealth University	2,663,480	4,550,404
Virginia Military Institute	31,762	141,263
Virginia State University	248,243	637,814
Virginia Tech	474,238	1,571,790
Richard Bland College	543,966	669,162
Virginia Community College System	1,266,737	3,251,313
Total	\$16,227,555	\$29,295,410

Other Higher Education Actions

- **Higher Education Equipment Trust Fund.** Allocation of \$83.0 million each year in bond proceeds to support the replacement of computers and specialized research equipment (these amounts are identical to the FY 2018 allocation).
- **Faculty Salary Increase.** Two percent salary increase in December of FY 2020, the share for faculty is approximately \$11.3 million GF (in Central Appropriations).
- **Reserve Fund Language.** Language that would allow for institutional reserve funds to be supported by unexpended educational and general appropriation of the institution at the end of the fiscal year. The reserve fund shall not exceed three percent of the general fund appropriation for the educational and general programs in the most recently-completed fiscal year. Use of the reserve fund must be approved by the Boards of Visitors and a detailed plan on the use of the fund must be reported immediately to the Governor, Secretary of Finance, Secretary of Education, and the Chairmen of the House Appropriations and Senate Finance Committees.
- **Mandatory Fee Increases Language Change.** Language change to the limit on mandatory fees for those other than educational and general programs from five to three percent (would not eliminate current exemptions).

K-12 & Other Education

Overview of SB 30

Direct Aid to Public Education

	FY 2019		FY 2020	
(\$ in millions)	GF	NGF	GF	NGF
Total \$				
Base (FY 18, Ch. 836)	\$6,030.0	\$1,618.6	\$6,030.0	\$1,618.6
Net Change	206.5	184.3	309.4	174.3
SB 30, As Proposed	\$6,236.5	\$1,802.9	\$6,339.4	\$1,792.9
% Change, Over Prior Year	3.4%	11.4%	1.6%	(0.6%)
\$ Per Pupil				
SB 30, As Proposed	\$4,979	\$1,440	\$5,040	\$1,432
Net Change, Over Prior Year	\$151	\$144	\$61	(\$8)
% Change, Over Prior Year	3.0%	10.0%	1.2%	(0.6%)

2018 Session Proposed Direct Aid Budget

Major Proposed Spending (GF \$ in millions)	FY 2019	FY 2020	Total
Re-benchmarking	\$216.5	\$264.5	\$481.0
State's Share of 2% Compensation Increase (Dec. 1, 2019)	0.0	51.3	51.3
FY 2019 "No Loss" Funding (compared to SB 29 as introduced)	11.5	0.0	11.5
State's Share for Full-Time Principal in Small Elementary Schools	0.0	7.7	7.7
Expand At-Risk Add-On Range to 14.0%	0.0	7.1	7.1
Extend FY18 Governor's School Funding Policy (2.5% PP, \$50/course)	1.3	1.3	2.6
Incr. Positive Behavior Intervention & Support (PBIS) to \$1.6M/yr.	0.5	0.5	1.0
Establish New Fund for Principal Recruitment & Retention	0.5	0.5	1.0
Cyber Security Two-Week Career Exploration/Skills Programs	0.5	0.5	1.0
Other Actions	(0.4)	(0.1)	(0.5)
Apply PreK Nonparticipation Rate (25.4%, same as Ch. 836)	<u>(23.9)</u>	<u>(24.0)</u>	<u>(47.9)</u>
Total	\$206.5	\$309.4	\$515.9

Re-benchmarking Updates

(\$ in millions)	FY 2019	FY 2020	Total
Prevailing Salaries & Other Personnel Related	\$95.6	\$95.6	\$191.4
Non-personal (Textbooks, Transp., Inflation)	73.0	\$75.6	148.6
Student Enrollment Projections	27.6	37.8	65.4
Health Care Premium	29.0	29.0	58.0
All Other Updates	<u>9.8</u>	<u>18.5</u>	<u>28.3</u>
Subtotal, As of September Updates	\$235.0	\$256.8	\$491.8
Projected Sales Tax and School Aged Population	17.1	30.8	47.9
Local Composite Index	(0.8)	(0.9)	(1.7)
Proj. ADM Based on Fall Membership, Other Updates	(7.1)	(4.4)	(11.5)
VRS, RHCC, GL Rates	(22.5)	(22.6)	(45.1)
Lottery Revenue Forecast	(40.2)	(40.2)	(80.4)
Literary Fund Forecast and Backfill with GF	<u>35.0</u>	<u>45.0</u>	<u>80.0</u>
Revised Total	\$216.5	\$264.5	\$481.0

Department of Education

(GF \$)	FY 2019	FY 2020
Automate Teacher Licensure Process	\$552,500	\$552,500
eMedia Statewide Digital Content	0	400,000
Va. Kindergarten Readiness (VKRP) – Develop Post-K Test	275,000	275,000
Environmental Education	250,000	250,000
School Performance Report Card	150,000	150,000
Teacher Misconduct Clearinghouse Subscription	78,084	78,084
Advisory Council for Digital Citizenship, Internet Safety, and Media Literacy	75,000	75,000
Va. Preschool Initiative – VDOE Site Visits	50,000	50,000
Allocate Existing \$500,000 Per Year to Student Growth Model		
Computer Adaptive Test Revisions	(780,584)	(780,584)

SB 30: Other Education

- **Adds \$1.5 million GF in the first year and \$2.8 million GF in the second year, other than technical adjustments.**
 - **Virginia Commission for the Arts:** \$250,000 GF the first year and \$1.5 million GF the second year for additional grants to arts organizations, a 40 percent increase in the second year over the \$3.7 million in FY 2018 in Chapter 836.
 - **Library of Virginia:** \$1.2 million GF over the biennium to replace outdated electronic records systems.
 - **Eastern Shore Library Construction:** \$500,000 GF each year for construction of a new public library.
 - **Virginia Museum of Fine Arts.** \$433,061 GF over the biennium for renovated Robinson House O&M.
 - **Capital Outlay:** \$1.5 million from Carpenter Shop project to Mellon Galleries deteriorating fire retardant plywood replacement. Also, in C-45 2018 Pool, roof and drains at Pauley Center and replace air handling units.
 - **Frontier Culture English Barn.**
 - **Capital Outlay:** \$629,000 NGF to construct a recreation of a 17th century English Barn.
 - **Jamestown-Yorktown Commemorations.** *Proposes continuation of the FY 2018 reduction of \$785,532, which is about 11 percent of the Commemorations budget.*

Retirement

Virginia Retirement System

- Saves net \$13.3 million GF over the biennium from changes in retirement plan contribution rates. Also saves \$748,943 GF over the biennium due to changes in other post-employment benefits ((OPEB) – Group Life insurance, Virginia Sickness and Disability Program, Retiree Health Care Credit).

	FY 2018	FY 2019	FY 2020
State Employees	13.49%	13.52%	13.52%
State Police	28.54%	24.88%	24.88%
Va. Law Officers	21.05%	21.61%	21.61%
Judicial	41.97%	34.39%	34.39%
Teachers	16.32%	15.68%	15.68%

- Also adds \$15.8 million NGF in the first year and \$10.4 million NGF in the second year for several initiatives including final Modernization Project costs, increasing internally-managed investment activities, technology, analytical and reporting, and risk management.

Health and Human Resources

Overview of SB 29 (Caboose Bill)

- The introduced budget proposes net spending of \$60.5 million GF in FY 2018 compared to the current budget.
- Most of the spending – \$87.6 million GF – is a result of increased spending in Medicaid.
- Includes an offset of \$40.5 million in Medicaid due to increased revenue to the Virginia Health Care Fund and \$28.1 million cash balance in the fund from FY 2017.
- \$9.5 million GF for other expenditure forecasts (children’s health insurance, child welfare, involuntary mental commitments, Part C and TANF) .

Overview of HHR in SB 30

(\$ in millions)	FY 2019 GF	FY 2019 NGF	FY 2020 GF	FY 2020 NGF
FY 2018 Base Budget	\$6,437.3	\$8,478.7	\$6,437.3	\$8,478.7
Proposed Increases	373.0	1,587.9	689.2	3,181.6
Proposed Decreases	(209.6)	(285.9)	(301.1)	(376.2)
Net Change	163.4	1,302.0	388.1	2,805.4
SB 30, as Introduced	\$6,600.7	\$9,780.7	\$6,825.4	\$11,284.1
Percent Change over Base	2.5%	15.4%	6.0%	34.3%

- **Capital Project Authority / Funding is included for:**
 - Detailed planning to replace Central State Hospital in Petersburg.
 - \$10 million for patient and staff safety issues at state mental health hospitals.
 - Construction funds for renovation of the Department of Blind and Vision Impaired headquarters building.
 - Detailed planning for Phase III of the renovation of the Watson Theatre and Activities building at Wilson Workforce and Rehabilitation Center in Fishersville.

HHR Major Policy and Funding Items

- Medicaid Expansion
 - Proposes to expand in accordance with the Affordable Care Act.
 - Net savings of \$421.7 million GF is allocated as spending in the budget.
- Hospital Provider Assessment
 - Provides authority to impose a provider assessment on private hospitals.
 - Proposes to generate \$306.9 million from the assessment for Medicaid Expansion costs.
- Department of Justice Settlement Agreement
 - Includes a net \$32.4 million GF in funding for required waiver slots and other funding needs per the settlement agreement with the U.S. Department of Justice.
- Behavioral Health
 - Provides \$51.5 million GF for community-based behavioral health services.
 - Includes \$33.3 million GF for operations of state behavioral health facilities.

Summary of Major GF Changes

Major General Fund Increases (\$ in millions)	Biennium
Mandatory spending	\$765.2
Other spending	152.9
Technical and base adjustments (central appropriation actions)	66.1
Major General Fund Decreases (\$ in millions)	Biennium
Medicaid Expansion Savings	(\$383.4)
DOJ Related Training Center Savings	(28.6)
Health Care Fund (Medicaid Offset)	(18.7)
Other Savings Strategies	(4.7)

Medicaid Expansion

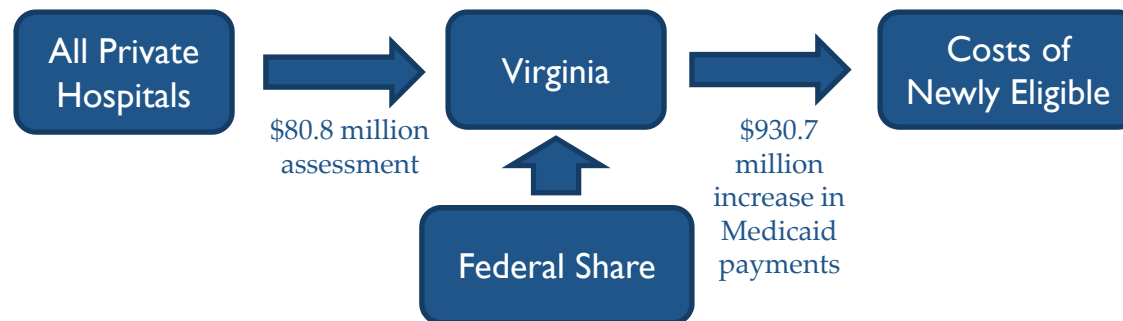
- The introduced budget proposes to expand Medicaid to individuals age 18 to 64 with incomes up to 138 percent of the federal poverty level per the Affordable Care Act.
 - Effective beginning October 1, 2018.
 - 300,000 are projected to enroll out of 400,000 eligible.
 - Costs of \$306.9 million will be covered through a provider assessment on hospitals.
 - Federal match rate of 94 percent in 2018, 93 percent in 2019, and 90 percent in 2020.
 - State GF savings of \$421.7 million from the Medicaid Expansion is allocated in the budget.

Medicaid Expansion Costs and Savings

Item (\$ in millions)	FY 2019 Costs	FY 2020 Costs	FY 2019 NGF	FY 2020 NGF
Coverage of Newly Eligible Adults and Woodwork	\$63.8	\$205.1	930.8	2,199.4
Administrative Costs	17.0	21.0	53.3	64.9
<u>Total NGF Costs</u>	<u>\$80.8</u>	<u>\$226.1</u>	<u>984.0</u>	<u>2,264.3</u>
Indigent Care Savings	(71.2)	(110.3)	(71.2)	(110.3)
State-funded behavioral health services	(16.7)	(25.0)	-	-
Inpatient hospital costs of state prisoners	(17.2)	(26.9)	-	-
Elimination or Substitution of state-funded coverage for newly eligible	(48.7)	(111.0)	(50.7)	(116.4)
<u>Total Savings</u>	<u>(\$154.2)</u>	<u>(\$273.3)</u>	<u>(\$121.9)</u>	<u>(\$226.7)</u>
Department of Social Services GF Costs	2.3	3.6		
<u>Net State Savings</u>	<u>(\$152.0)</u>	<u>(\$269.7)</u>		

Hospital Provider Assessment

- Proposed budget provides authority for the Department of Medical Assistance Services to impose a provider assessment on net patient revenue on private hospitals to cover the actual costs of Medicaid Expansion.
 - Estimated to be a 0.5% assessment in FY 2019 and 1.4 % in FY 2020.
 - The revenue would be deposited into the Health Care Fund.
 - The introduced budget assumes in FY 2019 and FY 2020 the revenue would be used to cover the costs of Medicaid Expansion.



Mandatory Spending Increases

Major GF Increases for the 2018-20 Biennium - (\$ in millions)	
Medicaid utilization and inflation	\$575.9
Children's Services Act expenditure and caseload growth	54.2
FAMIS & Children's Health Insurance Program (caseload growth and match rate)	45.7
DOJ: Funding for required CL (750) and FIS (75) waiver slots	45.0
Reinvestment of Child Welfare Savings	8.5
Adjust Information Technology Funding for Dept. of Social Services	8.4
DOJ: Rental Assistance, Health Support Network, Independent Reviewer	7.5
Medical costs of involuntary mental commitments	7.0
Increase funding for foster care and adoption payments	6.6
Early Intervention Services – Part C caseload	4.6
TANF Unemployed Parents Program	1.8
TOTAL, Mandatory Spending	\$765.2

Medicaid Forecast

- The proposed budget includes \$575.9 million GF for the 2018-20 budget to address the cost of health care services under Medicaid.
 - Projected growth is 2.1 percent in FY 2019 and 4.2 percent in FY 2020.
 - Enrollment growth in Medicaid was 2.0 percent in FY 2017 and is projected to grow about 3.0 percent a year.
 - The significant shift in expenditures from the fee-for-service system to managed care results in offsetting savings that lowers the program's growth rates in the upcoming biennium.
 - Approximately \$104.4 million of the projected general fund increase in Medicaid is related to inflation for inpatient hospital services and nursing homes.

Behavioral Health Spending

Major GF Increases for the 2018-20 Biennium - (\$ in millions)	
Implement same-day access at remaining 22 Community Services Boards	\$15.0
Address capacity issues at state mental health hospitals	11.4
Primary care screening at Community Services Boards	11.2
Implement electronic health records at state hospitals	10.2
Medication Assisted Treatment for Opioid use disorders	10.0
Permanent Supportive Housing	7.1
Other (56 beds at Western State Hospital, misc.)	7.8
TOTAL, Behavioral Health	\$72.7

Other Spending Items

Major GF Increases for the 2018-20 Biennium - (\$ in millions)	
Medicaid consumer-directed attendants (2% rate increase, 16 hours of overtime, and training)	\$20.4
Virginia Center for Behavioral Rehabilitation (transitional costs, medical costs, and new beds online in FY 2020)	15.3
Administrative costs (Medicaid call center contract, local office rents, etc.)	10.3
DOJ Settlement (Crisis services and reserve waiver slots)	8.4
Offset NGF decrease in child support enforcement revenue	5.9
Other spending (Medical examiner staff, electronic health records at the Health Department, decedent transport rate, meningococcal vaccine requirement, private day placement rate study, etc.)	14.6

- The introduced budget also includes \$6.0 million in additional TANF spending each year for a long acting reversible contraception program.

Public Safety and Homeland Security

Overview of Public Safety: SB 29 & SB 30

SB 29 (Caboose bill for FY 2018):

- Proposes \$5.1 million GF for medical costs at Department of Corrections (DOC) and overtime for Department of Forensic Science (DFS), and
- Increases net profits from the Department of Alcoholic Beverage Control (ABC) Enterprise Fund to be transferred to the GF.

SB 30 (FY 2019 and FY 2020):

- Proposes additional \$204 million GF and \$204 million NGF (including technicals) for public safety agencies, and
- Assumes \$44.1 million GF in savings from DOC's operating budget as a result of proposed Medicaid expansion.
- Increases net profit transfers from ABC Enterprise Fund to the GF.

SB 29: FY 2018 Changes for Public Safety

(\$ in millions)	Description	FY 2018
DOC	GF for inmate medical costs	\$5.0
DFS	GF for overtime funding for Controlled Substances and Biology	0.1
§3-1.01	Increase net profits to be transferred from ABC Enterprise Fund to GF	(1.1)

- DOC assumes 5% increase on Anthem charges, 3.8% on drug prices, and 2.6% on medical care.
- In first quarter of FY18, DFS controlled substances section had a backlog of 10,132 cases and a case turnaround time of 108 days. The Biology section had a backlog of 2,158 cases and a turnaround time of 152 days.

SB 30: Department of Corrections

(GF \$ in millions)	FY 2019	FY 2020	Description
Medicaid Expansion	(\$17.2)	(\$26.9)	Assumes savings from Medicaid expansion.
Inmate Medical Costs	14.1	24.2	Assumes 5% increase on Anthem billings for inpatient & outpatient, 3.8% on drugs, & 2.6% on medical care.
Specialized Mental Health Units	0.6	2.3	15 positions in the first year and 36 in the second year to treat seriously mentally ill inmates.
Probation and Parole Officers	0.5	1.8	17 positions in FY 19 and 35 in FY 20.
Residential Opioid Treatment	0.4	0.4	Cold Springs Detention and Diversion Center into specialized opioid treatment facility.
Staff for Level I Women	0.2	0.2	3 medical/mental health staff at Central VA facility.
Jail Death Investigator	0.1	0.1	Adds a position to review jail deaths.
Additions to Corrections Special Reserve Fund	<u>0.4</u>	<u>0.0</u>	7 bills proposed by Governor, may impact prison population.
TOTAL	\$(0.8)	\$2.2	

SB 30: Department of State Police (VSP)

(GF \$ in millions)	FY 2019	FY 2020	Description
Special Operations positions	\$1.7	\$1.1	10 positions to support tactical operations.
Replacement helicopters	1.9	1.9	Replaces helicopter lost in August 2017 accident and med-flight helicopter through MELP.
Operating support for COMLINC	0.3	0.3	Supports system that has been funded by pass-through grant from VDEM.
Additional Fusion Center analysts	0.1	0.3	2 positions in the first year and 4 in the second year to conduct criminal intelligence analysis.
Polygraph Quality Control analysts	0.0	0.3	2 training & quality control positions in FY 20.
Background check technicians for universal background check legislation	<u>0.4</u>	<u>0.5</u>	7 positions/year to conduct criminal background checks that would result from proposed legislation.
TOTAL	\$4.4	\$4.4	

- Proposed funding also includes \$2.1 million NGF in each year to enhance Computerized Criminal History System.

SB 30: Department of Alcoholic Beverage Control (ABC)

(NGF \$ in millions)	FY 2019	FY 2020	Description
Cost of Goods Sold	\$20.1	\$54.9	Based on a projected sales increase of 4.42% per year.
POS, audit systems replacements	7.7	7.7	Pilot new point-of-sales (POS) system in one store for the first year; purchase new sales audit system.
New email, SharePoint software	0.7	0.6	Funding to allow transition to Office 365 and to purchase SharePoint for productivity.
Positions for New/High Volume Stores	2.8	5.7	Adds 19 positions in the first year and 38 in the second year to staff new stores opening and high volume stores.
Convert PT employees to FT	0.5	1.0	25 part-time positions in the first year and 50 part-time positions in the second year would be converted to full-time.
Enforcement activities	<u>1.9</u>	<u>1.9</u>	Based on projected revenue from proposed increases to various license fees.
TOTAL	\$33.1	\$71.7	

SB 30:ABC Other Actions

- Introduced bill would increase transfers to the GF from Enterprise Fund by \$6.8 million in the first year and \$12.5 million in the second year above the FY 2018 amount in Ch. 836.
- Includes new language related to how ABC can account for depreciation against net profits.

SB 30: Other Public Safety

GF \$ in millions	Description	FY 2019	FY 2020
Secretary of Public Safety and Homeland Security	Assess and upgrade VSP's Commonwealth Link to Interoperable Communications System	\$1.0	\$0.0
Department of Forensic Science	8 positions in each year for Controlled Substances, Biology, and Digital and Multimedia section scientists; and scientific equipment	0.9	1.3
Department of Emergency Management	Emergency preparedness training for first responders, federal grant coordinator position, and vehicle replacement	1.2	1.9
Department of Military Affairs	Funds emergency coordinator, emergency response specialist, IT Officer, and Cyber Security Assessments	0.2	0.4
Department of Criminal Justice Services	Increases "HB599" aid to localities with police departments and "Drive to Work"	<u>6.6</u>	<u>13.8</u>
	TOTAL	\$9.9	\$17.4

Veterans and Defense Affairs

Overview of Veterans & Defense Affairs

- Proposes a 10.9 percent operating increase for the Office of the Secretary.
- **Veterans Care Centers** – Includes \$14.4 million NGF over the biennium, and 265.0 positions for operations of four Veterans Care Centers, the majority of which is in the second year.
 - Funding for the two new Centers in Virginia Beach and Fauquier County is being provided through a **working capital advance of \$11.5 million** with the expectation that the loan will be repaid from Medicaid and Medicare revenues, private insurance and other patient revenues.
- **Benefit Services Offices** – Proposes \$541,000 GF and 9.0 FTE over the biennium to open new and expanded existing Veteran's Benefit Offices in the City of Virginia Beach and Ft. Belvoir in order to expedite services and reduce wait times for the processing of benefit claims.
- **Veterans Entrepreneurship** – Recommends \$186,000 GF and 1.0 FTE for assisting Veterans in developing skills and identifying resources to become successful business owners.
- **Women Veterans** – Recommends \$152,000 GF and 1.0 FTE to develop programs and services targeted at women veterans.

Agriculture and Forestry

Overview of Agriculture & Forestry

- Proposes a 28 percent operating increase for the Office of the Secretary.
- **Wine Promotion Fund** – Includes a total of \$768,594 GF in additional deposits to the Wine Promotion Fund over the three fiscal years embraced by SB 29 and SB 30.
- **Industrial Hemp** – Recommends a total of \$0.3 million and 2.0 FTE for marketing, staffing and expanding the industrial hemp research program to allow all individuals and institutions of higher education to participate in the growing and processing of industrial hemp for research purposes.
- **Food Safety Programs** – Proposes VDACS and VDH assess the long-term funding and fee structures of the food safety and restaurant inspection programs, including the consolidation of the two programs under one agency.
- **AFID** – Maintains the current funding level of \$1.0 million GF in each year for the Agriculture and Forestry Industries Development Fund.
- **Nursery Capacity** – Proposes a one-time increase of \$236,000 GF to enable the Department of Forestry to begin production of containerized longleaf and loblolly pine seedlings.
- **Historical Horse Racing** – Includes language to expand the definition of simulcast racing to include pre-recorded races and authorizes development of wagering handle regulations.

Natural Resources

Overview of Natural Resources

- **Water Quality Improvement Fund** – Includes \$22.5 million GF in FY 19 based on the FY 17 revenue surplus and unexpended balances. Funding is distributed to the WQIF Reserve Fund, the Natural Resources Commitment Fund, and the Soil & Water Conservation Districts for the continued implementation of agricultural best management practices, technical assistance, and the Conservation Reserve Enhancement Program.
- **State Park Wi-Fi** – Proposes \$536,348 over the biennium to install or expand Wi-Fi connections at 22 state parks.
- **Urban Open-Space** – Recommends \$0.5 million over the biennium to establish a new urban open-space preservation grant program at the Virginia Outdoors Foundation.
- **Game Protection Fund** – Increases the transfer of watercraft sales tax revenues from the General Fund to the Department of Game & Inland Fisheries by \$1.6 million in the current year (SB 29) and provides \$33.7 million in transfers over the biennium (SB 30) to the Game Protection Fund.
- **Land Conservation Programs** – Level funds the three land conservation programs at the FY 18 funding level of \$5.75 million GF each year, including:
 - Virginia Land Conservation Fund (DCR) - \$4.5 million / year,
 - Battlefield Preservation Fund (DHR) - \$1.0 million / year, and
 - Farmland Preservation (VDACS) - \$250,000 / year.

Implementation of Recent Settlements

- A series of amendments totaling approximately \$6.6 million NGF at the Departments of Conservation & Recreation, Game & Inland Fisheries, and Historic Resources, in addition to several authorizations in Capital Outlay, reflect the impact on state agencies resulting from the recent DuPont and Surry-Skiffe's Creek settlement agreements.
- Middle Peninsula State Park – Proposes a total of \$0.8 million NGF and 3.0 FTE over the biennium for the operating costs at Middle Peninsula State Park.
 - Accompanying language authorizes the acceptance of this property which will be donated as part of the Skiffes Creek settlement.
 - Beginning in FY 21, operational costs for the proposed Park will have to be covered by the General Fund.
- Hog Island – Recommends \$1.6 million NGF at DGIF for improvements to Hog Island Wildlife Management Area.

Natural Resources Capital Outlay

(NGF \$ in millions)	FY 19	FY 20	Biennium
Alexandria CSO	\$20.0		\$20.0
DGIF	9.4	\$ 10.4	19.8
Natural Area Preserves	3.6		3.6
York River State Park	1.5		1.5
Park Infrastructure	4.0		4.0
CCC Cabins	<u>7.5</u>		<u>7.5</u>
Total	\$46.0	\$ 10.4	\$56.4

Transportation

Department of Motor Vehicles

- **REAL ID Compliance** – Proposes to establish a line of credit, beginning in FY 18 (SB 29), totaling \$20.7 million to cover the assumed costs and increased workloads associated with federal compliance. Funding primarily covers an additional 96.0 FTE positions at DMV offices across the state.
 - The line of credit would be repaid from a one-time \$10 surcharge on customers choosing to purchase compliant credentials.
- **Fuels Tax System Replacement** – Proposes \$7.1 million NGF to be retained by DMV for the replacement of the automated system used to collect fees, taxes and commercial vehicle registrations.

Transit Capital Replacement Program

- **Transit Capital Bonds** – Includes language within the Department of Rail & Public Transportation to authorize the issuance of \$110.0 million in transit capital bonds and appropriates those proceeds in FY20.
 - The authorization is for one year and is intended to replace current bond proceeds authorized in 2013 that will be exhausted in FY19.
 - Debt Service would be paid from VDOT revenues in the Priority Transportation Fund.
 - It is anticipated that stand-alone legislation will increase this authorization to five years and \$550 million.

Statewide Transportation Revenues

- Includes a total of \$1.7 billion NGF in additional revenues from:
 - i) the revised CTF forecast;
 - ii) a one-time concession payment; and
 - iii) the assumed imposition of additional taxes in Northern Virginia.

(\$ in millions)	FY 18	FY 19	FY 20	Total
Current SYIP	\$359.5	\$280.6	\$356.8	\$996.9
December Forecast	0.0	57.4	45.9	103.4
NVTA Revenue	0.0	50.5	50.8	101.3
I-66 Concession	<u>0.0</u>	<u>503.9</u>	<u>0.0</u>	<u>503.9</u>
Total	\$ 359.5	\$ 892.4	\$ 453.5	\$ 1,705.5

Regional Transportation Revenues

- Imposes a “floor” on the regional motor fuels in Hampton Roads and Northern Virginia.
- Increases the grantors tax in Northern Virginia from \$0.15 to \$0.25 per \$100 value.
- Increases the Transient Occupancy Tax in Northern Virginia from 2% to 3%.
- Revenues from the increases in Northern Virginia are dedicated to WMATA.
 - Additional language proposes to redirect existing NVRTA funds to the WMATA as part of a larger effort to provide dedicated annual funding of approximately \$150 million.

Virginia Port Authority

- **Hampton Roads Harbor Improvements** – Proposes to use \$20.0 million in CTF revenues freed-up from a cash for debt swap from existing highway projects to advance the planning and preliminary engineering for widening and dredging the Norfolk Harbor Channel to 55' and the Southern Branch of the Elizabeth River to 45'.
- **Economic Development Zone Grant Program** – Recommends \$2.0 million GF in each year to provide grants to qualified companies that expand shipments through the Port (Grant program is currently funded through the COF).
- **Additional Positions** – Proposes an additional 21.00 FTE across all aspects of Port operations including Economic Development, Logistics, Human Resources, Police, Procurement, Finance and Accounting.

Port of Virginia Capital Projects

(NGF \$ in millions)	FY 19	FY 20	Total
APM Terminal Equipment	\$ 37.0	\$ 30.0	\$ 67.0
Cargo Handling	13.0	11.0	24.0
Portsmouth Yard Expansion	13.0	11.0	24.0
VIG Terminal Capital Lease	4.0	8.0	12.0
Maintenance Reserve	<u>3.0</u>	<u>3.0</u>	<u>6.0</u>
Total	\$70.0	\$63.0	\$ 133.0

Transportation Capital Projects

(NGF \$ in millions)	FY 19	FY 20	Total
Transit Capital (DRPT)	\$0.0	\$110.0	\$110.0
Cash for Debt Swap (VDOT)	20.0	0.0	20.0
Statewide Facilities (VDOT)	0.0	25.0	25.0
Maintenance Reserve (VDOT)	0.0	5.0	5.0
<i>Subtotal – Surface Transportation</i>	<i>\$20.0</i>	<i>\$140.0</i>	<i>\$160.0</i>
Port of Virginia Capital	70.0	63.0	133.0
Total	\$90.0	\$203.0	\$293.0

General Government

General Government

Technology

- Includes \$2.3 million GF in the current year (SB 29) for repayment of a Working Capital Advance for the Virginia Enterprise Applications Program. This program, and related contracts, have been terminated and no repayment mechanism is available.
- Adjusts NGF appropriations to the Virginia Information Technologies Agency by approximately \$22.0 million in each year to reflect anticipated changes in vendor pass-through payments for IT service rates and usage.
- Recommends \$1.5 million NGF over the biennium and 4.0 FTE for increased utilization of the Shared Security Center at VITA.
- **IT Disentanglement** – Two actions are included to provide requisite funding for the transition to the new IT services provisioning environment.
 - Approximately \$5.4 million NGF over the biennium for direct expenses including consulting and legal services.
 - An increase of \$20 million in the VITA line of credit, to a total of \$95 million, to address anticipated disentanglement costs from the current vendor.

General Government – SB 29

Judicial, Executive, Finance, and Administration

(GF Resources \$ in millions)	FY 2018
Criminal Fund Balance Reversion	\$ 1.5
Increase Revolving Trust Fund Appropriation (AG)	<u>(0.5)</u>
Total	\$ 1.0

(GF \$ in millions)	FY 2018
Revert Excess Funding for Sheriffs' Salary Initiative	\$ (1.1)
Rolling Stock Taxes	(0.6)
Adjust Tennessee Valley Authority PILTs	(0.1)
Debt Management Savings	<u>(24.3)</u>
Total	\$ (26.1)

General Government – SB 29

Compensation, Central Appropriations, and Independent Agencies

- Adds \$121.4 million GF to the Revenue Cash Reserve, bringing the total to \$156.4 million. The addition includes \$42.2 million in one-time revenue from the 2017 Tax Amnesty Program. A companion action in HB/SB 30 proposes an additional \$270.7 million GF.
- Adds \$1.2 million GF for the Slavery and Freedom Heritage Project.
- Reduces \$4.7 million GF in the Virginia Information Technologies Agency for rate savings based on agency utilization estimates.

General Government – SB 30

Legislative, Judicial, Executive, and Administration

(GF \$ in millions)	FY 2019	FY 2020	Biennium
Expansion of Mental Health Dockets	\$ 0.5	\$ 0.5	\$ 1.0
Expansion of Drug Courts	0.4	0.4	\$ 0.8
Drug Court Evaluation and Monitoring (2.0 FTEs)	0.2	0.2	\$ 0.4
Fill Vacant Judgeship in 20th Judicial Circuit	0.3	0.3	\$ 0.6
Replace Agency Computer Equipment	0.2	0.2	\$ 0.4
HAVA Funding Backfill (12.0 FTEs)	5.2	5.2	\$ 10.4
Jail Per-Diems	0.4	1.4	\$ 1.8
Revert Excess Funding for Sheriffs' Salary Initiative	(1.4)	(1.4)	\$ (2.8)
Expanded Jail Capacity at Prince William/Manassas Detention Center	-	1.5	\$ 1.5
Total	\$ 5.7	\$ 8.3	\$ 14.0

General Government – SB 30

Finance, Compensation, and Central Appropriations

(GF \$ in millions)	FY 2019	FY 2020	Biennium
Revenue Cash Reserve	\$ 50.0	\$ 220.7	\$ 270.7
Additional Funding in Secretary's Office	0.2	0.2	0.4
Tax Audit Initiative	0.6	0.7	1.2
Debt Service	(4.7)	43.9	39.2
Higher Ed Interest Earnings and Rebates	6.5	6.5	13.0
Two Percent Raise for State Employees	-	49.4	49.4
State Health Plan Rates	33.7	84.6	118.3
Funding for Employees' Share of Health Plan Rates	3.8	10.0	13.8
VRS Contribution Rate Savings	(6.5)	(6.8)	(13.3)
Total	\$ 83.6	\$ 409.2	\$ 492.7

Capital Outlay

Capital Outlay Funding – SB 29 & SB 30

Fund Type (\$ in millions)	SB 29	SB 30
General Fund Cash	\$0	\$15.0
VPBA/VCBA Tax-Supported Bonds	(\$12.5)	\$453.7
9(c) Revenue Bonds	0	\$21.0
9(d) Revenue Bonds	0	\$260.7
Nongeneral Fund Cash	<u>0</u>	<u>\$223.6</u>
Total	(\$12.5)	\$974.0

- \$252.0 million in VPBA/VCBA bonds over the biennium for Central Maintenance Reserve.
- \$52.1 million the first year in VPBA/VCBA bonds for furnishings and equipment for capital projects nearing completion.
- \$51.6 million in tax-supported debt for the replacement or renovation of six projects (within this amount is \$20.0 million for the Combined Sewer Overflow Matching Fund for the City of Alexandria).
- \$45.4 million the first year in VCBA/VPBA bonds to supplement existing capital outlay pools.
- \$32.6 million in VPBA/VCBA bonds over the biennium for five stand-alone agency projects.
- \$20.0 million in VPBA bonds to construct/renovate VDOT facilities (related to planning cash swap for dredging in Hampton Roads).
- \$15.0 million GF over the biennium for the planning of five additional projects.

New Planning Projects – Central Capital

Agency	Project Title
Department of State Police	Replace Training Academy
Wilson Workforce & Rehab. Center	Renovate Watson Theater and Activities Building, Phase 3
Dept. of Behavioral Health & Develop. Services	Replace Central State Hospital
Department of Corrections	Expand and Renovate Deerfield Correctional Center
Institute for Advance Learning & Research	Construct Center for Manufacturing Advancement
Total (GF)	\$15,000,000

2018 Session Capital Construction Pool

Agency	Project Title
Virginia Museum of Fine Arts	Replace Roof and Drains on Pauley Center Replace Air Handling Units
Department for the Blind and Vision Impaired	Renovate Departmental Headquarters Building
Department of Corrections	Replace Hot Water and Heating Mechanical Systems – Sussex I & II and Red Onion Renovate Buckingham Wastewater Treatment Plant
Southwest Virginia Higher Education Center	Replace HVAC System
Department of Environmental Quality	Combined Sewer Overflow Matching Fund – Alexandria (\$20.0 M)
Total (Bonds)	\$51,559,000

Stand-Alone Agency Projects Supported with Bonds

Institution/Agency	Project Title	FY 2019
Dept. of Behav. Health & Dev. Serv.	Address Patient & Staff Safety Issues at State Facilities	\$10,000,000
Dept. of Cons. & Recreation	Make Infrastructure Repairs & Improvements, Various State Parks	\$4,000,000
Dept. of General Services	Monroe Building Critical Systems Replacements	\$13,600,000
Dept. of Military Affairs	Improve Readiness Centers	\$3,000,000
Dept. of Transportation	Acquire, Design, & Renovate Facilities Statewide	\$20,000,000
School for the Deaf and Blind	Make System Infrastructure Repairs & Improvements	\$2,000,000
Total (Bonds)		\$52,600,000

Other Capital Outlay Actions

- \$110.0 million in transit capital bonds – the NGF proceeds are to be used for transit capital projects around the state as designated by the Commonwealth Transportation Board.
- Department of Corrections language in Item 391 E. exempts the Department of Corrections from the capital procurement requirements of DGS Construction and Professional Services Manual as well as legislation passed last year.
- Department of Alcoholic Beverage Control language in Central Capital Outlay provides authorization for ABC to continue with the new warehouse / administrative office building project upon completion of the plan authorized in Chapter 836 and submission of that plan to the Chairmen of the House Appropriations and Senate Finance Committees, the Governor and the Capital Outlay Six-Year Plan Advisory Committee (CAPSIX).