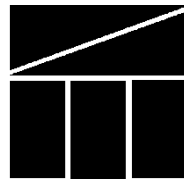


Governor Northam's Proposed Amendments to the 2018-2020 Biennial Budget

*A briefing for the Joint Meeting of the Senate Finance Committee,
House Appropriations Committee, and the House Finance Committee*

December 18, 2018



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Establishing the Starting Point

and

Changes in the Starting Balance

The current budget, Chapter 2, is the starting point for the Governor's introduced budget . . .

Chapter 2, 2018 Acts of Assembly, Special Session I General Fund Only

	FY 2019	FY 2020	Biennium
General Fund Resources			
Prior Year Balance	\$212.2		\$212.2
Additions to Balance	22.0	(0.5)	21.5
Revenue Forecast	20,173.7	20,976.2	41,149.8
Revenue Stabilization Fund	0.0	0.0	0.0
Transfers	621.0	631.0	1,252.0
Total GF Resources	\$21,028.8	\$21,606.7	\$42,635.5
General Fund Appropriations			
Operating	\$20,990.4	\$21,642.5	\$42,632.9
Capital	0.1	0.0	0.1
Total GF Appropriations	\$20,990.5	\$21,642.5	\$42,633.0
General Fund Balance at Year-End	\$38.4	(\$35.8)	\$2.5

*Amounts shown in millions

FY 2018 concluded with an unrestricted year-end balance of \$1.2 billion . . .

- The unrestricted cash balance reported by the State Comptroller represents the cash after accounting for liabilities and setting aside the balances for the restricted funds, including the Revenue Stabilization Fund, the Lottery Proceeds Fund, and the Water Supply Assistance Grant Fund.
- This balance also includes:
 - *a revenue surplus of \$552.6 million;*
 - *the 2017 revenue reserve deposit of \$156.4 million;*
 - *unexpended general fund operating appropriations of \$241.4 million;*
 - *unexpended general fund capital appropriations of \$6.8 million;*
 - *other cash on deposit in the Treasury that is counted as general fund cash according to GASB standards.*
- This unrestricted general fund cash balance as of June 30, 2018, replaces the \$212.2 million beginning balance previously anticipated in Chapter 2 for an increase of approximately \$1.0 billion.

**The FY 2019
beginning
balance must be
adjusted before
determining the
amounts
available for
appropriation. . .**

Adjustments to Balance

	<u>FY 2019</u>	<u>FY 2020</u>
<u>Adjustments to Balance - CH 2</u>		
Intergovernmental Cash Management Act	(500,000)	(500,000)
Appropriate Virginia Water Quality Improvement Fund - Part A	13,411,260	
Appropriate Virginia Water Quality Improvement Fund - Part B	9,121,039	
Subtotal	22,032,299	(500,000)
<u>New Adjustments to Balance</u>		
Committed Fund Balance:		
Amount Required for Reappropriation of Capital Outlay	(6,773,935)	
Amount for Restoration of Capital Projects	(500,000)	
Virginia Health Care Fund	(30,217,294)	
Central Capital Planning Fund	(2,773,299)	
Communication Sales and Use Tax	(34,002,039)	
Commonwealth's Development Opportunity Fund	(27,383,537)	
Natural Disaster Sum Sufficient	(17,070,060)	
Amount Required for Mandatory Reappropriation - agencies	(46,932,718)	
Amount Required for Mandatory Reappropriation - HiEd	(30,025,821)	
Virginia Water Quality Improvement Fund	(19,251,328)	
Virginia Water Quality Improvement Fund - Part A	(55,259,000)	
Virginia Water Quality Improvement Fund - Part B	(18,498,699)	
Revenue Reserve - FY 2017 surplus	(156,439,031)	
Revenue Reserve - FY 2018 surplus	(234,391,677)	
Local Government Fiscal Distress	(500,000)	
Transportation Trust Fund	(1,672,436)	
Nonrecurring Expenditures	(836,218)	
Other Nongeneral Fund Commitments	(106,529,451)	
Assigned Fund Balance:		
Amount Required for Discretionary Reappropriations	(163,979,640)	
Other Nongeneral Fund Assignments	(64,743,883)	
Additional Adjustments:		
Appropriate Revenue Reserve	235,227,895	
Appropriate Revenue Stabilization Fund		262,941,253
Appropriate Virginia Water Quality Improvement Fund - Part A		55,259,000
Appropriate Virginia Water Quality Improvement Fund - Part B		18,498,699
Natural Disaster Sum Sufficient authorized since June 30	(64,744,568)	
Add unexpended balances reverted from prior year	70,245,526	
Subtotal of New Adjustments	(777,051,213)	336,698,952
TOTAL Adjustments to Balance	(755,018,914)	336,198,952

**HB 1700/SB 1100
The 2018-2020
Amended
Biennial Budget**

Overview of Available Resources

Total changes to resources provide a net increase of \$2.2 billion in new funds available for spending . . .

	FY 2019	FY 2020	Biennium
<u>BASE RESOURCES - CH 2</u>			
Prior Year Balance	\$212.2		\$212.2
Additions to Balance	22.0	(0.5)	21.5
Revenue Forecast	20,173.7	20,976.2	41,149.8
Revenue Stabilization Fund	0.0	0.0	0.0
Transfers	621.0	631.0	1,252.0
Total GF Resources	<u>\$21,028.8</u>	<u>\$21,606.7</u>	<u>42,635.5</u> <u>\$42,635.5</u>
Revisions			
Prior Year Balance	\$1,017.8	\$0.0	\$1,017.8
Additions to Balance	(777.1)	336.7	(440.4)
Revenue Forecast	876.9	712.8	1,589.7
Revenue Stabilization Fund	0.0	0.0	0.0
Transfers	1.1	(0.7)	0.4
Total Revisions	<u>\$1,118.7</u>	<u>\$1,048.9</u>	<u>2,167.6</u> <u>\$2,167.6</u>
<u>Revised Resource Forecast</u>			
Prior Year Balance	\$1,229.9	\$0.0	\$1,229.9
Additions to Balance	(755.0)	336.2	(418.8)
Revenue Forecast	21,050.6	21,689.0	42,739.6
Revenue Stabilization Fund	0.0	0.0	0.0
Transfers	622.1	630.3	1,252.4
Total GF Resources	<u>\$22,147.6</u>	<u>\$22,655.6</u>	<u>\$44,803.1</u>

*Amounts shown in millions

HB 1700/SB 1100
The 2018-2020
Amended
Biennial Budget

Summary of Proposed
Spending Changes

Changes in operating costs are driven by issues that both increase and decrease spending . . .

- 209 amendments totaling \$2.4 billion increase spending
 - *Examples include:*
 - Deposits to the Revenue Reserve and Revenue Stabilization Fund from the FY 2018 surplus
 - Updates to mandated programs like Medicaid
 - Revisions in other expenditure forecasts
 - Compensation for teachers, state employees, and state-supported locals
 - Funding for core services and priority needs in education, health and human resources, public safety, and veteran's services
 - Investments in water quality, broadband, public schools, transportation, and other infrastructure
- 22 amendments totaling \$313.6 million decrease spending
 - *Examples include:*
 - Savings from revised forecasts of employee health insurance and debt service
 - Use of nongeneral fund revenue to supplant the general fund
 - Updates in public school enrollment

The combined impact is an overall net increase in operating spending of \$2.1 billion for the biennium

Goals of the Governor's budget . . .

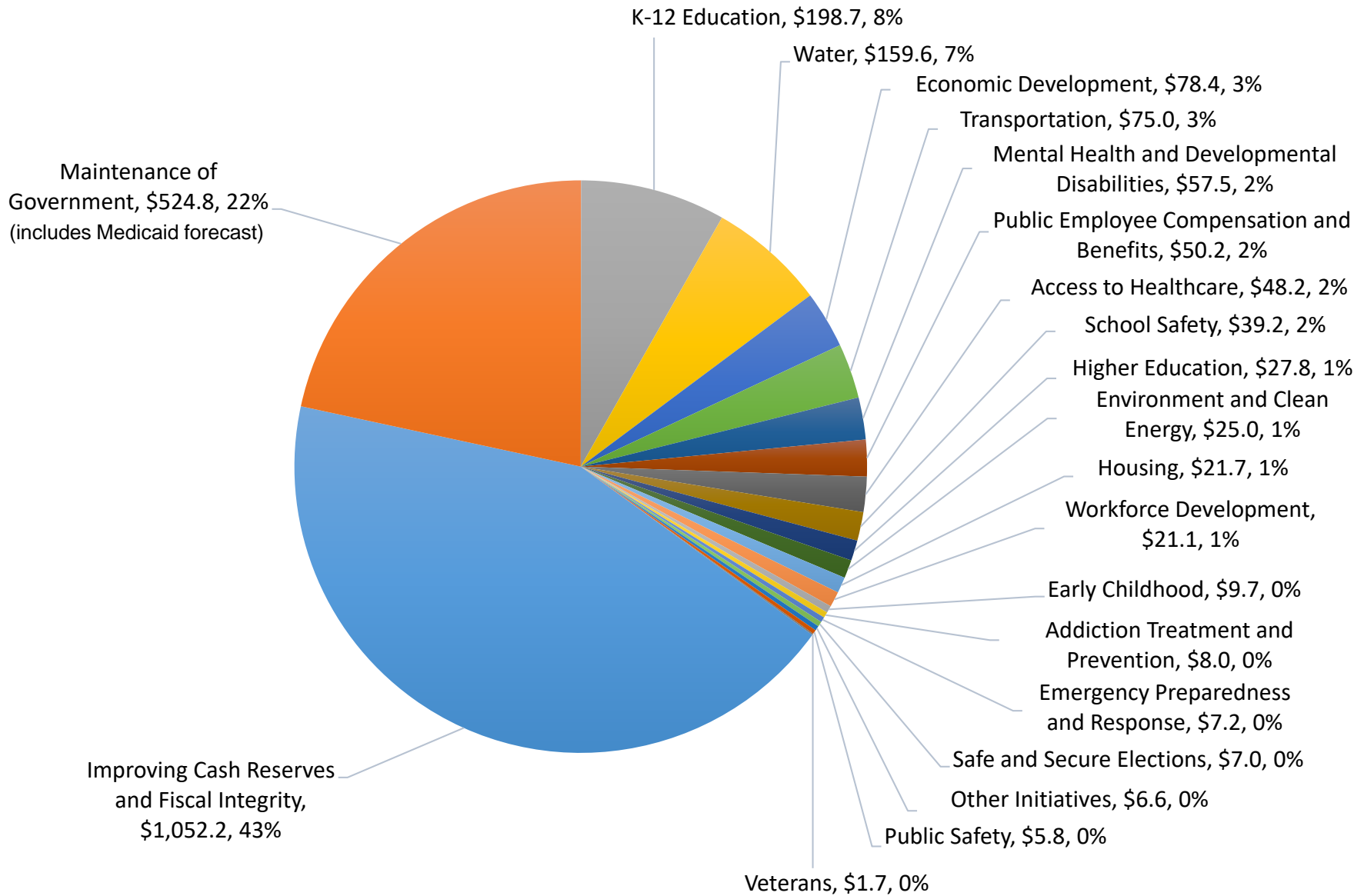
- Strengthen fiscal integrity through deposits to reserve balances, improving fiscal liquidity, and maintaining structural balance
- Address the cost of maintaining core services – “Paying the Bills”
- Grow Virginia's economy by:
 - *strengthening Virginia's educational system*
 - *investing in broadband and workforce development*
 - *maintaining our commitment to economic development*
- Improve citizen quality of life through:
 - *improving access to healthcare, mental health services, addiction treatment and prevention, and housing assistance*
 - *improving infrastructure with investments in transportation, water quality, and clean energy*
 - *enhancing school safety, public safety, election security, and emergency preparedness*
- Provide employee compensation and benefits

To achieve these goals, the proposed budget reflects net new general fund spending of \$2.1 billion over the biennium summarized across 21 categories . . .

Category	FY 2019	FY 2020	Biennial Total	% of Total
Improving Cash Reserves and Fiscal Integrity	\$739.3	\$312.9	\$1,052.2	43.38%
Maintenance of Government	\$238.3	\$286.5	\$524.8	21.64%
K-12 Education	\$86.8	\$111.9	\$198.7	8.19%
Water	\$20.0	\$139.6	\$159.6	6.58%
Economic Development	\$20.6	\$57.8	\$78.4	3.23%
Transportation	\$75.0	\$0.0	\$75.0	3.09%
Mental Health and Developmental Disabilities	\$0.5	\$57.1	\$57.5	2.37%
Public Employee Compensation and Benefits	\$0.9	\$49.3	\$50.2	2.07%
Access to Healthcare	\$15.7	\$32.5	\$48.2	1.99%
School Safety	\$0.0	\$39.2	\$39.2	1.62%
Higher Education	\$0.7	\$27.2	\$27.8	1.15%
Environment and Clean Energy	\$15.7	\$9.4	\$25.0	1.03%
Housing	\$14.5	\$7.2	\$21.7	0.90%
Workforce Development	\$8.1	\$13.0	\$21.1	0.87%
Early Childhood	\$0.0	\$9.7	\$9.7	0.40%
Addiction Treatment and Prevention	\$1.6	\$6.4	\$8.0	0.33%
Emergency Preparedness and Response	\$0.0	\$7.2	\$7.2	0.30%
Safe and Secure Elections	\$0.0	\$7.0	\$7.0	0.29%
Other Initiatives	\$2.5	\$4.1	\$6.6	0.27%
Public Safety	\$0.1	\$5.7	\$5.8	0.24%
Veterans	\$0.0	\$1.7	\$1.7	0.07%
Subtotal Spending	\$1,240.1	\$1,185.4	\$2,425.5	100.00%
Less Savings	(\$135.9)	(\$177.7)	(\$313.6)	
Grand Total	\$1,104.2	\$1,007.7	\$2,111.9	

*Amounts shown in millions

Reserves and Medicaid related expenses dominate new spending . . .



*Amounts shown in millions

The top 10 spending amendments account for 79.5 percent of the total increased cost . . .

Secretarial Area	Agency	Title	FY 2019	FY 2020	Biennial Total	% of Total
Finance	162: Department of Accounts Transfer Payments	Provide additional funding for the Revenue Reserve Fund	\$504,070,000	\$50,000,000	\$554,070,000	22.8%
Health and Human Resources	602: Department of Medical Assistance Services	Fund Medicaid utilization and inflation	\$202,221,659	\$260,327,089	\$462,548,748	19.1%
Finance	162: Department of Accounts Transfer Payments	Appropriate mandatory Revenue Stabilization Fund deposit	\$0	\$262,941,731	\$262,941,731	10.8%
Finance	162: Department of Accounts Transfer Payments	Appropriate mandatory balances to the Revenue Reserve Fund	\$235,227,895	\$0	\$235,227,895	9.7%
Education	197: Direct Aid to Public Education	Increase salaries for funded Standards of Quality instructional and support positions	\$0	\$87,569,974	\$87,569,974	3.6%
Education	197: Direct Aid to Public Education	Increase general fund support for school employee retirement contributions to make Literary Fund available for school construction loans	\$80,000,000	\$0	\$80,000,000	3.3%
Transportation	501: Department of Transportation	Supplement the Virginia Transportation Infrastructure Bank	\$75,000,000	\$0	\$75,000,000	3.1%
Natural Resources	199: Department of Conservation and Recreation	Appropriate the required deposit to the Water Quality Improvement Fund from the FY 2018 surplus	\$0	\$73,757,699	\$73,757,699	3.0%
Natural Resources	440: Department of Environmental Quality	Provide funding for stormwater local assistance	\$0	\$50,000,000	\$50,000,000	2.1%
Commerce and Trade	165: Department of Housing and Community Development	Expand the Virginia Telecommunication Initiative	\$0	\$46,000,000	\$46,000,000	1.9%
Top 10 Items			\$1,096,519,554	\$830,596,493	\$1,927,116,047	79.5%
Remaining Items (199)			\$143,554,445	\$354,809,736	\$498,364,181	20.5%
Grand Total Spending			\$1,240,073,999	\$1,185,406,229	\$2,425,480,228	100.0%

NOTE: These amendments reflect discrete changes and may need to be read with other amendments to obtain a comprehensive result.

Employee compensation, guidance counselors, and water quality top the list of other recommendations greater than \$30 million . . .

- \$40.2 million to provide a one percent bonus to state employees and state-supported local employees, effective December 1, 2019.
- \$36.0 million to increase school counselors in public elementary, middle, and high schools.
- \$35.0 million to supplement the FY 2018 surplus deposit to the Water Quality Improvement Fund in support of agricultural best management practices and other nonpoint source reduction efforts.
- \$28.1 million to fund changes in the general fund share of costs for information technology and telecommunications usage by state agencies.
- \$27.3 million for the continued operations of Piedmont Geriatric and Catawba Hospitals after the loss of Medicaid certification.
- \$20.0 million to enhance the Virginia Business Ready Sites Program.
- \$19.0 million to support the Virginia Housing Trust Fund.

Highlights of other proposed new spending include . . .

- \$14.4 million to reflect additional education sales tax revenues from internet sales.
- \$13.0 million to cover the estimated cost of administering the Medicaid expansion related 1115 demonstration waiver.
- \$12.9 million and 123 positions to transition medical care at Fluvanna Correctional Center from a third-party contract to the Department of Corrections.
- \$12.8 million to fund the revised forecast of utilization and inflation in the Commonwealth's Children's Health Insurance programs.
- \$11.0 million to address workforce needs by strategically investing in bolstering computer science-related education at both the K-12 and higher education levels.
- \$11.0 million to support land conservation through the Virginia Land Conservation Fund.
- \$10.9 million to update sales tax revenues for public education based on the Department of Taxation's November 2018 education sales tax forecast.
- \$10.0 million to support the development of a public/private partnership program to finance energy efficiency and renewable energy loans for both private and local government properties and entities within the Commonwealth of Virginia.

The top 10 agencies receive 93.8 percent of the recommended new funding . . .

Agency	FY 2019	FY 2020	Biennial Total	% of Total
162: Department of Accounts Transfer Payments Total	739,297,895	312,941,731	1,052,239,626	43.4%
602: Department of Medical Assistance Services Total	228,556,443	272,322,835	500,879,278	20.7%
197: Direct Aid to Public Education Total	86,124,779	153,149,617	239,274,396	9.9%
199: Department of Conservation and Recreation Total	25,500,000	95,215,862	120,715,862	5.0%
995: Central Appropriations Total	17,580,463	89,166,520	106,746,983	4.4%
501: Department of Transportation Total	75,000,000	-	75,000,000	3.1%
165: Department of Housing and Community Development Total	14,500,000	50,604,050	65,104,050	2.7%
440: Department of Environmental Quality Total	150,000	52,363,131	52,513,131	2.2%
792: Mental Health Treatment Centers Total	-	38,070,787	38,070,787	1.6%
799: Department of Corrections Total	8,506,928	17,101,071	25,607,999	1.1%
Top 10 Agencies	1,195,216,508	1,080,935,604	2,276,152,112	93.8%
Remaining Agencies (62)	44,857,491	104,470,625	149,328,116	6.2%
Grand Total Spending	1,240,073,999	1,185,406,229	2,425,480,228	100.0%

The top 10 amendments that reduce costs account for 91.3 percent of the total general fund savings . . .

Secretarial Area	Agency	Title	FY 2019	FY 2020	Biennial Total	% of Total
Education	197: Direct Aid to Public Education	Capture savings from revised student enrollment projections	(\$20,399,187)	(\$34,815,658)	(\$55,214,845)	17.6%
Finance	155: Treasury Board	Recognize debt service savings	(\$23,908,501)	(\$31,175,097)	(\$55,083,598)	17.6%
Central Appropriations	995: Central Appropriations	Adjust funding for agency health insurance premium costs	\$0	(\$51,311,342)	(\$51,311,342)	16.4%
Health and Human Resources	602: Department of Medical Assistance Services	Adjust Health Care Fund appropriation	(\$38,883,878)	\$1,675,612	(\$37,208,266)	11.9%
Health and Human Resources	602: Department of Medical Assistance Services	Adjust administrative appropriation and language to reflect Medicaid expansion implementation	(\$14,770,835)	(\$17,368,267)	(\$32,139,102)	10.2%
Education	197: Direct Aid to Public Education	Update cost of Special Education Regional Tuition	(\$9,705,768)	(\$2,836,150)	(\$12,541,918)	4.0%
Health and Human Resources	200: Children's Services Act	Adjust appropriation to account for caseload and utilization	(\$5,900,000)	(\$5,900,000)	(\$11,800,000)	3.8%
Central Appropriations	995: Central Appropriations	Adjust funding for Cardinal Payroll implementation delay	(\$2,256,188)	(\$8,850,510)	(\$11,106,698)	3.5%
Health and Human Resources	602: Department of Medical Assistance Services	Adjust appropriation to reflect transitioned contract costs	(\$3,691,132)	(\$7,095,176)	(\$10,786,308)	3.4%
Education	197: Direct Aid to Public Education	Update cost of Lottery programs	(\$5,976,448)	(\$3,177,999)	(\$9,154,447)	2.9%
Top 10 Items			(\$125,491,937)	(\$160,854,587)	(\$286,346,524)	91.3%
Remaining Items (12)			(\$10,418,259)	(\$16,859,708)	(\$27,277,967)	8.7%
Grand Total Savings			(\$135,910,196)	(\$177,714,295)	(\$313,624,491)	100.0%

NOTE: These amendments reflect discrete changes and may need to be read with other amendments to obtain a comprehensive result.

One-time spending exceeds one-time resources, providing structural balance and improving liquidity . . .

	FY 2019	FY 2020
<u>One-time Resources</u>		
Surplus - additions to balance		
Revenue Reserve	235,227,895	-
Revenue Stabilization	-	262,941,253
Water Quality A	-	55,259,000
Water Quality B	-	18,498,699
Conformity Revenue	517,300,000	433,600,000
Total One-time Resources	752,527,895	770,298,952
<u>One-time Uses (spending + revenue adjustments)</u>		
From Conformity Revenue		
Temporary Spending	504,570,000	166,531,151
Earned Income Tax Credit	10,300,000	206,000,000
Accelerated Sales Tax	-	27,200,000
Other One-time Spending (includes required reserve payments)	471,934,788	376,341,474
Capital funded from cash	33,451,000	-
Total One-time Uses	1,020,255,788	776,072,625
Difference Supported by Ongoing Revenue	(267,727,893)	(5,773,673)

One-time conformity revenue will be dedicated to five purposes through FY 2024 . . .

One-Time Spending Plan From One-Time Conformity Revenue

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	TOTAL	
One-Time Revenue	517.30	433.60	455.70	480.40	506.80	532.50	2,926.30	
Less Uses:								Notes:
Refundable Earned Income Tax Credit	10.30	206.00	212.90	220.00	226.60	233.80	1,109.60	
Water Quality - Storm Water Local Assistance	-	50.00	50.00	50.00	50.00	50.00	250.00	\$50 million/year for five years starting in FY 2020
Water Quality - NRCF/Agricultural Best Management Practices/special projects	20.00	15.03	80.50	80.50	80.50	80.50	357.03	\$90.5 million/year for five years starting in FY 2020 - \$10 million in base each year + \$65.5 million from FY 2018 surplus appropriated in FY 2020
Broadband	-	46.00	46.00	46.00	46.00	46.00	230.00	\$50 million/year for five years starting in FY 2020 - \$4 million in base
Land Conservation	5.50	5.50					11.00	Land Conservation Fund
Accelerated Sales Tax - move threshold to \$10.0 million or greater	-	27.20					27.20	Current threshold is \$4.0 million. Removes ~1,800+ dealers. ~1,300 dealers would continue to file.
Revenue Reserve	479.07	50.00	64.50	74.50	74.50	74.50	817.07	Amounts are in addition to \$45.5 million appropriated in base in CH 2.
Subtotal Uses	514.87	399.73	453.90	471.00	477.60	484.80	2,801.90	
Balance/(Shortfall)	2.43	33.87	1.80	9.40	29.20	47.70	124.40	

*Amounts shown in millions

Total reserves at the end of FY 2018 were approximately 2.1% of total general fund revenues and transfers.

The path to reach 8.0% by FY 2024 will require a net increase to reserve balances of approximately \$1.6 billion starting in FY 2019 . . .

Fiscal Year	Revenue Stabilization Fund			Revenue Reserve			Ending Balance of Total Reserves	Total General Fund Revenues and Transfers	Total Reserves as a % of Total Resources
	Total Deposits to Revenue Stabilization Fund *	Withdrawals from Revenue Stabilization Fund	Ending Balance Revenue Stabilization Fund	Total Deposits to Revenue Reserve	Withdrawals from Revenue Reserve	Ending Balance Revenue Reserve			
FY 2018			283.3			156.4	\$ 439.7	20,509.1	2.1%
FY 2019	2.8	-	286.1	786.4		942.8	\$ 1,228.9	21,672.7	5.7%
FY 2020	265.8	-	551.9	104.9	(50.0)	997.7	\$ 1,549.6	22,319.3	6.9%
<i>FY 2021</i>	<i>199.7</i>	<i>-</i>	<i>751.6</i>	<i>120.0</i>	<i>(214.1)</i>	<i>903.6</i>	<i>\$ 1,655.1</i>	<i>23,042.4</i>	<i>7.2%</i>
<i>FY 2022</i>	<i>7.5</i>	<i>-</i>	<i>759.1</i>	<i>129.0</i>		<i>1,032.6</i>	<i>\$ 1,791.7</i>	<i>23,980.1</i>	<i>7.5%</i>
<i>FY 2023</i>	<i>7.6</i>	<i>-</i>	<i>766.7</i>	<i>130.3</i>		<i>1,162.9</i>	<i>\$ 1,929.6</i>	<i>24,947.2</i>	<i>7.7%</i>
<i>FY 2024</i>	<i>26.4</i>	<i>-</i>	<i>793.1</i>	<i>131.6</i>	<i>(18.8)</i>	<i>1,275.8</i>	<i>\$ 2,068.9</i>	<i>25,788.7</i>	<i>8.0%</i>

* Deposits include interest earnings.

Amounts shown in millions.

Summary of Proposed Capital

Capital Outlay – 2018-20 Biennium

<p>Fund systems upgrades, facility renovations and life/safety</p> <p><i>Provides funding to: Upgrade electrical systems & workforce space at Bon Air, DJJ; Renovate Catawba Hospital, DBHDS; Replace fire alarm system & address building envelope, VMFA; Expand emergency generator system, VSDB; Replace fire suppression system & address building envelope, Gunston Hall; Address wastewater systems, DOC; Replace HVAC system components, LU; Address maintenance needs at Mills Godwin Building, ODU; Repair parking deck, upgrade capitol campus utilities, & upgrade security on North Drive, DGS; Improve readiness centers, DMA; and, Upgrade campus, RHEA.</i></p>	<p>\$70.9 million VCBA/VPBA/GF</p>
<p>Supplement existing projects</p> <p><i>Provides funding to supplement three projects due to:</i></p> <ol style="list-style-type: none"> 1) <i>increasing range of project (DOC fire alarm systems replacement; CSO Matching Fund for Alexandria); and,</i> 2) <i>Higher regional costs (VT Kentland facilities).</i> 	<p>\$35.9 million VCBA/VPBA</p>
<p>Address workforce and facility projects</p> <p><i>Provides funding to: Build Innovation Campus, VT; Construct new aquatic center, VMI; Replace Oyster Hatchery, VIMS; Build new area office in Rockbridge County, DSP; and, Create pool project to support infrastructure to enhance computer-related education in higher education.</i></p>	<p>\$298.5 million VCBA/GF \$107.0 million NGF</p>
<p>Fund planning from Central Capital Planning Fund</p> <p><i>Provides detailed planning funding for eight projects: replace State Police Academy; construct Northern Virginia Regional Science Museum; expand Deerfield Correctional Center; phase 3 upgrade Eastern State Hospital; new juvenile correctional facility; expand Museum of Fine Arts; phase 3 renovate Wilson facilities; and replace Central State.</i></p>	<p>\$29.6 million GF</p>
<p>Fund equipment for 11 previously authorized projects being completed within next two years.</p>	<p>\$46.0 million VCBA/VPBA</p>
<p>Fund 4 projects at institutions of higher education with revenue bonds.</p>	<p>\$17.9 million 9(C) Bonds \$33.0 million 9(D) Bonds</p>
<p>Upgrade Radio Systems</p> <p><i>Provides funding for upgrades to STARS and COMLINC.</i></p>	<p>\$138.0 million VPBA</p>
<p>Reallocate unneeded bond authorization from other projects</p>	<p>(\$17.1 million) VCBA/VPBA</p>

Additional debt authorizations address a variety of needs . . .

Maintaining state infrastructure and facilities	Amount
Life/Safety-related projects	\$24,100,000
Systems upgrades and facility renovations	\$43,700,000
Address equipment needs	
Equipment for previously authorized projects being completed within the next two years	\$46,000,000
Supplement existing projects	
Additional Combined Sewer Overflow Matching Fund	\$25,000,000
Virginia Tech Kentland Facilities project	\$3,100,000
Corrections fire alarm systems project	\$7,785,000
Workforce related projects	
Virginia Tech Innovation Campus	\$168,000,000
Provide space to enhance computer-related education	\$80,000,000
Radio system upgrades	
Upgrade STARS Network	\$132,151,000
Refresh COMLINC Network	\$5,844,000
Other	
Virginia Military Institute Aquatic Center	\$31,300,000
Virginia Institute of Marine Science Oyster Hatchery	\$18,600,000
TOTAL - DEBT TO BE ISSUED	\$585,680,000
Reallocate unneeded bond authorization from other capital projects	(\$17,100,000)
GRAND TOTAL IMPACTING DEBT CAPACITY	\$568,404,000

The introduced budget combines new revenues and spending to yield an unappropriated general fund balance of \$24.8 million . . .

General Fund Only

	FY 2019	FY 2020	Biennial Total
Revised Revenue Forecast			
Prior Year Balance	\$1,229.9	\$0.0	\$1,229.9
Additions to Balance	(755.0)	336.2	(418.8)
Revenue Forecast	21,050.6	21,689.0	42,739.6
Revenue Stabilization Fund	0.0	0.0	
Transfers	622.1	630.3	1,252.4
Total GF Resources	<u>\$22,147.6</u>	<u>\$22,655.6</u>	<u>\$44,803.1</u>
Expenditures			
Chapter 2 Base			
Operating	\$20,990.4	\$21,642.5	\$42,632.9
Capital	\$0.1	\$0.0	\$0.1
CH 2 Base	<u>\$20,990.5</u>	<u>\$21,642.5</u>	<u>\$42,633.0</u>
Proposed Amendments			
Operating	\$1,104.2	\$1,007.7	\$2,111.9
Capital	\$33.5	\$0.0	\$33.5
Subtotal Proposed New Spending	<u>\$1,137.6</u>	<u>\$1,007.7</u>	<u>\$2,145.3</u>
Total of All Proposed Spending	\$22,128.1	\$22,650.2	\$44,778.3
Unexpended Balance	\$19.5	\$5.3	\$24.8

*Amounts shown in millions

Structural balance is achieved in FY 2020, which serves as the base going forward . . .

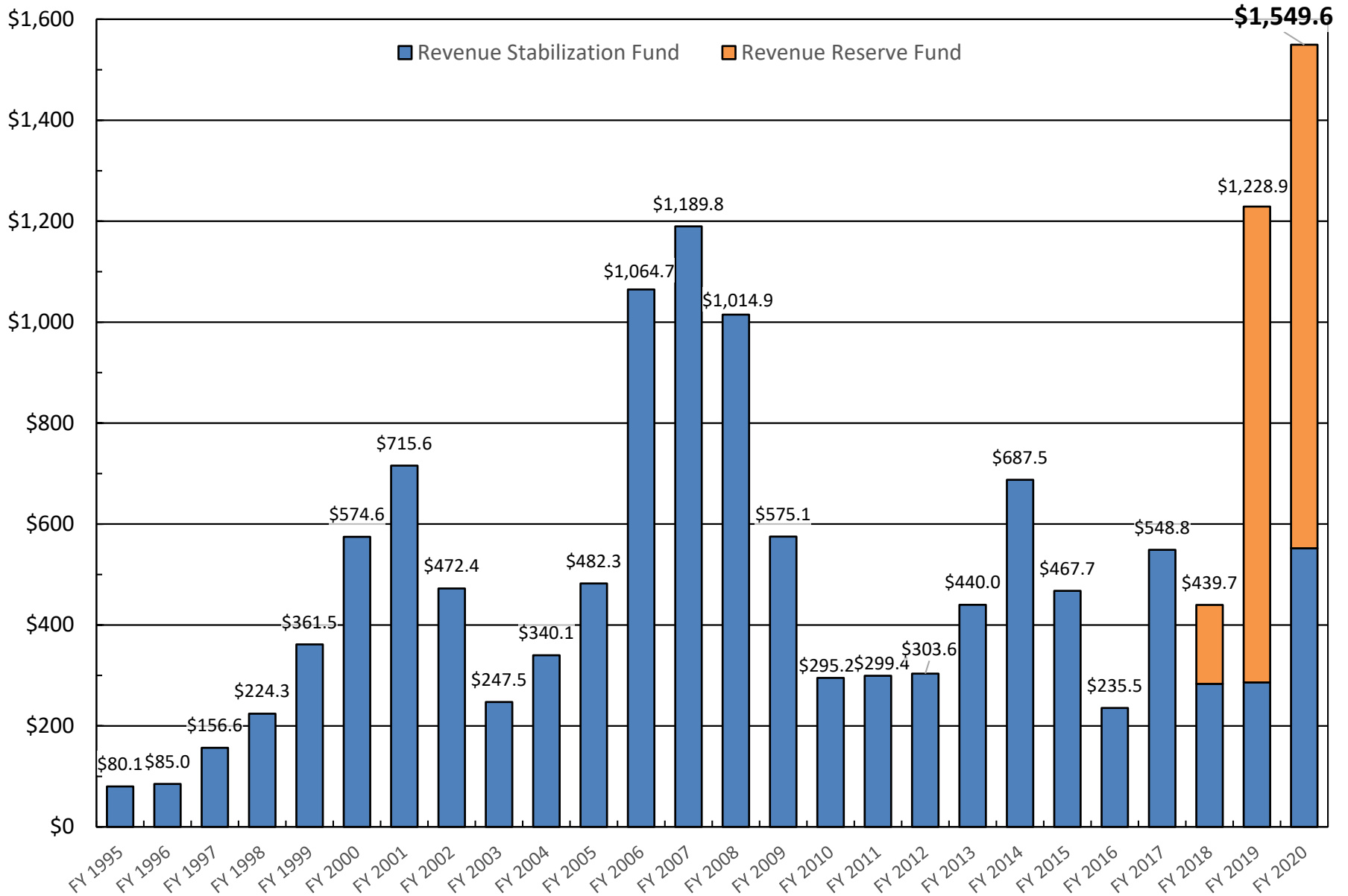
FY 2020 Base Adjustments - General Fund Only

FY 2020 Resources in Introduced Budget		\$22,655.6
Adjustments to Resources (assumes no revenue growth)		
Remove one-time balances	(336.7)	
Remove one-time conformity revenue	(433.6)	
		<u>(770.3)</u>
	Subtotal of Adjustments	(770.3)
	Base Resources Going Forward	<u><u>\$21,885.3</u></u>

Total FY 2020 Expenditures in Introduced Budget		\$22,650.2
Adjustments to Expenditures		
Less capital	\$0.0	
Less one-time payments to Revenue Stabilization Fund	(262.9)	
Less one-time payments to Water Quality (Parts A & B)	(73.8)	
Less one-time spending and revenue changes from conformity revenue	(399.7)	
Less other one-time spending	(39.6)	
		<u>(776.1)</u>
	Subtotal of Adjustments	(776.1)
	Base Expenditures Going Forward	<u><u>\$21,874.1</u></u>

Balance of Uncommitted Base Resources **\$11.1**

Total of All Reserves



For More Details About Governor Northam's Introduced Budget

including specific language amendments, please
refer to the Department of Planning and Budget's
Web site at:

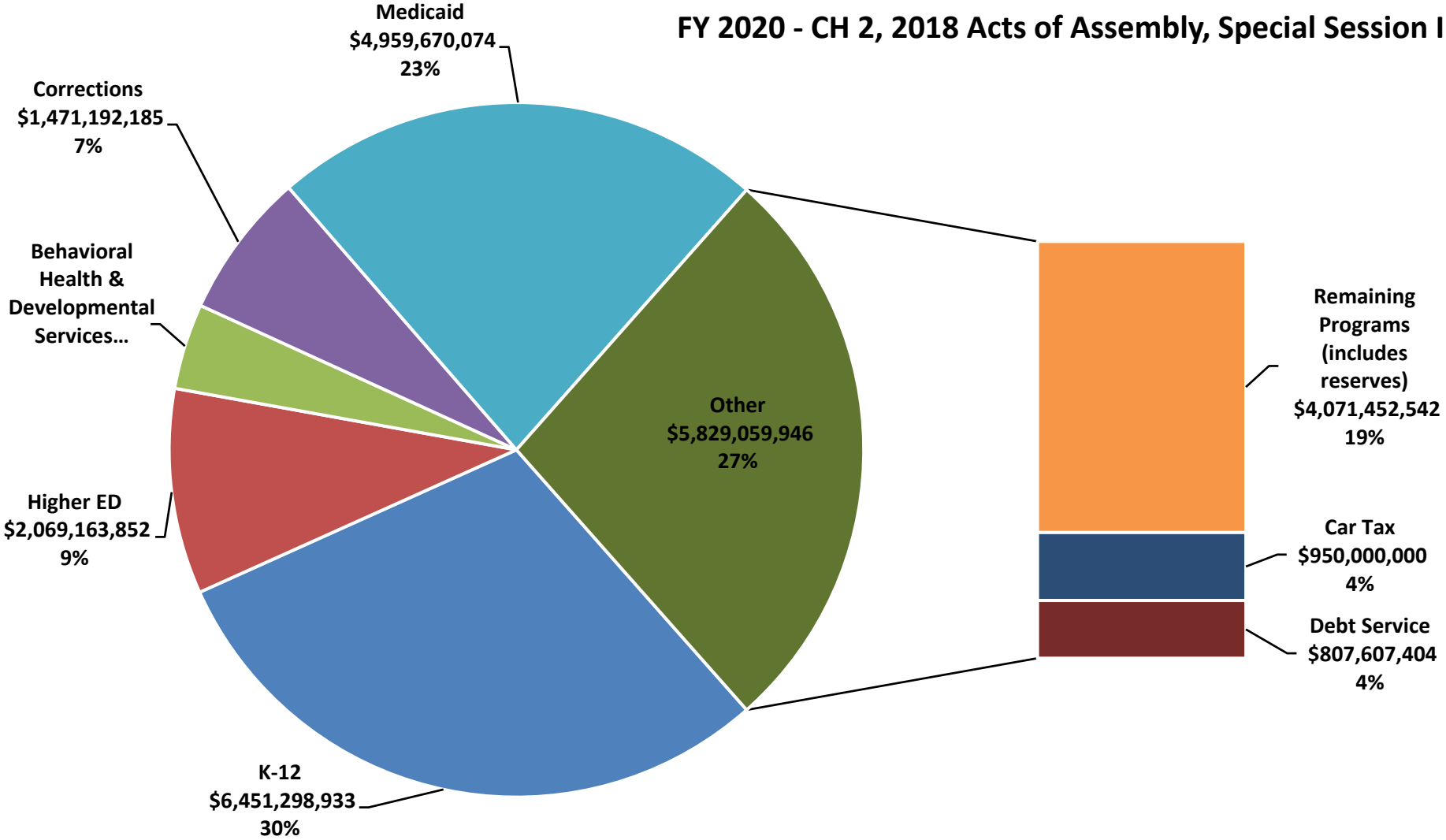
<http://dpb.virginia.gov/>

Appendix

Summary of Changes in Budget Drivers

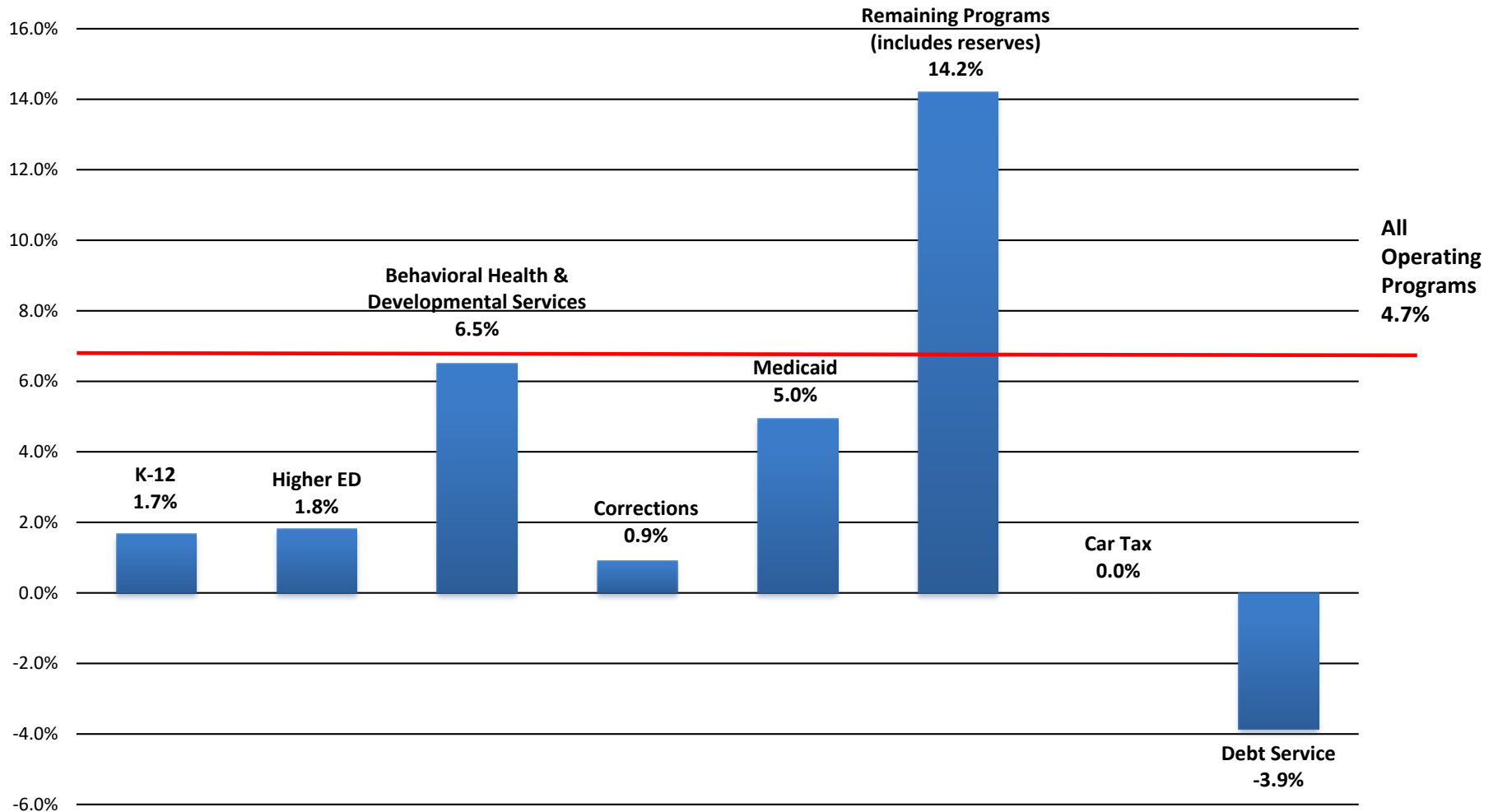
Five budget drivers make up 73 percent of the FY 2020 general fund budget in Chapter 2 . . .

FY 2020 - CH 2, 2018 Acts of Assembly, Special Session I



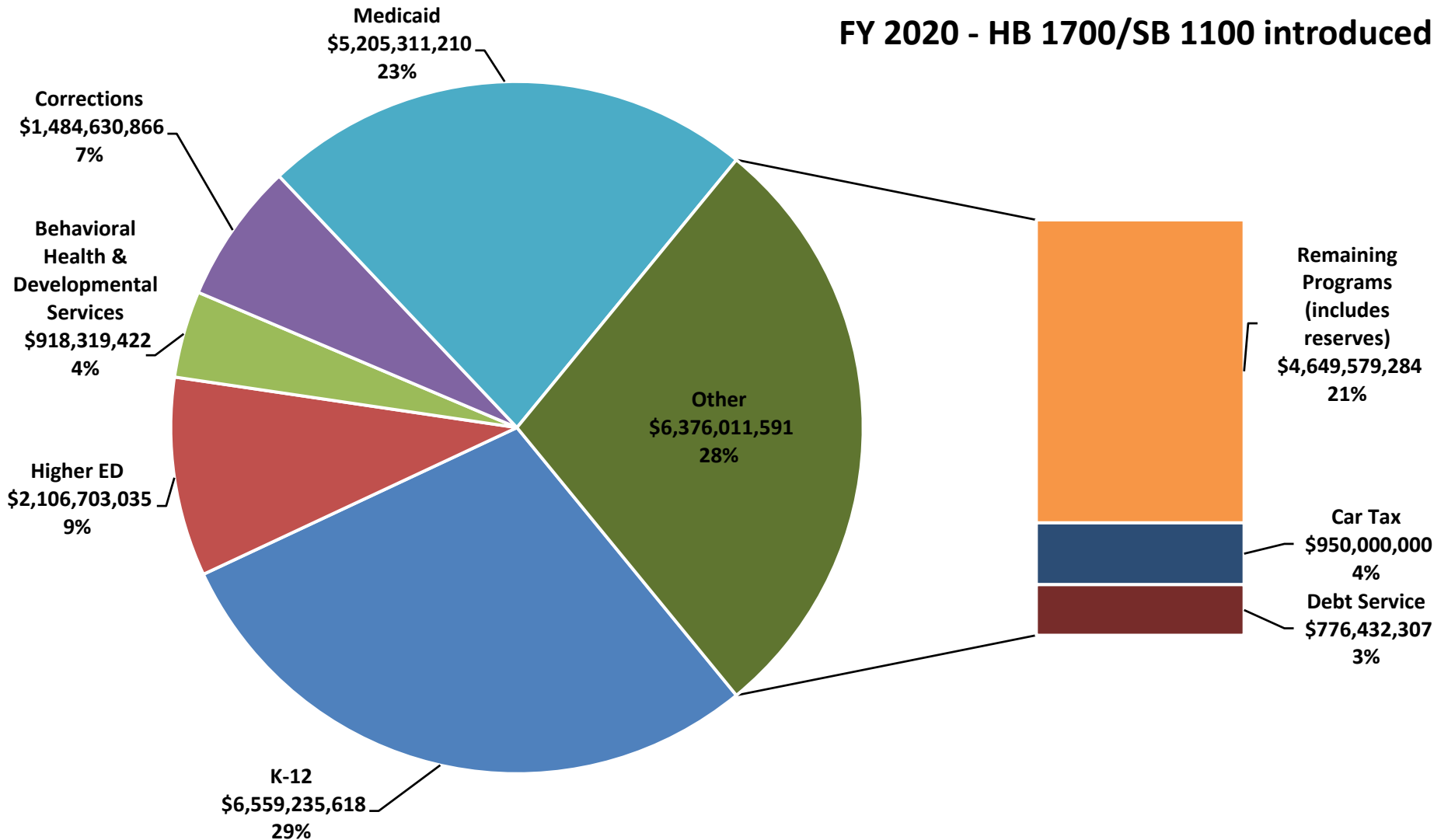
FY 2020 deposits to the Revenue Reserve and the Revenue Stabilization Fund (in Remaining Programs) lead the growth rates contained in the introduced budget . . .

Growth Over Chapter 2, 2018 Acts of Assembly, Special Session I



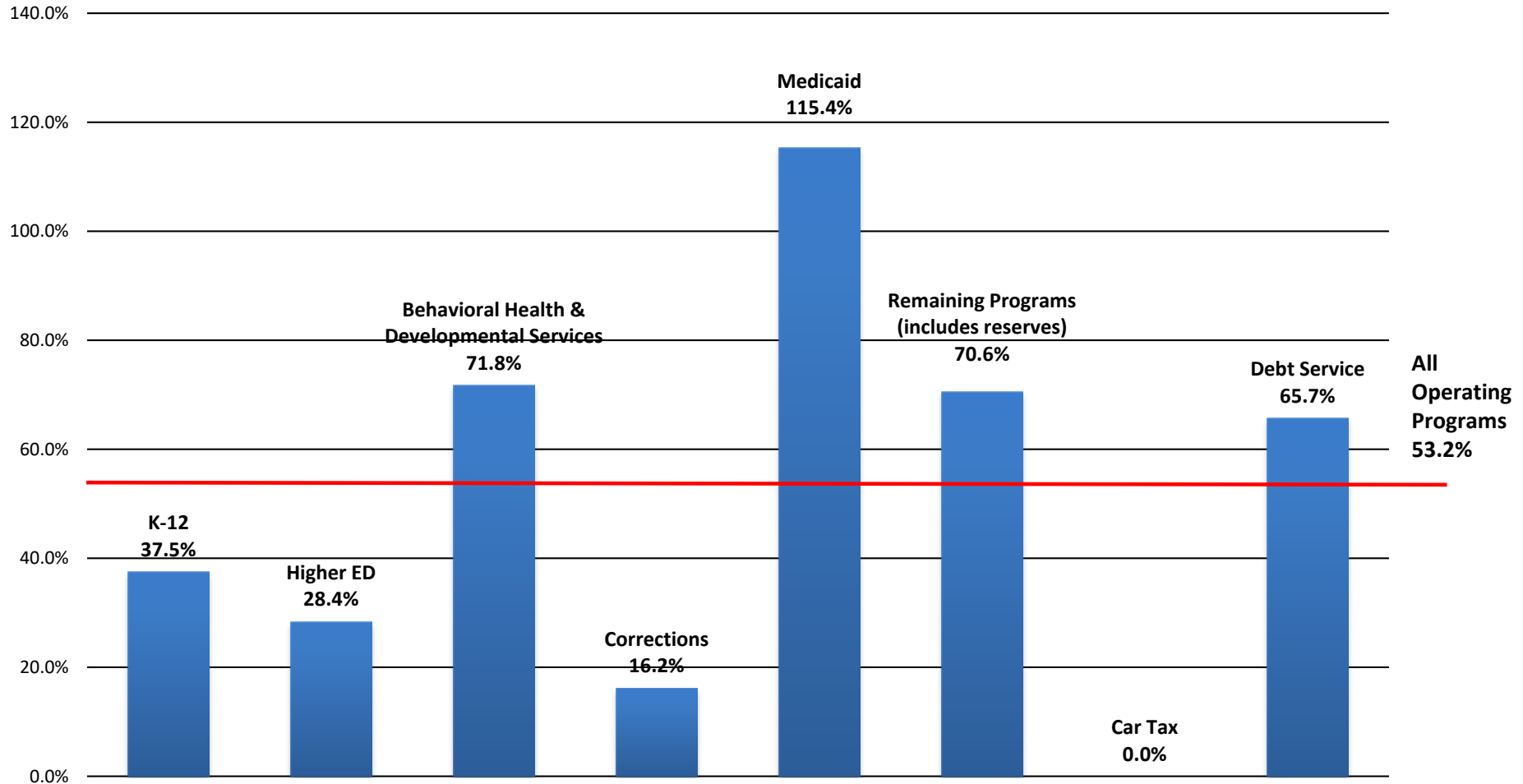
In FY 2020, the five budget drivers drop to 72 percent of the general fund in the introduced budget . . .

FY 2020 - HB 1700/SB 1100 introduced



Growth in general fund spending on budget drivers from FY 2010 to FY 2020 ranges from 16.2 percent in Corrections to 115.4 percent in Medicaid . . .

Ten-Year Growth Rates



Summary of Changes in
Funding and
Authorized Position Levels
by Secretarial Area

Due to increases in reserves, Finance will experience the largest increase in operating spending but most other secretarial areas will also experience a net increase in general fund appropriations . . .

	Chapter 2, 2018 Special Session General Fund Operating			HB 1700 / SB 1100 Introduced General Fund Total			Proposed General Fund Changes					
	FY 2019	FY 2020	Biennial Total	FY 2019	FY 2020	Biennial Total	FY 2019		FY 2020		Biennial Total	
Legislative Department	\$92.6	\$92.5	\$185.1	\$92.6	\$92.5	\$185.1	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%
Judicial Department	495.7	505.1	1,000.8	495.7	508.6	1,004.3	0.0	0.0%	3.6	0.7%	3.6	0.4%
Executive Offices	36.9	36.9	73.9	38.4	36.9	75.4	1.5	4.1%	0.0	0.0%	1.5	2.0%
Administration	738.0	740.2	1,478.2	736.7	738.8	1,475.6	(1.3)	(0.2%)	(1.4)	(0.2%)	(2.6)	(0.2%)
Agriculture & Forestry	56.9	56.6	113.5	56.9	57.6	114.5	0.0	0.0%	1.0	1.8%	1.0	0.9%
Commerce & Trade	225.7	230.1	455.8	269.5	284.4	553.9	43.8	19.4%	54.3	23.6%	98.0	21.5%
Education	8,443.6	8,689.4	17,132.9	8,491.4	8,840.1	17,331.4	47.8	0.6%	150.7	1.7%	198.5	1.2%
Finance	1,938.3	1,982.0	3,920.3	2,653.7	2,264.3	4,918.0	715.4	36.9%	282.3	14.2%	997.6	25.4%
Health & Human Resources	6,647.7	6,821.5	13,469.3	6,820.2	7,126.9	13,947.2	172.5	2.6%	305.4	4.5%	477.9	3.5%
Natural Resources	156.5	117.2	273.6	182.1	265.8	447.9	25.7	16.4%	148.6	126.8%	174.3	63.7%
Public Safety & Homeland Security	2,013.6	2,018.2	4,031.8	2,022.1	2,050.8	4,073.0	8.6	0.4%	32.6	1.6%	41.2	1.0%
Transportation	41.0	41.0	82.1	116.0	41.0	157.1	75.0	182.8%	0.0	0.0%	75.0	91.4%
Veterans & Defense Affairs	22.2	22.8	45.1	22.2	24.5	46.8	0.0	0.0%	1.7	7.6%	1.7	3.9%
Central Appropriations	81.3	288.8	370.0	96.6	317.6	414.2	15.3	18.9%	28.9	10.0%	44.2	11.9%
Total Executive Department	20,401.8	21,044.8	41,446.6	21,506.0	22,048.9	43,554.9	1,104.2	5.4%	1,004.1	4.8%	2,108.3	5.1%
Independent Agencies	0.3	0.2	0.5	0.3	0.2	0.5	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total Operating Appropriations	\$20,990.4	\$21,642.5	\$42,632.9	\$22,094.5	\$22,650.2	\$44,744.7	\$1,104.2	5.3%	\$1,007.7	4.7%	\$2,111.9	5.0%

*Amounts shown in millions

The Education Secretariat accounts for the majority of the increase in position levels in the proposed budget for FY 2020 . . .

Secretarial Area	FY 2020 FTE (Chapter 2)	FY 2020 FTE (HB 1700 /SB 1100 Introduced)	Proposed Net Changes FY 2020
Legislative Department	630.00	630.00	0.00
Judicial Department	3,373.71	3,393.71	20.00
Executive Offices	572.00	572.00	0.00
Office of Administration	1,106.00	1,107.40	1.40
Office of Agriculture and Forestry	836.00	837.00	1.00
Office of Commerce and Trade	1,678.00	1,685.00	7.00
Office of Education	60,050.22	60,687.97	637.75
Office of Finance	1,317.00	1,320.00	3.00
Office of Health & Human Resources	15,344.77	15,561.77	217.00
Office of Natural Resources	2,192.00	2,213.00	21.00
Office of Public Safety and Homeland Security	20,032.50	20,212.50	180.00
Office of Transportation	10,180.00	10,183.00	3.00
Office of Veterans and Defense Affairs	1,088.00	1,106.00	18.00
Central Appropriations	0.00	0.00	0.00
Independent Agencies	1,763.00	1,764.00	1.00
Grand Total	120,163.20	121,273.35	1,110.15

- Large increase in Education Secretariat primarily due to technical adjustments for various higher education institutions, including the University of Virginia Medical Center, and the merger of Jefferson College of Health Sciences with Radford University.
- Increase in Public Safety and Homeland Security primarily due to the addition of support for medical care at Fluvanna Correctional Center for Women (Department of Corrections).
- Increase in Health & Human Resources Secretariat primarily due to the increase in direct care nursing staff and psychiatrists at Mental Health Treatment Centers due to census growth.