











Overview of SB 1100

Governor's Proposed Amendments to
Chapter 2 (2018-20 Biennial Budget)

January 15, 2019

Presentation Outline

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

Overview/Resources

SB 1100 Highlights

- Proposed amendments to the 2018-20 biennial budget reflect substantial upward adjustments in both resources and proposed spending as compared to Chapter 2.
- Revenue adjustments reflect both modest growth in ongoing economic sources, which totals \$548.2 million over the biennium, and more than \$1 billion in resources derived from tax policy actions assumed in the introduced amendments.
- When combined with the FY 2018 surplus, economic growth and tax policy actions, assumed additional resources available for appropriation total more than \$2.1 billion.
- Proposed changes in operating spending total roughly \$2.1 billion over the biennium.
 - Additional spending of \$462.5 million to cover growth in the Medicaid forecast accounts for more than 80 percent of revenues from ongoing economic sources.

SB 1100 Revenue Outlook

- Assumes \$1.59 billion in additional GF revenue collections over Chapter 2, including policy changes.
 - Adds \$548.2 million in revenue growth, including an additional \$140 million in anticipated payroll withholding collections over the GACRE forecast.
 - Forecast is reduced by \$207 million in FY 2019 and \$214 million in FY 2020 by continuing the nonwithholding “collar” adjustment.
 - Economic growth (excluding policy changes) is assumed to be 3.0% in FY 2019 and 3.7% in FY 2020.
- Assumes full conformity with the Tax Cuts and Jobs Act (TCJA), resulting in \$1.2 billion in additional GF revenues over the biennium.
- Assumes passage of internet sales tax legislation, adding \$82.5 million in GF revenues in FY 2020 (\$55.3 million is GF-unrestricted).
- Assumes a reduction in revenues of \$216.3 million, from making the Earned Income Tax Credit refundable.
- Proposes partially rolling-back the Accelerated Sales Tax (AST) requirement, reducing revenues \$27.2 million in FY 2020.

SB 1100 GF Revenue Forecast Adjustments

(\$ in millions)	FY 2019	FY 2020	2018-20 Biennium
Chapter 2 GF Revenue Forecast	\$20,173.7	\$20,976.2	\$41,149.8
<u>Forecast Adjustments</u>			
GACRE Revenue Adjustments	226.4	181.8	408.2
Post-GACRE Payroll Withholding Adjustment	<u>70.0</u>	<u>70.0</u>	<u>140.0</u>
Total Forecast Adjustments	\$296.4	\$251.8	\$548.2
<u>Policy Adjustments</u>			
Federal Tax Conformity	594.2	611.1	1,205.3
Internet Sales Tax (total GF)	-	82.5	82.5
Make Earned Income Tax Credit Refundable	(10.3)	(206.0)	(216.3)
Partially Roll-back Accelerated Sales Tax (AST)	-	(27.2)	(27.2)
Miscellaneous/Technical Adjustments	<u>(3.4)</u>	<u>0.6</u>	<u>(2.8)</u>
Total Policy Adjustments	\$580.5	\$461.0	\$1,041.5
Total General Fund Revenues	\$21,050.6	\$21,689.0	\$42,739.6
Total GF Revenue Growth	5.9%	3.0%	

SB 1100 Changes to GF Resources

(\$ in millions)	Chapter 2	SB 1100	Change
Beginning Balance	\$212.6	\$1,229.9	\$1,017.8
Balance Adjustments	21.5	(418.8)	(440.4)
Net Change to Balance			\$577.4
Chapter 2 Revenue Estimate	\$41,149.8		
GACRE/Economic Forecast Adjustments		548.2	548.2
Policy Adjustments*		<u>1,041.5</u>	<u>1,041.5</u>
SB 1100 GF Revenue Estimate		\$42,739.6	\$1,589.7
Transfers	\$1,252.0	\$1,252.4	<u>\$0.4</u>
Net Change to GF Resources			\$2,167.6

*Assumes full conformity with the TCJA, expansion of internet sales tax, making the Earned Income Tax Credit refundable, and partially rolling-back the Accelerated Sales Tax requirement.

SB 1100 Resources Available for Appropriation

(\$ in millions)	2018-20 Biennium	
Beginning Balance	\$1,229.9	
Balance Adjustments	(418.8)	
SB 1100 GF Revenue Estimate*	42,739.6	
Transfers	<u>1,252.4</u>	
GF Resources Available for Appropriation		\$44,803.1
GF Appropriations, Ch. 2	\$42,632.9	
Proposed Operating Spending	2,111.9	
Proposed Capital Outlay Spending	<u>33.6</u>	
Total Proposed GF Spending		<u>\$44,778.3</u>
Unappropriated Balance		\$24.8

* Includes tax policy adjustments.

SB 1100 - Tax Conformity and Internet Sales Tax Actions

- Language in SB 1100 conforms Virginia to federal tax law as of December 31, 2018, including provisions of the federal Tax Cuts and Jobs Act (TCJA).
- Asserts nexus for remote sellers and marketplace facilitators consistent with the *Wayfair* decision, requiring internet sellers to begin collecting the sales tax.
 - SB 1100 repeals provisions of HB 2313 (2013) which would (a) dedicate these internet sales tax revenues to transportation and (b) lower the gas tax from 5.1 percent to 3.5 percent, if congressional action were to be taken to require the collection of these taxes.

Estimated Revenue Impact of the TCJA

Estimated Virginia General Fund Revenue Impact

FY 2019 to 2026

(\$ in millions)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26*
Individual Provisions	\$532.1	\$443.8	\$466.7	\$492.5	\$520.0	\$546.1	\$573.5	\$367.7
Business Provisions	29.4	114.6	181.5	300.3	417.2	398.2	363.1	365.3
International Provisions	<u>32.6</u>	<u>52.7</u>	<u>5.5</u>	<u>5.8</u>	<u>6.0</u>	<u>6.3</u>	<u>6.5</u>	<u>6.8</u>
Total, All Provisions	\$594.2	\$611.1	\$653.7	\$798.7	\$943.2	\$950.6	\$943.1	\$739.8

*FY26 includes a partial year impact from the expiration of TCJA individual provisions. The estimated impact of the individual provisions is reduced to less than \$20 million in FY27.

Source: Virginia Department of Taxation; Chainbridge Software, LLC.

- The Department of Taxation estimates that 26 percent of Virginians will see an increase in their state tax liability as a result of the TCJA.

South Dakota v. Wayfair

- The U.S. Supreme Court's *South Dakota v. Wayfair, Inc.* decision overturned the physical-presence rule that had applied to collecting sales tax on interstate sales.
- The decision **enables** states to require online and out-of-state sellers—even those with no physical presence—to collect sales tax, so long as the state can demonstrate a connection based on something else, such as volume of in-state sales.
- The South Dakota law prompting the Supreme Court decision includes a number of important provisions, including:
 - Minimum thresholds and volumes (\$100,000 in sales or 200 transactions);
 - Simplified collection process; and
 - No retroactivity.
- The *Wayfair* decision may prompt congressional action which would trigger contingent provisions of HB 2313 (2013) resulting in a loss of approximately \$100 million in funding dedicated to transportation.

Revenue Reserve Fund

- Proposes \$789.3 million in new deposits and reappropriations to the Revenue Reserve.
 - \$235.2 million mandatory deposit;
 - \$199.7 million toward future mandatory Revenue Stabilization Fund deposits;
 - \$50.0 million for Semiconductor Manufacturing Grant incentive payment; and,
 - \$304.4 million in supplemental deposits.
- If adopted, combined reserves would total \$1.5 billion at the close of FY 2020.
- Authorizes the Governor to appropriate funds from the Revenue Reserve Fund for:
 - Deferrals, disallowances, and repayments required by the federal government;
 - Unbudgeted obligations including costs resulting from settlements and litigation;
 - Emergencies and natural disasters;
 - Economic development incentives authorized by the General Assembly and the Governor; and
 - Any required deposits to the Revenue Stabilization Fund that are not otherwise supported by the Appropriation Act.

Proposed Amendments for 2018-20 Biennium

- SB 1100: 2018-20 Biennial Budget – uses Chapter 2 as the starting point and proposes amendments related to additional spending requirements or savings for the rest of FY 2019 and FY 2020.
- Proposed changes in operating spending total \$2.1 billion over the biennium (includes tax policy actions).
 - Spending items include:
 - \$789.3 million in deposits and reappropriations to the Revenue Reserve Fund;
 - \$462.5 million to cover growth in the Medicaid forecast; and
 - \$87.6 million for an additional 2% teacher salary increase on July 1, 2019 (already at 3%).
 - Offset by savings actions:
 - \$55.2 million from lower K-12 enrollment;
 - \$55.1 million in debt service savings; and
 - \$51.3 million in slower growth in employee health insurance premiums.

Proposed Discretionary Spending

Action	FY 19	FY 20	Biennial
DOA: Supplemental Revenue Reserve Deposits	\$504.1	\$0.0	\$504.1
Part 3: Earned Income Tax Credit Refund (from revenues)	10.3	206.0	216.3
K-12: Additional 2% Salary Increase	0.0	87.6	87.6
VDOT: Virginia Transportation Infrastructure Bank	75.0	0.0	75.0
DEQ: Stormwater Local Assistance Fund	0.0	50.0	50.0
DHCD: Virginia Telecommunications Initiative	0.0	46.0	46.0
CA: Additional 1% Bonus State Employees	0.0	40.2	40.2
DCR: Supplemental WQIF Deposits	20.0	15.0	35.0
CO: Capital Outlay Cash	33.5	0.0	33.5
Part 3: Accelerated Sales Tax	0.0	27.2	27.2
VEDP: Business Ready Sites	20.0	0.0	20.0
DHCD: Housing Trust Fund	14.5	4.5	19.0
DCR: Virginia Land Conservation Fund	5.5	5.5	11.0
DMME: Renewable Energy Development Fund	10.0	0.0	10.0
CA: Workforce Management System	0.0	8.0	8.0
TOTAL	\$692.9	\$490.0	\$1,182.9

Commerce and Trade – Economic Development

Commerce and Trade

Major Spending Proposals

- Recommends increasing GF spending in the Commerce and Trade secretariat by \$43.8 million (19.4 percent) in FY 2019 and \$54.3 million (23.6 percent) in FY 2020.
- An additional \$50.0 million to fund the Semiconductor Manufacturing Grant incentive payment is included in a deposit and **withdrawal from the Revenue Reserve Fund**.
- Proposes an additional \$46.0 million GF for broadband in FY 2020.
- Proposes \$20.0 million GF in additional funding for the Virginia Economic Development Partnership to fund infrastructure improvements and site development initiatives.
- Recommends increasing deposits to the Housing Trust Fund by \$19.0 million GF over the biennium.
- Proposes \$10.0 million GF in new spending to create a revolving loan fund and loan-loss reserve fund to incentivize renewable energy development.

Commerce and Trade: Summary of Proposed Amendments

GF Actions for the 2018-20 Biennium (\$ in millions)	Ch. 2 Increase	SBI 100 Prop. Amend.	Ch. 2 Increase + SB 100 Prop. Amend.
Virginia Telecommunications Initiative (Base = \$1.0 million/year)	\$6.0	\$46.0	\$52.0
Virginia Economic Development Partnership (Base = \$26.0 million/year)	\$13.7	\$20.0	\$33.7
Increase Deposits to the Housing Trust Fund (Base = \$5.5 million/year)	\$0.0	\$19.0	\$19.0
New Renewable Energy Incentive Fund	\$0.0	\$10.0	\$10.0
Virginia Employment Commission Strategic Workforce Dashboard	\$0.0	\$2.0	\$2.0
Virginia Occupational Safety and Health Program	\$0.0	\$1.4	\$1.4
Fort Monroe Authority (Base = \$5.0 million/year)	\$1.6	\$0.8	\$2.4
Other Renewable Energy Programs	\$0.1	\$0.4	\$0.5
Spearhead Trails Initiative (Base = \$0.3 million/year)	\$0.5	\$0.3	\$0.8
Coalfield Regional Tourism Authority	\$0.2	\$0.3	\$0.5
Other Adjustments (includes transfer of CIT to Commerce and Trade)	\$22.5	(\$2.0)	\$20.5
Commerce and Trade Total	\$44.5	\$98.1	\$142.6

Does not include \$50.0 million planned Semiconductor Manufacturing Incentive Grant payment (See language in Department of Accounts).

Higher Education

Overview of Higher Education

- Chapter 2 (2018 Special Session I) included an increase of \$120.6 million GF over Chapter 836 (2017 Session) (not including Central Accounts mostly technical actions of \$139.8 million).
- **SB 1100**: proposed amendments result in an increase of about \$37.7 million over the biennium (closer to \$69.5 million including Central Accounts), including:
 - **\$15.5 million GF** in FY 2020 to support undergraduate need-based aid.
 - **\$4.0 million GF** in the second year to support an additional 1,800 students under the New Economy Workforce Credential Grant.
 - **\$8.3 million GF** in FY 2020 under Central Accounts to increase computer science degrees.
 - **\$8.0 million GF** in the first year under Central Accounts to develop a workforce case management system across state agencies.

Higher Education: Summary of Proposed Amendments

Actions for the 2018-20 Biennium (GF \$ in millions)	Chap. 2 Increase	SB 1100 Prop. Amend.	Ch. 2 Increase + SB 1100 Prop. Amend.
Undergraduate Need-Based Aid	\$29.3	\$15.5	\$44.8
Degree Production	28.4	-	28.4
New Economy Workforce Credential Grant Program	4.0	4.0	8.0
Tuition Assistance Grant (Increase awards by \$50 to \$3,400 in the second year)	1.6	5.2	6.8
VCCS – Advising & Online Apprenticeship Curriculum	-	5.6	5.6
UVA-Wise – Enhance Academic Programs & Program Planning (backfills money moved from the second year to the first year)	1.8	2.6	4.4
Radford University – Jefferson College Acquisition	-	1.7	1.7
Other: (UVA VFH, UVA Focused Ultrasound Center, VIMS Bay Monitoring, VA Ext. Station, VSU Graduate Engineering, & Jefferson Lab)	2.5	3.1	5.6
Other Chap. 2 Items	53.0	-	53.0
HE Initiative Spending Total	\$120.6	\$37.7	\$158.3
Degree Production - Computer Science (in Central Accounts)	-	8.3	8.3
Workforce Case Management System (in Central Accounts)	-	8.0	8.0
Restoration of Restructuring Benefits (CC Rebate & Interest Earnings)	13.0	1.4	14.4

Other Higher Education Actions

- **Classified Staff and Faculty Salary Bonus.** One percent salary bonus in December of FY 2020, for classified staff and faculty is approximately \$12.6 million GF (in Central Appropriations).
- **Nongeneral Revenue Univ. of Mary Washington.** Language allowing Mary Washington to exceed the three percent cap on mandatory fees in auxiliary programs.
- **Virginia College Affordability Network Initiative.** Language requiring NSU, UVA-Wise, and VSU to develop a framework and funding recommendations to enhance access for students with high financial needs.
- **JMU Level III Authority.** Recommends approval for JMU to pursue Level III designation.
- **Six-Year Financial Plan Language.** Language requiring higher education institutions to submit a tuition and fee transparency and predictability plan for in-state undergraduate students as part of the six-year plan. The plans would cover a period of three years, include a percentage and dollar increase or decrease of tuition during the plan's duration, and indicate a range of tuitions based upon available state resources, but must contain a scenario that includes the assumption of no new state general fund support.

K-12 Education

Overview of Public Education

- Chapter 2 (2018 Special Session I) included an increase of \$664.4 million GF over Chapter 836 (2017 Session), including:
 - \$481.1 million GF for rebenchmarking updates,
 - \$131.5 million GF for the state's share of a 3% compensation supplement, and
 - \$73.9 million GF to increase the Supplemental Lottery Per Pupil Amount.
- **SB 1100**: proposed amendments result in an increase of \$154.9 million GF over the biennium for Direct Aid to Public Education above Chapter 2, plus \$70.3 million NGF in additional Lottery Proceeds.
 - This net amount reflects \$55.2 million GF savings due to revised enrollment projections, and other technical amendments totaling net savings of \$145.1 million.

Public Education: Summary of Proposed Policy Changes

- Chapter 2 (2018): Policy changes totaled \$187.1 million.

GF Actions for the 2018-20 Biennium (\$ in millions)	Prop. Amend.
State's Share of +2% Salary Increase (total = 5.0%) (+\$131.5M Ch. 2)	\$87.6
Literary Fund	80.0
School Counselors	36.0
At-Risk Add-On (+\$7.1 million in Ch. 2)	35.6
Lottery Supplemental Allocation (+\$73.9 million in Ch. 2)	34.7
Sales Tax (Internet Sales)	13.5
Continue Federal VPI-Plus Slots	9.7
Early Childhood – Curriculum and CLASS Observations (+\$1.8 million in Ch. 2)	1.7
Supp. Programs (Garden of Tomorrow, arts festival, autism, active learning, GRASP, GYO teachers)	3.3
Subtotal: Proposed Policy Changes	\$300.0

DOE Central Office Actions

Proposed Increases (GF \$)	2018-20
New grants management system to replace the OMEGA system	\$600,000
Statewide computer science education and training (UVA)	\$553,000
Automate the teacher license application system	\$552,500
Positions to address APA issues in finance, risk management, and IT security	\$549,573
Update certain social studies Standards of Learning tests	\$500,000
Seclusion and Restraint training and assistance	\$492,755
Early Childhood Education positions to provide individualized professional development and support local evidence-based curriculum and classroom observations	\$300,320

Other Education Agencies

- **Commission for the Arts.** Proposes an additional \$250,000 GF for grants to local arts organizations. Also proposes \$7,928 GF each year to cover the salary of the new agency director.
- **Virginia Museum of Fine Arts.** Proposes \$377,403 GF and 8.0 FTE to support Evans 360, a multidimensional learning experience that provides interactive ways for people across the Commonwealth to engage with the museum. Also proposes an exemption to the Virginia Public Procurement Act to allow VMFA to continue to outsource specific items for resale in the gift shop and restaurant operations.
- **Frontier Culture Museum.** Proposes \$15,000 GF to purchase defibrillators and mass casualty response kits for placement at strategic locations around the museum and to provide employee first aid and emergency training.

Independent Agencies

Independent Agencies

- **Virginia Retirement System.** \$3.7 million NGF related to completion of the Modernization Project; additional \$1.4 million NGF the second year for performance-based bonuses to investment staff, consistent with existing policy; \$919,005 NGF for continued access to market-driven investment data. Also, budget language proposes to add three ex-officio and non-voting members to the Board of Trustees (Secretary of Finance, staff directors of Senate Finance and House Appropriations Committees or designees).
- **College Savings Plan.** \$1.6 million NGF to enhance cyber security and support software upgrades; \$830,000 NGF to fund and fill the position of Investment Director; and \$180,253 NGF to reflect a new lease agreement and one-time costs to ensure federal ADA requirements.
- **Virginia Lottery.** \$3.6 million NGF the first year for a one-time vending equipment purchase that would allow the agency to expand lottery offerings statewide in certain corporate chain accounts.
- **State Corporation Commission.** \$65,100 NGF and 1.0 FTE to assist in providing oversight of qualified education loan servicers.

Health and Human Resources

Overview of HHR in SB 1100

(\$ in millions)	FY 2019 GF	FY 2019 NGF	FY 2020 GF	FY 2020 NGF
Chapter 2	\$6,647.7	\$10,140.5	\$6,821.5	\$11,686.0
Proposed Increases	238.0	377.5	360.2	1,859.2
Proposed Decreases	(65.5)	(14.7)	(54.8)	(83.3)
Net Change	172.5	362.8	305.4	1,775.9
SB 1100, as Introduced	\$6,820.2	\$10,503.3	\$7,126.9	\$13,461.9
Percent Change over Chapter 2	2.6%	3.6%	4.5%	15.2%

Medicaid Expansion Changes

- The introduced budget includes changes related to the expansion of Medicaid to individuals age 18 to 64 with incomes up to 138 percent of the federal poverty level per the Affordable Care Act. (Coverage began January 1, 2019; 375,000 are projected to be enrolled by July 1, 2020).
- **Proposes to fund \$13 million in administrative costs of the Section 1115 waiver from the general fund.**
 - November 1, 2018 Official Medicaid Forecast reflected \$7.1 million in waiver costs paid from the hospital provider assessment.
- **Chapter 2 included state costs of expansion of \$306.9 million, which has been adjusted to \$392.4 primarily to reflect expedited enrollment policies.**
- **Provider assessment language in Part 3 is modified with technical changes for quarterly updates of the assessment amount, clarifying the timeline to determine the “full costs of coverage”, and other clarifications to improve the assessment process.**

Mandatory Spending Increases in HHR

Major GF Increases for the 2018-20 Biennium - (\$ in millions)	FY 2019	FY 2020
Medicaid Utilization and Inflation Forecast	\$202.2	\$260.3
Replacement of Medicaid Funds at Piedmont Geriatric and Catawba Hospitals	19.0	27.3
FAMIS & Children's Health Insurance Program (Caseload and Match Rate)	4.3	10.2
Medicaid Expansion 1115 Waiver Demonstration (DMAS & DSS)	1.7	11.3
Foster Care and Adoption Payments (Caseload and Cost-of-living Increase)	0.7	1.3
Health Care Fund Revenue Offset	-	1.7
Early Intervention Services – Part C Caseload	0.5	0.7
Other (Rent Increases, Sterilization Payments, Waiver Assessments)	0.1	0.5
TOTAL Mandatory Spending	\$228.5	\$313.3

Medicaid Forecast Driven Largely by Managed Care Rates

Managed Care Rates:

- Managed care savings built into the rates for Commonwealth Coordinated Care (CCC) Plus were not fully realized.
- Medallion 4.0 managed care rates are slightly higher.

Hospital Fee-For-Service (FFS) Claims:

- A slower transition of the population from fee-for-service to the new CCC Plus managed care program results in higher FFS claims.

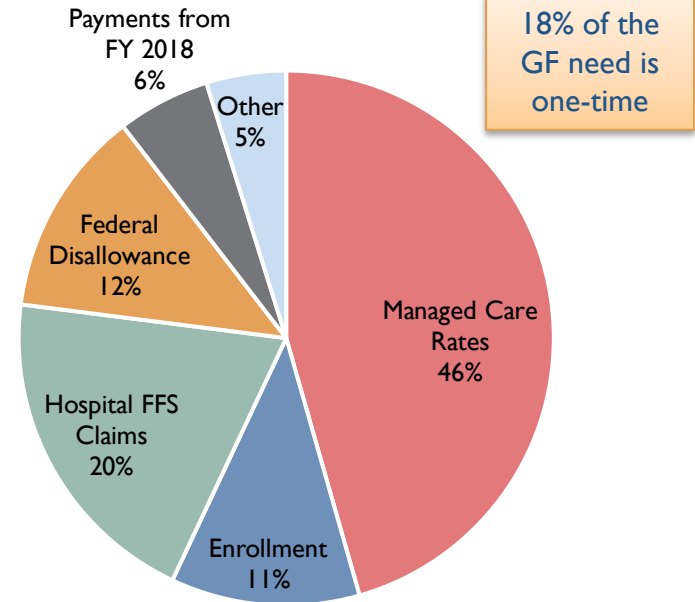
Enrollment:

- Children's enrollment higher than projected.

Piedmont and Catawba Hospital Disallowance:

- \$58 million GF for FY 2019.

Sources of \$462.5 million Medicaid GF Need



Behavioral Health Spending

Major GF Increases for the 2018-20 Biennium - (\$ in millions)	FY 2019	FY 2020
Expand Crisis Response Services (Children and Adults)	-	\$9.0
Address Direct Care Staffing at State Mental Health Hospitals (254 Positions)	-	7.9
Discharge Assistance to Address State Hospital Census Pressure	-	5.2
Purchase Additional Naloxone Kits	1.6	1.6
Permanent Supportive Housing for 150 Individuals	-	2.1
Virginia Mental Health Access Program	-	1.2
Transition Support at the Commonwealth Center for Children and Adolescents	-	0.9
TOTAL Behavioral Health	\$1.6	\$27.9

Department of Health Spending

GF Increases for the 2018-20 Biennium - (\$ in millions)	FY 2019	FY 2020
Hampton University Proton Beam Therapy Institute (\$2.0 million in Chapter 2)	\$5.0	-
TANF for Federation of Virginia Food Banks	-	3.0 NGF
Childhood Immunizations at Local Health Departments - Meningococcal, Hepatitis A, and Human Papillomavirus vaccines	-	1.5
Riverside Shore Memorial Hospital Obstetrics Program	-	1.2
Pediatrics Wing at Eastville Community Health Center	-	0.8
Establish a State Overdose Fatality Review Team	-	0.3
Legal Fees for Office of Attorney General	0.2	-
Certificate of Public Need Staffing (Two Positions) - Second year amount to be funded by proposed fee increase (legislation)	0.2	-
Additional Funds for Neonatal Perinatal Collaborative	-	0.1

Other HHR Spending

GF Increases for the 2018-20 Biennium - (\$ in millions)	FY 2019	FY 2020
DSS: Purchase Supplies for State-Run Disaster Shelters	-	\$4.3
DMAS: Expand Adult Preventative Services Coverage in Medicaid	-	3.5
DSS: Mobile Device Licenses to Assist Applicants at Local Departments	1.2	1.2
DMAS: Call Center, Enrollment Broker, and Enhancing Federal Compliance	0.9	1.5
DBVI: Operation of Deafblind Program, Employee Travel Accommodations, and Vocational Rehabilitation Services	-	1.0
DMAS: Training for Consumer-Directed Attendants	0.5	0.5
DMAS: Simplify Process for Nursing Home Residents that Need Hospice	-	0.5
DSS: Positions to Implement the federal Family First Prevention Services Act	-	0.3
DSS: Position to Improve Foster Care Parent Outreach	-	0.1
DBHDS: Passthrough Grant and Juvenile Competency Restoration Services	-	0.2

Health and Human Resources Savings

Major GF Savings for the 2018-20 Biennium - (\$ in millions)	FY 2019	FY 2020
Health Care Fund (Mainly Cash Balance from FY 2018)	(\$38.9)	-
Modify Medicaid Expansion Administrative Funds (Replace with Provider Assessment Funds at DMAS and DSS)	(17.1)	(21.0)
Eliminate Medicaid Support for Piedmont Geriatric and Catawba Hospitals	-	(14.5)
Children's Services Act Caseloads (except for private day placements)	(5.9)	(5.9)
Elimination of Fiscal Agent Contract for Consumer-Directed Services (Transition to Managed Care)	(3.7)	(7.1)
Medicaid Spending Adjustment to Reflect Long-Term Care Savings	-	(3.9)
Child Welfare Forecast and Revised Impact of Higher Child Support Fees	-	(0.4)
TOTAL HHR Savings	(\$65.6)	(\$52.8)

Public Safety and Homeland Security

Overview of Public Safety Proposals

- **\$8.6 million GF and 128 GF positions proposed in first year; \$32.6 million GF and 155 GF positions proposed in second year.**
- **Largest proposals are for inmate healthcare, school safety, and forensic testing.**
 - **Inmate healthcare includes electronic health records, healthcare contracting, and in-house staffing for Fluvanna Correctional Facility.**
 - **School safety funding includes SRO/SSO training, school personnel training, funding and positions for 10 additional DCJS support staff.**

Proposals for Department of Corrections

(GF \$ in millions)	Ch. 2 Increase	SB 1100 Prop. Amend. 2019	SB 1100 Prop. Amend. 2020	GF FTE Prop. Amend.
Inmate Healthcare	\$(0.1)	\$1.8	\$4.2	
In-House Medical Care at Fluvanna Correctional Center		6.5	6.4	123.0
Electronic Healthcare Records - Women's Facilities			3.5*	
Military Medics and Corpsmen Program		0.2	0.3	5.0
Salary Actions/Employee Retention	3.0**		1.1	
Community Corrections Alternative Program	0.9		1.2	
25% State Share of Martinsville Jail Security System Upgrade			0.1	
Funding Related to Governor's Proposed Sentencing Legislation			0.3	
Total		\$8.5	\$17.1	128.0

* \$3.1 million NGF also provided for electronic health records (total proposed funding is \$6.6 million).

** \$3.0 million GF provided in Ch. 2 for second year base operating support to reduce staffing vacancies.

- Governor's proposed legislation includes six bills related to firearms sale, possession.

Proposals for Department of Forensic Science to Backfill Funding Transferred From FY 2020 to FY 2019

Controlled Substances Actions (GF \$ in millions)	Ch. 2 Increase	SB 1100 Prop. Amend.		
		FY 2019	FY 2020	SB 1100 Total
Controlled Substances Forensic Scientists	\$1.26	\$0.55	\$0.69	\$1.24
Equipment for Scientists		0.25		0.25
Outsource Drug Cases to Private Lab		0.75	0.90	1.65
Wage Positions		0.08	0.09	0.16
Training		0.03		0.03
Total	\$1.26	\$1.66	\$1.68	\$3.34

- SB 1100 amounts include \$1.7 million that was spent in FY 2019 from funds budgeted for FY 2020 as a result of an administrative action. The introduced budget includes backfilling of the amounts spent in FY 2019 to cover the budgeted actions in Ch. 2 for FY 2020, as well as proposed additional funding to continue the second year costs that were started in the first year as a result of that action.
- SB 1100 also proposes an additional \$0.5 million GF in the second year for biology and toxicology laboratory supply expenses.

Other Public Safety Proposals

- **DCJS** - \$3.3 million GF and 10 positions for **school safety**; \$2.5 million GF to continue **mental health pilot program in jails**; \$0.2 million GF for **law enforcement records management servers**.
- **VSP** – \$50,000 GF in each year for **Chesterfield Med-flight**; \$2.4 million GF in the second year for **STARS and COMLINC operations** and operating support for **Governor’s legislative proposals**.
 - **Capital** – \$132.2 million in bond proceeds to **replace STARS system**; \$5.8 million in bond proceeds to **replace COMLINC system**; and \$0.8 million GF to **construct area office in Rockbridge County**.
- **DMA** - \$1.5 million GF for **tuition assistance grants for national guard**; and \$0.2 million GF for **cyber security assessments** in the second year.
- **VDEM** – \$1.5 million GF for **special operations team, Virginia Emergency Support Team, search and rescue operations**, and Dept. of Treasury **line of credit repayment** in second year.
 - **Language under the Dept. of Accounts would authorize Governor to appropriate dollars from the revenue cash reserve for emergencies and natural disasters**.
- **DFP** – \$0.3 million GF in the second year to **fill two vacant positions** in the State Fire Marshal’s Office.
- **ABC** - \$3.6 million NGF over biennium to **open 9 additional stores**. (Ch. 2 funded 8 new stores – total proposed is 17 new stores for the biennium.)

Veterans and Defense Affairs

Overview of Veterans

- Recommends no changes to FY 19 and an additional \$1.7 million GF in FY 20.
- **Veteran & Family Support Programs** – Proposes \$0.6 million and eight additional staff for the Veteran and Family Support Program.
- **Veterans Benefits Positions** – Recommends \$0.5 million and five positions in the Veterans Benefits Section.
- **Workforce Transition Services** – Proposes an increase of \$0.4 million GF and four additional positions for veterans workforce program.
- **Deputy Director** – Proposes \$140,000 GF for a new deputy director position.

Agriculture and Forestry

Overview of Agriculture & Forestry

- Recommends no changes to FY 19 and an additional \$1.0 million in FY 20.
- **Animal Care Programs** – Proposes additional staff at VDACS to coordinate agricultural and companion animal emergency response programs within the agency.
- **Fund Existing Forestry Positions** – Recommends \$0.5 million to staff three existing positions (land conservation easement coordinator, watershed program manager, hardwood management coordinator).
- **Expand Broadband Capacity** – Proposes an increase of \$0.2 GF to enable the Department of Forestry to provide broadband connectivity at five field offices.
- **Vehicle Service Center**– Includes \$4.3 million NGF for construction of a new vehicle service center in partnership with the University of Virginia.

Natural Resources

Major Natural Resources Proposals

- **Water Quality Improvement Fund** – Proposes a total of \$108.8 million GF over the biennium. 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. Of these amounts:
 - \$73.8 million in FY 20 is the statutorily required deposit based on the FY 18 revenue surplus and unexpended balances; and
 - \$20.0 million in FY19 and \$15.0 million in FY 20 is from “limited-time” revenues assumed from federal tax policy changes.
- **Stormwater Local Assistance Fund** – Proposes a deposit of \$50 million GF from “limited-time” revenues to the Stormwater Local Assistance Fund. A SLAF deposit of \$20 million in FY 19 was also included in Chapter 2.
- **Alexandria CSO** – Proposes \$25.0 million in bond proceeds for the City of Alexandria CSO upgrade project.
- **Land Conservation Programs** – Doubles funding for land conservation programs above the FY 18 funding level of \$5.75 million GF each year, including:
 - Virginia Land Conservation Fund (DCR) - \$5.5 million in FY19 and \$10.0 million in FY20
 - Battlefield Preservation Fund (DHR) - \$1.0 million / year (unchanged), and
 - Farmland Preservation (VDACS) - \$250,000 / year (unchanged).

Other Natural Resources Actions

GF (\$ in millions)	FY 19	FY20
Dam Safety (DCR)	\$ 0.0	\$ 0.3
Daniel Boone Interpretive Center (DCR)	0.0	0.3
Clinch River State Park (DCR)	0.0	0.6
Lewis & Clark Trail (DCR)	0.0	0.1
Regulatory Enforcement (DEQ)	0.1	1.4
Website Upgrades (DEQ)	0.0	0.9
Improved Community Outreach (DEQ)	0.0	0.1
Oyster Restoration & Replenishment	0.0	1.0
Total	\$ 0.1	\$ 4.7

Transportation

Major Transportation Proposals

- **Virginia Transportation Infrastructure Bank**– Proposes to deposit \$75.0 million GF in the second year from “limited-time” revenues to the VTIB.
 - The funds could be used to fund start-up costs related to a proposed “I-81 Toll Road Expansion”.
- **Off-the-Top Funding to Route 58** – Increases the transfer of Transportation Trust Fund revenues dedicated to the Route 58 Corridor Development Fund from \$9.0 million to \$20.0 million, reflecting the provisions of the 13th Enactment of HB 2313 (2013).

Statewide Transportation Revenues

- Includes a total of \$1.2 billion NGF revenue adjustments from:
 - i) adjustments to the current Six Year Improvement Plan;
 - ii) the revised CTF forecast; and
 - iii) technical adjustments required by the Department of Accounts which **do not** result in additional revenues available.

(\$ in millions)	FY 19	FY 20	Total
Current SYIP	\$104.3	(\$0.7)	\$103.6
December Forecast	0.0	210.7	210.7
Technical Adjustments	<u>504.7</u>	<u>411.1</u>	<u>915.8</u>
Total	\$ 609.0	\$ 621.1	\$ 1,230.1

Transportation Real Property and Capital Outlay

- **Department of Motor Vehicles** – requests authorization for two Customer Service Centers
 - Emporia – acquire existing facility through lease-purchase
 - Loudoun – seek new facility for Sterling Customer Service Center
- **VDOT** – proposes to authorize the sale of the VDOT Lexington area headquarters to the City of Lexington at fair market value.
- **Virginia Port Authority** – recommends an additional \$5.3 million in FY 20 from Port Terminal Revenues to upgrade cargo handling equipment.

General Government

Judicial, Executive, and Administration

Actions for 2018-20 Biennium (GF \$ in millions)	Ch. 2 Increase	SB 1100 Prop. Amend.	Ch. 2 Increase + SB 1100 Prop. Amend.
Supreme Court - Service costs for judicial data center operations	\$ 0.0	\$ 0.3	\$ 0.3
Supreme Court – Establish Judicial Wellness Fund for wellness initiatives (language)	0.0	0.0	0.0
IDC - Add 20 paralegal positions in public defender offices for body worn camera footage review	0.0	0.6	0.6
VSB - Funding for legal aid programs, civil defense housing attorneys (up to 35 attorneys)	0.0	2.6	2.6
AG - Increase Revolving Fund NGF appropriation \$1m (reduces GF resources by \$500K each year)	0.8	0.0	0.8
Sec. of Commonwealth - Provide funding for Census activities	0.0	1.5	1.5
Sec. of Administration - Conduct statewide data inventory	0.0	1.4	1.4
Comp Board - Revert funding for jail per-diem due to lower actual and projected payments	1.7	(6.7)	(5.0)
Comp Board - Add positions in Commonwealth’s Attorney’s offices for body worn camera footage review (10 ACAs, six administrative staff)	0.0	0.7	0.7
ELECT - Registrar training, voter list maintenance, and fiscal administrative positions (3.0 FTEs)	0.0	1.0	1.0
ELECT - Advertise voter referendum for Equal Rights Amendment	0.0	0.2	0.2
ELECT - Provide appropriation to facilitate new HAVA security grant (NGF)	0.0	3.0	3.0

Compensation and Benefits

Salary Actions for 2018-20 Biennium (GF \$ in millions)	Ch. 2 Increase	SB 1100 Prop. Amend.	Ch. 2 Increase + SB 1100 Prop. Amend.
2% Base salary adjustment for state employees (June 10, 2019 for July 1 pay)	\$ 67.9	\$ 0.0	\$ 67.9
2% Merit-based salary adjustment for state employees (June 10, 2019 for July 1 pay)	38.0	0.0	38.0
2% Base salary adjustment for state-supported local employees (July 1, 2019)	17.8	0.0	17.8
Targeted salary initiatives – DBHDS, DOC/DJJ, VMP, deputy sheriffs (February 1, 2019)	49.3	0.0	49.3
3% Base salary adjustment for teachers (July 1, 2019)	131.4	0.0	131.4
One percent bonus for state and state-supported local employees (December 1, 2019)	0.0	40.2	40.2
Additional 2% base salary adjustment for teachers, to bring to 5% total (July 1, 2019)	<u>0.0</u>	<u>87.6</u>	<u>87.6</u>
Total	\$ 304.4	\$ 127.8	\$432.2
Benefits Actions for 2018-20 Biennium (GF \$ in millions)			
Adjust FY 2020 funding for state share of employee health insurance premiums (Ch. 2 included FY 2020 projection of 8.5% increase)	\$ 118.2	\$ (51.3)	\$ 66.9
Increase retiree health insurance credit for public safety personnel (SPORS and VaLORS members, and local sheriffs, deputy sheriffs)	\$ 0.0	\$ 8.1	\$ 8.1

Finance

Actions for 2018-20 Biennium (GF \$ in millions)	Ch. 2 Increase	SB 1100 Prop. Amend.	Ch. 2 Increase + SB 1100 Prop. Amend.
DOA - Provide balances and supplemental funding for the Revenue Reserve	\$ 91.0	\$ 789.3	\$ 880.3
DOA - Provide deposit to Revenue Stabilization Fund	0.0	262.9	262.9
Sec. of Finance - Study gaming governance and expansion	0.0	0.2	0.2
DOA - Replace payroll, personnel and benefits systems, and increase working capital advance (language)	0.0	0.0	0.0
TAX - Increase tobacco auditor staffing (2.0 FTEs) (GF resources = \$617,000 in year 2)	0.0	0.2	0.2
Treasury Board - Recognize debt service savings in FY 2020	39.2	(55.1)	(15.9)

Central Appropriations

Actions for 2018-20 Biennium (GF \$ in millions)	Ch. 2 Increase	SB 1100 Prop. Amend.	Ch. 2 Increase + SB 1100 Prop. Amend.
CA - Adjust funding for Cardinal Financials system charges	\$ 0.0	\$ 1.9	\$ 1.9
CA - Cover UVA state employee healthcare premium increases	0.0	1.6	1.6
CA - Adjust funding for agency information technology costs	50.5	28.1	78.6
CA - Fund committee to study statewide paid parental leave in the Commonwealth	0.0	0.3	0.3
CA - Provide education funding for workforce development initiatives	0.0	11.0	11.0
CA - Develop integrated workforce case management system	0.0	8.0	8.0
CA - Provide higher education institutions' share of interest earnings and rebates	13.1	1.4	14.5
CA - Remove agency funding due to Cardinal Payroll implementation delay	11.1	(11.1)	0.0
CA - Reimburse presidential primary expenses for ELECT and Localities	0.0	5.9	5.9

Technology

Proposed Spending (NGF \$ in millions)	Ch. 2 Increase	SB 1100 Prop. Amend.	Ch. 2 Increase + SB 1100 Prop. Amend.
Adjust funding for vendor pass-through payments	\$ 0.0	\$ (61.9)	\$ (61.9)
Data center migration, security services and systems audits	0.0	4.1	4.1
Software licenses (Microsoft, Java)	3.9	2.7	6.6
CESC migration plan, agency line of credit authorization	n/a	Language	Language

- Line of credit increased from \$75 million to \$165 million in Chapter 2.
- Final settlement amount between Commonwealth and Northrup Grumman is \$35.8 million, to be paid from VITA's line of credit, as are other transition costs.
- Adjustment to ISF rates paid by agencies in the second year to pay down VITA's line of credit for transition and disentanglement costs, and estimated agency utilization.
 - **\$28.1 million GF over the biennium is reflected in Central Appropriations to account for the general fund share of costs charged to agencies.**
 - **Rates should decrease following the repayment of the line of credit.**

Capital Outlay

Capital Outlay – SB 1100 Proposed Amendments

Fund Type (\$ in millions)	Ch 2. Increase	SB 1100 Prop. Amend.	Ch. 2 Increase + SB 1100 Prop. Amend.
General Fund Cash	\$0.1	\$33.5	\$33.6
VPBA/VCBA Tax-Supported Bonds	1,001.9	568.4	1,570.3
9(c) Revenue Bonds	21.0	17.9	38.9
9(d) Revenue Bonds	185.2	33.0	218.2
Nongeneral Fund Cash	<u>239.3</u>	<u>153.6</u>	<u>392.9</u>
Total	\$1,447.5	\$806.3	\$2,253.7

- \$96.5 million in VC BA/VP BA bonds to support 13 new projects and \$80.0 million in VC BA bonds for a pool of workforce development projects to support new degrees in computer science and related fields.
- \$310.0 million in VPBA/VCBA bonds over the biennium for five stand-alone agency projects (STARS, COMLINC, VT Innovation).
- \$46.0 million the second year in VPBA/VCBA bonds for furnishings and equipment for capital projects nearing completion.
- \$25.0 million for the Combined Sewer Overflow Matching Fund for the City of Alexandria.
- \$10.9 million the second year in VCBA/VPBA bonds to supplement existing capital outlay pools/projects.
- \$29.6 million GF the first year for the planning of eight additional projects.

New Planning Projects – Central Capital

Agency	Project Title
Science Museum of Virginia	Construct Regional Science Center - NOVA
Department of State Police	Replace Training Academy – Central Headquarters
Wilson Workforce & Rehab. Center	Renovate Watson Theater and Activities Building, Phase 3
VA Museum of Fine Arts	Expand and Renovate the Museum
Dept. of Behavioral Health & Develop. Services	Renovate Eastern State Hospital, Phase 3
Dept. of Behavioral Health & Develop. Services	Replace Central State Hospital
Department of Juvenile Justice	Construct Juvenile Correction Center, Central VA
Department of Corrections	Expand Deerfield Correctional Center
Total (GF)	\$29.6 million GF (includes an existing \$5.0 M)

2019 Session Capital Construction Pool

Agency	Project Title
Department of General Services	Renovate Parking Deck, Main Street Centre Improve Capitol Campus Utilities
Virginia Military Institute	Construct Corps Physical Training Facility, Phase 3
Longwood University	Replace Major HVAC System Components
Old Dominion University	Address Maint. Needs in Kaufman & Mills Godwin Bldg.
Virginia Museum of Fine Arts	Replace Life & Safety Systems and Upgrade Repair the Museum Building Envelope
Virginia Institute of Marine Science	Replace Oyster Hatchery
Gunston Hall	Upgrade Fire Suppression System
Dept. of Beh. Health & Develop. Services	Renovate Catawba Hospital
Department of Juvenile Justice	Repair Life Safety Syst. & Ren. Elect. Syst., Bon Air
Department of Corrections	Wastewater Treatment Plants Construct James River Wastewater Pump Station
Total Bonds – (also \$10.5 million NGF & \$17.1 million of transferred bond proceeds)	\$96.5 million