



# **Proposed Amendments to the 2016-2018 Biennial Budget: House Bill 1500**

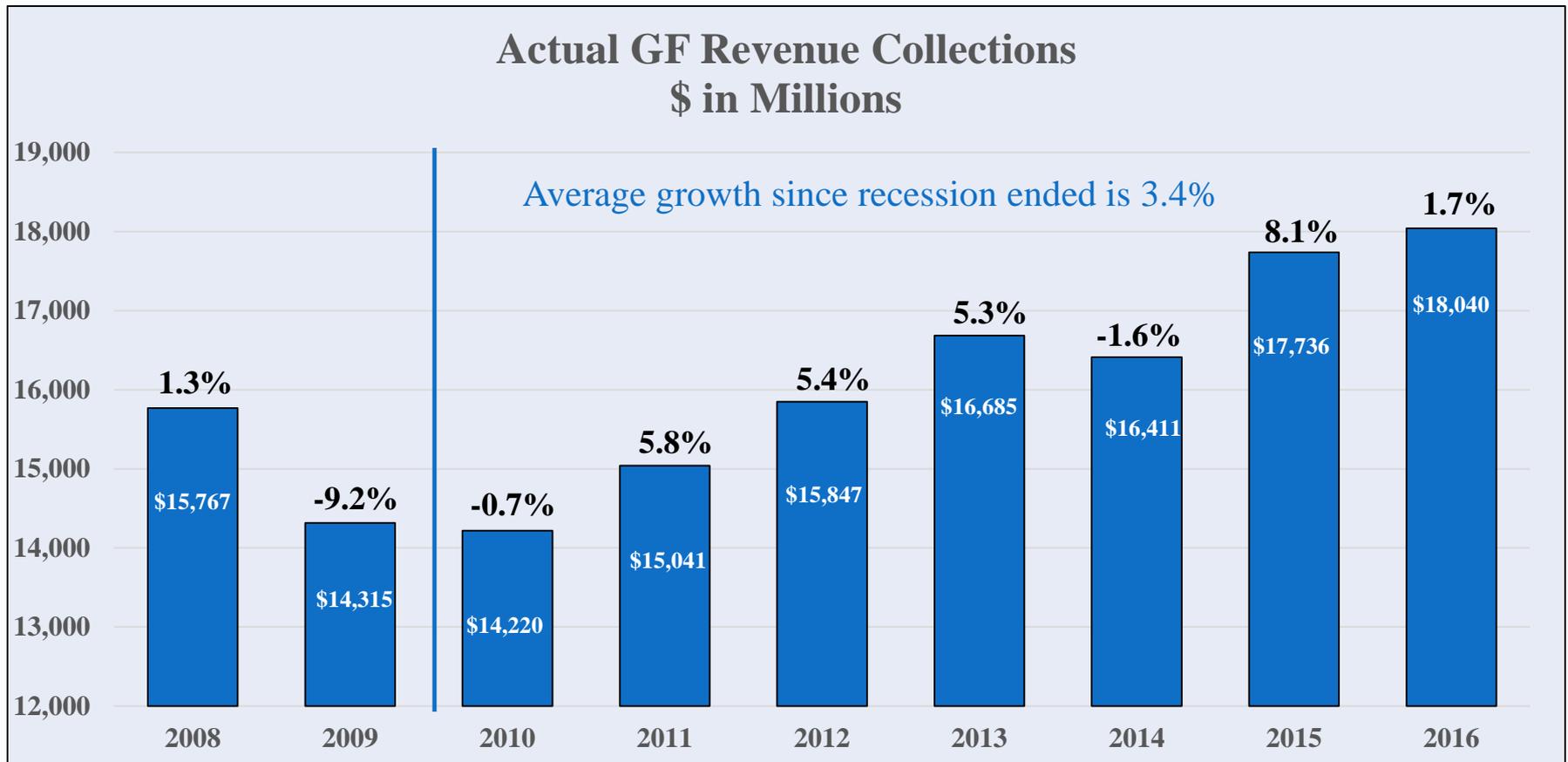
House Appropriations Committee

**January 11, 2017**



# FY 2016 Revenue Performance

- FY 2016 General Fund revenues rose by only 1.7%, falling short of the official forecast of 3.2% growth by \$268.9 million; when the shortfall in transfers is included, total gap increases to \$279.3 million
- Almost all of the shortfall was due to lower than expected withholding and sales tax collections
  - These are the two largest sources, and also those most closely tied to current economic conditions



Note: Figures include only GF revenues and excludes transfers. Source: Virginia Department of Taxation

# What is the Process for Addressing the Shortfall?

- As a result of the FY 2016 shortfall, the Code of Virginia required the Governor to prepare a re-estimate of GF revenues
  - The preliminary reforecast was issued in August when the Governor presented to the Joint Money Committees
- In the event of a reforecast, “Part 4” of the budget also requires the Governor to withhold general fund spending authority to prevent expenditures in excess of anticipated revenues
- This authority is limited to the current fiscal year, and includes express limitations on total reductions by agency as set out in § 4-1.02 of the Appropriation Act
- In October, Governor McAuliffe issued his initial 2017 Savings Plan to close the gap in the current fiscal year
  - A number of those actions will require the General Assembly’s approval and are included in the budget amendments contained in HB 1500

# Governor's October 2016 Savings Plan

Type of Action	Specific Action for 2017	\$ in Millions	Subtotals
Actions based on revenue triggers	Transfer from Revenue Stabilization Fund*	\$392.3	<b>\$517.4</b>
	Remove December 1, 2016, pay increase	\$125.1	
Use of FY 2016 Balances	Agency "pledge" balances	\$23.5	<b>\$66.8</b>
	GF Discretionary balances	\$43.3	
Technical Adjustments	Reduce assumed FY 17 carry-forward to FY 18	\$70.0	<b>\$154.1</b>
	Recognize excess FY 16 Lottery proceeds	\$33.2	
	Recognize Lottery reforecast for FY 17	\$5.3	
	Allocate unspent Lottery allocations	\$8.6	
	Recognize sales tax adjustment for Basic Aid	\$12.0	
	Recognize additional Literary Fund revenues	\$25.0	
Policy Changes	Delay Phase-Out of AST	\$35.1	<b>\$63.9</b>
	Recover NGF cost of VRS for Higher Ed	\$24.8	
	Retain Interest & Credit Card Revs. Higher Ed	\$4.0	
Agency Budget Reductions	Across-the-board savings	\$73.0	<b>\$73.0</b>
<b>GRAND TOTAL</b>			<b>\$875.2</b>

\* Note: Revenue Stabilization Fund withdrawal has been reduced based on December revenue reforecast

# Fall Reforecasting Process

- Although the FY 2016 shortfall mandated a revenue reforecast in August, the Code-required Fall reforecasting process also went forward
- Joint Advisory Board of Economists (JABE) met November 9 to review the latest economic assumptions and revised methodologies
- Governor's Advisory Council on Revenue Estimates (GACRE) met November 28
- Revisions to the Official forecast were submitted with the Governor's proposed amendments to Chapter 780 on December 16 and showed slight improvement since the interim forecast was released in August

# FY 2017 and FY 2018 Forecast Revisions

- Forecast revisions included in the December update do not reflect substantive changes to the overall economic outlook; instead, they reflect better than anticipated performance of revenue collections through the first five months of the fiscal year
  - Particular sources of strength have been withholding taxes, our largest source, as well as corporate and recordation tax
- Exclusive of tax policy changes embedded in the amendments proposed in HB 1500, the December forecast adds back an additional \$233.0 million in GF revenues over the biennium compared to the Interim August forecast
- In addition to the core economic-based changes to the forecast and technical adjustments, the budget amendments also reflect an additional \$138.6 million of collections that would be generated by tax policy changes the Governor is proposing in his amendments and other stand-alone legislation to be considered by the 2017 General Assembly

# FY 2017 Year-to-Date Performance

## General Fund Revenue Forecast for Fiscal Year 2017

<u>Major Source</u>	<b>Ch. 780 Forecast</b>	<b>August Interim Forecast</b>	<b>Actual Performance Through November</b>	<b>Growth Required Remainder of Year to Meet Forecast</b>
Withholding	4.0%	<b>3.0%</b>	<b>7.1%</b>	<b>0.4%</b>
Nonwithholding	2.1%	(1.2%)	0.6%	(1.7%)
Refunds	6.6%	4.0%	(7.2%)	5.8%
<b>Net Individual</b>	<b>3.2%</b>	<b>1.8%</b>	<b>7.0%</b>	<b>(1.3%)</b>
Sales	4.0%	<b>2.6%</b>	<b>(2.5%)</b>	<b>5.6%</b>
Corporate	5.9%	(3.0%)	22.9%	(8.8%)
Wills (Recordation)	1.7%	5.5%	12.9%	0.2%
Insurance	4.0%	1.3%	na	na
All Other Revenue	(1.2%)	(3.5%)	(1.3%)	(3.3%)
<b>Total GF Revenues</b>	<b>3.2%</b>	<b>1.7%</b>	<b>5.4%</b>	<b>(0.5%)</b>

Source: Virginia Department of Taxation.

# Revised December Forecast: FY 2017 & 2018

Source	FY 2017 Forecast	FY 2017 % Growth	FY 2018 Forecast	FY 2018 % Growth
Withholding	\$11,713.3	3.6%	\$12,100.2	3.3%
Nonwithholding	3,048.5	(0.7%)	3,222.6	5.7%
Refunds	(1,848.0)	1.5%	(1,942.6)	5.1%
<b>Net Individual</b>	<b>\$12,913.8</b>	<b>2.9%</b>	<b>\$13,753.2</b>	<b>3.6%</b>
Sales	\$3,385.8	2.7%	\$3,445.5	1.8%
Corporate	794.2	3.8%	824.9	3.9%
Recordation	398.6	8.0%	407.9	2.3%
Insurance	344.1	1.5%	364.8	6.0%
All Other	720.9	0.7%	735.2	2.0%
<b>Total GF Revenue</b>	<b>\$18,557.4</b>	<b>2.9%</b>	<b>\$19,158.5</b>	<b>3.2%</b>
ABC Profits	\$97.3	12.5%	\$101.4	4.2%
Sales Tax (0.375%)	365.4	2.8%	374.0	2.4%
Transfers Per Act	137.2	14.7%	133.9	(2.4%)
<b>Total Transfers</b>	<b>\$599.9</b>	<b>6.8%</b>	<b>\$609.3</b>	<b>1.6%</b>
<b>Total General Fund</b>	<b>\$19,157.3</b>	<b>3.0%</b>	<b>\$19,767.8</b>	<b>3.2%</b>

Note: Forecast includes Governor's proposed tax policy changes

# Tax & Revenue Adjustments Assumed in HB 1500

(\$ in millions)	FY 2017	FY 2018	Biennial
<b>Budget Language/Action Only</b>			
Defer Phase-Out of Accelerated Sales Tax (\$2.5 million threshold in FY 2017, \$4.0 million in FY 2018)	\$35.1	\$12.8	\$47.9
Increase LPTC transfer fee from 2% to 3%	0.0	1.0	1.0
Increase VOSH civil penalties as required by fed'l regs	0.0	0.7	0.7
Clawback unused dam safety funding	0.5	0.0	0.5
Institute new license fee for adult services at DBHDS	0.1	0.2	0.3
<b>Legislation and Budget Language</b>			
Tighten sales tax nexus for out of state dealers with Virginia warehousing/fulfillment centers	\$0.0	\$11.1	\$11.1
Retain \$20,000 individual limit for LPTC for TY 2017	0.0	6.1	6.1
Disallow receipt of both tax credit and tax deduction for certain charitable contributions	0.0	2.0	2.0
Cap Historical Rehabilitation Tax Credit at \$5.0 m. per return	0.0	9.9	9.9
<b>Legislation Only – Not in Budget</b>			
Implement Tax Amnesty Program (revenues shown are GF share)	\$0.0	\$58.2	\$58.2
Mandate notification of payroll system breaches	0.0	0.8	0.8
<b>No Action Required</b>			
Reflect sunset of Telework Tax Credit	0.0	0.1	0.1
<b>Total: Tax Policy Changes</b>	<b>\$35.7</b>	<b>\$102.9</b>	<b>\$138.6</b>

# Next Steps – The Path Ahead . . .

- The December forecast, inclusive of tax policy proposals, produced a revised forecast of 2.9% growth in the FY 2017
- Through the first five months of the fiscal year, revenues have increased 5.4% and are exceeding the revised forecast by 2.5 percentage points
  - Year-to-date strengths are in withholding, corporate and recordation taxes
  - Greatest weakness has been the continued lagging sales tax collections
- Meeting the December revised forecast for FY 2017 requires growth of only 1.4% in the remaining 7 months of the fiscal year
- December revenues expected to be weaker based on the timing of deposit days
  - report should be released prior to January 15
- January is a key month for revenue collections
  - Sales taxes for Christmas season are remitted in January
  - January 15: Due date for the fourth quarter individual estimated income tax payments
    - one area of relative strength year-to-date



# Overview: Savings and Spending in HB 1500

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# Based on the December Reforecast, the Total Projected Budgetary Shortfall Totals \$1.2 Billion

	FY 2016 Actual	FY 2017	FY 2018	Biennial Total
<b>Revenue:</b>				
December Economic Forecast (*exclusive of tax changes)	\$18,040.1	\$18,521.7	\$19,055.6	\$37,577.3
Official Forecast - CH 780	\$18,309.0	\$18,902.4	\$19,633.1	\$38,535.5
<b>Actual/Projected Revenue Shortfall</b>	<b>(\$268.9)</b>	<b>(\$380.7)</b>	<b>(\$577.5)</b>	<b>(\$958.2)</b>
Change in Transfers	(\$10.4)	\$22.2	\$12.5	\$34.7
<b>Total Shortfall</b>	<b>(\$279.3)</b>	<b>(\$358.5)</b>	<b>(\$565.0)</b>	<b>(\$923.5)</b>
<b>Shortfall Applied by Fiscal Year</b>		<b>(\$637.8)</b>	<b>(\$565.0)</b>	<b>(\$1,202.8)</b>

# How Does HB 1500 Close the Budget Gap?

Action Proposed	FY 2017	FY 2018	Biennium
Use of Revenue Stabilization Fund*	(\$294.7)	(\$272.5)	(\$567.2)
Removal of Pay Increase in Chapter 780	(125.4)	(221.8)	(347.2)
Changes in Assumed Balances	(108.4)	(128.0)	(236.4)
Technical Adjustments (Lottery and Literary Funds, K-12 Enrollment, etc.)	(84.1)	(48.1)	(132.2)
Tax Policy Adjustments	(35.7)	(102.9)	(138.6)
Additional Targeted Agency Savings	(39.5)	(90.4)	(129.9)
5% Reduction in Higher Education	0.0	(76.1)	(76.1)
Oct Plan: Across-the-board savings	(54.9)	(18.1)	(73.0)
Oct Plan: Use of FY 2016 Balances	(66.8)	0.0	(66.8)
Recover NGF Costs of VRS	(24.2)	(16.1)	(40.3)
Retain Interest Earnings & Credit Card Revs	(4.0)	(4.0)	(8.0)
Net New Spending	146.6	\$473.3	\$619.9
Use of Unappropriated Balance			(\$5.1)
<b>Grand Total of Changes</b>	<b>(\$691.1)</b>	<b>(\$504.7)</b>	<b>(\$1,200.9)</b>

\* Note: RDF withdrawal has been adjusted since October to reflect final revenue forecast

# New Spending Proposed in HB 1500

## 12 Budget Drivers Account for 88% of Spending

(\$ in Millions)	Biennial
Medicaid Utilization and Inflation	\$255.1
Children's Services Act – increased caseload and services costs	85.7
Provide 1.5% bonus for state and state-supported local employees	60.0
K-12 – provide equivalent of state share of 1.5% bonus for SOQ positions	55.5
Mental Health Package	31.7
DOC – provide increased costs for inmate medical care	18.5
Comp. Board –deputy sheriffs' salary compression (\$80 per year of service)	8.7
Dept. of Social Services – address changes in IT costs	8.6
DMAS – overtime pay up to 56 hours for consumer-directed care attendants	8.5
Nursing Home Inflation	5.5
Constitutional Officers Career Development Programs	5.2
FAMIS utilization and inflation	5.1
Remaining Spending Items	71.8
<b>Total Spending:</b>	<b>\$619.9</b>



# Details by Secretarial Area

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# Health and Human Resources

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# Summary of HHR Proposed Savings and Spending Actions

- HHR agency FY 2017 savings plan totals \$23.3 million in general fund reductions and balance reversions
- In addition, HB 1500 savings amendments focus on:
  - Forecast adjustments: \$44.3 million GF
  - Other targeted and technical adjustments: \$19.1 million GF
- HHR spending amendments focus on:
  - Mandatory spending: \$355.5 million GF
  - Other spending: \$56.6 million GF

# FY 2017 HHR Agency Savings Plans

(\$ in millions)

HHR Agency Reductions & Resources	FY 2017
Virginia Department of Health (VDH)	(\$2.8)
Department of Medical Assistance Services (DMAS)	(2.0)
Dept. of Behavioral Health and Developmental Services (DBHDS)	(15.1)
Department for Aging and Rehabilitative Services (DARS)	(2.7)
Department of Social Services (DSS)	(0.4)
Department for the Blind and Vision Impaired (DBVI)	(0.3)
<b>Total</b>	<b>(\$23.3)</b>

Note: In addition to the FY 2017 savings, HHR agencies pledged FY 2016 balances totaling \$9.1 million GF, mainly from 3 agencies: DSS (\$4.1 million), DBHDS (\$3.4 million), and DMAS (\$1.0 million).

# HB 1500 Proposed Savings of \$63.4 Million

Amendments (GF \$ in millions)	FY 2017	FY 2018
<b>Forecast Adjustments</b>		
Adjust GF Appropriation for Va. Health Care Fund	(\$34.7)	(\$9.2)
Foster Care and Adoption Subsidy Forecast	-	(0.4)
<b>Other Reductions and Resources</b>		
Impose/increase Fees: Shellfish Facility Inspection Fee & Restaurant Inspection Fee from \$40 to \$285	-	(4.4)
Reflect Ongoing Reductions in FY 2017 Savings Plans	-	(3.6)
Supplant GF with Federal Funds for Va. Early Childhood Foundation, Child Advocacy Centers, No. Virginia Family Services and Voc. Rehabilitation Grant	-	(3.1)
Medicaid Audits, Estate Recoveries & Savings in Contract Costs	-	(2.2)
Capture Surplus in Auxiliary Grant & Unemployed Parents Program	-	(1.0)
Turnover & Vacancy Savings	-	(0.4)
Eliminate/Reduce Discretionary Programs – VDH Va. Student Loan Repayment Program, Health Department Earmarks	-	(0.4)
Other Administrative and Technical Savings	-	(4.4)
<b>Total</b>	<b>(\$34.7)</b>	<b>(\$28.7)</b>

# HHR Proposed Mandatory Spending: \$355.5 Million

(GF \$ in millions)

Agency / Item	FY 2017	FY 2018
<b>Department of Medical Assistance Services</b>		
Medicaid Forecast - Caseload and Utilization	\$77.0	\$178.1
FAMIS and SCHIP Forecast - Caseload and Utilization	2.9	3.7
Involuntary Mental Commitment Fund Forecast – Utilization	-	0.6
<b>Children’s Services Act</b>		
Backfill FY 16 Shortfall, Growth in Caseload, Utilization and Service Costs	\$41.2	\$44.5
<b>Department of Social Services</b>		
Foster Care and Adoption Subsidy Forecast	2.0	-
Mandatory Reinvestment in Child Welfare Svs. – Fund Additional Local Staff	-	3.2
Mandatory Reinvestment in Child Welfare Svs. - Fund Additional Local Staff for Child Protective Services for Substance Exposed Infants	-	1.3
Mandatory Reinvestment in Child Welfare Svs. – Mobility Software for Caseworkers	-	1.0
<b>Total</b>	<b>\$123.0</b>	<b>\$232.4</b>

# HHR Proposed Discretionary Spending: \$56.6 Million

Agency / Item (GF \$ in millions)	FY 2017	FY 2018
<b>Department of Medical Assistance Services</b>		
Provide Up to 16 Hours Paid Overtime for Consumer-Directed Personal Care Attendants	-	\$8.5
Provide Full FY 2018 Inflation Adjustment for Nursing Homes	-	5.5
<b>Department of Behavioral Health &amp; Developmental Services</b>		
Behavioral Health & Substance Use Treatment Services	-	27.5
Acute Care Hospitalization Costs at State Mental Health Hospitals	1.6	1.6
Fund 12 Direct Care Staff at Va. Ctr. for Behavioral Rehabilitation	-	0.3
<b>Department of Social Services</b>		
Fully Fund Unisys Mainframe Payments	4.0	4.6
Fund foster care costs for substance exposed infants	-	1.0
<b>Department for Aging and Rehabilitative Services</b>		
Expand Ombudsman Program to Meet Federal MLTSS Req.	-	0.4
Fund Adult Svs./Adult Protective Svs. Case Mgmt. System Operations	-	0.4
<b>Department of Health</b>		
Require Meningococcal Vaccine Prior to Entering the Sixth Grade	-	0.5
Transfer Sexually Transmitted Disease Testing from DGS	-	0.6

# Medicaid Forecast Major Drivers

Major Forecast Adjustments	FY 2017	FY 2018
Behavioral Health: adult rehabilitation services and intensive in-home services for children	\$31.5	\$54.6
Medicaid fee-for-service expenditures	38.8	38.3
Medicare Part A, B and Part D premium increases	9.6	28.6
Managed Care rate changes	(15.0)	12.0
<b>Total Major Forecast Adjustments</b>	<b>\$64.9</b>	<b>\$133.5</b>

Note: Additional forecast adjustments result in increases and decreases in Medicaid projected expenditures that are incorporated in the final expenditures forecast.

# Medicaid Forecast Drivers

- Behavioral health services
  - Expenditures for adult mental health skill building services and intensive in-home services for children are growing faster than originally projected last year
- Medicaid fee-for-service expenditures
  - Growth primarily in FY 2017 (new enrollees and dually eligible for Medicare and Medicaid until FY 2018 when assigned to managed care, GAP population,)
  - Pharmacy costs growing at 16.7% in FY 2017 and 7.4% in FY 2018
- Home and community-based waiver services growing faster than projected last year
- Federally driven changes
  - 10.0% increase in Medicare Part B premiums
  - 11.9% increase in Medicare Part D premiums
  - “Deemed newborns” must be automatically re-enrolled in Medicaid program at age one
    - Infants born to pregnant women who were receiving Medicaid on the date of delivery are Medicaid eligible until the child’s first birthday - “deemed newborns”
    - In past, these children were disenrolled from Medicaid at age one unless parent or guardian re-enrolled them
    - DMAS data indicate that these children were disenrolled for 4 months on average after age one, before being re-enrolled in Medicaid
  - Added costs for durable medical equipment authorization requirements for physicians to document face-to-face encounters with Medicaid recipients within specified timeframe

# DMAS – Policy Changes

- Medicaid Expansion
  - Strikes language prohibiting Medicaid expansion under the ACA
  - Adds language to allow Governor to expand Medicaid beginning October 1, 2017 if the federal government retains an enhanced federal match rate for an expansion population
  - Language specifies that any savings that accrue from expansion would be reserved for appropriation by the General Assembly
    - Introduced budget does not include any savings assumptions from Medicaid expansion proposal
- Overtime for Consumer-Directed Personal Care Attendants
  - Amendments add \$8.5 million GF in FY 2018 and language to authorize DMAS to pay up to 16 hours of overtime to consumer-directed personal care attendants
    - Changes in federal regulations eliminated the overtime exemption for home care workers
    - 2016 General Assembly did not provide authority for Medicaid to pay overtime to these attendants

# DMAS/DBHDS – Policy Changes

- Modifies Allocation of New DD Waivers
  - 3 newly redesigned waivers for ID and DD population are:
    - Community Living (formerly Intellectually Disabled Waiver)
    - Family and Individual Support (formerly Developmental Disability Waiver)
    - Building Independence (formerly Day Support)
    - No distinction on disability, each waiver aligns services to individual needs
  - Chapter 780 provided 440 waiver slots in FY 2018 as required by DOJ Settlement Agreement
  - HB 1500 reallocates slots in waiver based on expected utilization

Waiver	Ch. 780 FY 2018 Slots	HB 1500 Reallocation
Community Living	415	180
Family and Individual Support	25	200
Building Independence	<u>0</u>	<u>60</u>
<b>Total</b>	<b>440</b>	<b>440</b>

- Adds language to allow Governor to approve more slots above 440 if the reallocation demonstrates spending lower than that currently appropriated

# \$27.5 Million GF for Behavioral Health Spending Proposal

- \$20.9 million GF and \$1.3 million NGF for community behavioral health and substance use disorder treatment services
  - \$8.2 million and \$1.3 million NGF for Community Services Boards to implement same-day intake and assessments for individuals in need of services
  - \$5.0 million for opioid treatment services to approximately 700 individuals
  - \$3.0 million for local inpatient purchase of services (LIPOS) program for adults, children and geriatric patients to divert and discharge these individuals from state mental health hospitals
  - \$2.5 million for discharge assistance services for 150 individual at state mental health hospitals who are facing extraordinary barriers to community placement
  - \$1.0 million for Detoxification services for 250 individuals
  - \$880,000 to provide additional community geropsychiatric teams to work with nursing homes and geriatric individuals with mental illness
  - \$200,000 for the purchase & distribution of opiate overdose reversal kits
  - \$78,785 for position to coordinate medication assisted treatment program

# \$27.5 Million GF for Behavioral Health Spending Proposal

- \$2.1 million GF for needs at state mental health facilities
  - \$1.3 million for additional direct care staff at Catawba Hospital and Piedmont Geriatric Treatment Center
  - \$305,000 for added pharmacy costs at Western State Hospital for individuals being discharged to the community
  - \$268,985 for additional child psychiatric services at the Commonwealth Center for Children and Adolescents
  - \$256,488 for added security staff at Northern Virginia Mental Health Institute
- \$4.5 million GF in the Office of the Secretary of HHR for behavioral health system assessment and analysis
  - Funds would be used to hire an expert to conduct a statewide assessment of the community behavioral health system to identify needs, resources, service gaps and costs to implement a systems transformation (STEP-VA)
  - Would include analysis of the Department of Behavioral Health and Developmental Services structure and management of the behavioral health system
  - Work to be completed by July 1, 2018, with a final report to the General Assembly by October 2018

# Temporary Assistance to Needy Families ( TANF) Block Grant

- Reduces TANF spending on cash assistance by \$15.2 million NGF in FY 2017 and \$15.9 million NGF in FY 2018 to reflect the spending forecast for income benefits and VIEW child care subsidies
  - Changes in TANF spending result in a balance of \$71.8 million NGF by the end of FY 2018
- As part of agency savings plans, amendments propose supplanting \$1.7 million GF with surplus TANF funds in FY 2018 for the following organizations:
  - \$1.3 million NGF for the Virginia Early Childhood Foundation
  - \$1.2 million NGF for the Child Advocacy Centers
  - \$200,000 NGF for Northern Virginia Family Services



# Compensation & Retirement

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# Payroll Reserve Fund

- Amendments reflect the removal of the contingent appropriation totaling \$346.3 million over the biennium that was predicated on FY 2016 revenues meeting the forecast which would have triggered salary adjustments in FY 2017

(\$ in millions)	FY 2017	FY 2018	Total
3% salary adjustment for state employees	(\$57.4)	(\$98.4)	(\$155.9)
2 <sup>nd</sup> Phase of State Police Compression Adjustment Plan	(2.3)	(4.0)	(6.3)
Compression Adjustment for District Court Clerk positions	(1.6)	(2.5)	(4.1)
2% salary adjustment for state supported local employees	(9.4)	(18.7)	(28.0)
Salary Compression for employees in sheriffs' offices and regional jails	(3.6)	(8.7)	(12.3)
Career Development Programs for Constitutional Offices	(1.7)	(3.5)	(5.2)
2% Adjustment for SOQ funded positions	<u>(49.0)</u>	<u>(85.5)</u>	<u>(134.4)</u>
<b>Total</b>	<b>(\$125.0)</b>	<b>(\$221.3)</b>	<b>(\$346.3)</b>

# Amendments Propose 1.5% Bonuses in FY 2018

- Includes \$42.2 million GF in FY 2018 for a 1.5 percent bonus for state employees on December 1, 2017
- Includes \$13.8 million GF in FY 2018 for a 1.5 percent bonus for state-supported local employees on December 1, 2017

# Budget Proposes to Restore the Targeted Salary Adjustments Originally Planned for FY 2017

- Amendments include \$19.1 million GF in FY 2018 to restore funding for targeted salary actions originally funded beginning in FY 2017

	FY 2018
Salary Compression for employees in sheriffs' offices and regional jails	\$8.7
Additional participation in Career Development Programs for Constitutional Offices	3.9
2 <sup>nd</sup> Phase of State Police Compression Adjustment Plan	4.0
Compression Adjustment for District Court and Deputy District Court Clerks	<u>2.5</u>
<b>Total</b>	<b>\$19.1</b>

# Other Funding Actions

- Includes \$181,038 GF each year in additional funding for Line of Duty premiums paid by state agencies
- Captures savings of \$279,966 GF in FY 2018 based on a projected decrease in workers compensation premium contributions
- Provides \$1.0 million GF the first year and \$3.0 million GF the second year as a reserve for the potential impact of new federal regulations
  - Potential regulations related to overtime compensation through the Fair Labor Standards Act which are currently on hold due to litigation; and
  - New federal regulations, still under development, which require background checks for individuals with access to federal tax information



# General Government

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# General Government Savings Amendments

- Department of General Services: Reflects savings amendments totaling \$1.0 million GF in FY 2017 and \$1.6 million GF in FY 2018
  - Includes reductions totaling \$1.0 million GF the first year to reflect the budget reductions incorporated in the Governor's October 2016 savings plan, with a net increase in non-general funded items totaling \$650,816 to reflect actions which transfer expenditures from GF to NGF
  - Saves \$364,263 GF the second year through a variety of reduction initiatives including vacancy and turnover savings and the deferment of Executive Mansion projects
  - Includes 3 amendments which realize a total GF savings in FY 2018 of \$650,816 from transferring positions from GF to NGF fund sources
- Department of Human Resource Management
  - Reduces the agencies FY 2018 appropriation by \$1.8 million GF to reflect the conversion of the funding for the personal management information system to an internal service fund
    - A companion amendment in central appropriations provides \$935,760 GF for agencies to reimburse DHRM for charges for the system

# General Government Savings Amendments

- Department of Taxation : Includes reductions totaling \$2.5 million GF the first year to reflect the budget reductions incorporated in the Governor's October 2016 savings plan
  - Saves \$475,000 GF the second year through adjusting the development timeline of the Audit Case Management System by reducing the scope of the system
  - Includes savings of \$283,126 GF the second year from eliminating funding for one technology position and two tobacco compliance positions added in the 2016 session
  - Includes savings of \$195,762 GF and \$100,000 NGF the second year from eliminating three positions and increasing by \$100,000 the use of Land Preservation Funds to support the administration of the program
- Department of Treasury
  - Reduces the agencies FY 2018 appropriation by \$355,397 GF by reducing funding for banking services (\$205,397), and lower check processing costs due to postage savings and a declining volume of check stock (\$150,000)

# General Government Spending Amendments

- Department of General Services
  - Backfills \$280,000 GF the second year to replace an expiring federal grant for food safety testing
  - Includes 3 amendments which realize a total GF savings in FY 2018 of \$650,816 from transferring positions from GF to NGF fund sources
- Department of Elections
  - Provides \$2.3 million GF the second year to continue activities currently supported by the federal Help America Vote Act (HAVA) grant. The grant funding will be depleted during the second half of FY 2018
  - Provides \$570,000 GF the second year to support an electronic ballot delivery system previously funded through the Department of Defense's Federal Voting Assistance Program (federal grant expired in October 2016)
  - Includes \$1.2 million GF and 1 FTE in FY 2018 to support the Virginia Election and Registration Information System (VERIS)
  - Includes one-time funding of \$105,000 GF the second year for a call center to support voter inquires related to the 2017 elections

# General Government Spending Amendments

- Department of Planning and Budget
  - Proposes \$110,000 GF the second year to allow the Department to continue the Council on Virginia's Future contracted services related to Virginia's Performance Reporting Scorecard
    - The Council will sunset on July 1, 2017
- Department of Treasury
  - Provides \$976,873 GF the first year for relief for Mr. Davey Reedy contingent on the passage of companion legislation
- Central Appropriations
  - Proposes \$2.2 million GF the second year to cover expenses pursuant to the inauguration and transition for the statewide elected officials
  - Proposes \$1.2 million GF the second year to develop an internship and training program within state government
  - Proposes \$1.2 million GF the second year for the legal costs associated with potential litigation

# Language Amendment

- Commonwealth Integrated Payroll System
  - Authorizes a working capital advance of up to \$52.0 million for the Department of Accounts to reflect the estimated total cost of the replacement of the Commonwealth Integrated Payroll System (CIPPS)
  - Language specifies that up to \$10.0 million may be used for unforeseen costs related to the roll-out of the Cardinal financial management system



# Public Education

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# Public Education

- Direct Aid did not realize any budget reductions from the imposed 5.0% & 7.5% decreases
- Within the Public Education budget, the majority of the proposed amendments reflect the routine technical updates to ADM, program participation and Sales Tax forecast changes
- Amendments also use additional NGF revenues from the Lottery and Literary Funds to offset like amounts of general fund revenues
  - School divisions do not realize any budget reduction from the fund swap

# Technical Updates

- Amendments reflect the removal of the contingent appropriation totaling \$135.3 million GF over the biennium that was predicated on FY 2016 revenues meeting the forecast which would have triggered salary adjustments in FY 2017
- Annual update to student membership projections over the biennium reflect a slower growth rates & save \$34.6 million GF
  - FY 2017: \$14.7 million decrease from 2,610 fewer students than projected for a revised statewide ADM estimate of 1,243,100
  - FY 2018: \$19.9 million decrease from 3,691 fewer students than projected for a revised statewide ADM estimate of 1,248,936
- In addition, lower membership resulted in lower student participation levels across programs and generate additional savings:
  - Remedial Summer School and ESL - savings of \$6.3 million
  - Incentive accounts - savings of \$0.3 million
  - Categorical accounts - savings of \$0.5 million

# Sales Tax Related Updates

- Proposed actions reflect sales tax forecast updates from May, October and December along with changes to the sales tax distributions that are based on school-aged population census data and collectively result in a net savings of \$38.1 million GF over the biennium
  - Updates from the most current census data available from 2016 result in a \$1.9 million increase in the second year cost
  - Total forecast estimates reflect a net savings of \$40.0 million

<b>Sales Tax Revenue</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>Biennium</b>
<b>Chapter 780 - Sales Tax Estimate</b>	<b>\$1,382.9</b>	<b>\$1,432.9</b>	<b>\$2,815.9</b>
<b>Revised Sales Tax Forecast</b>	<b>(35.5)</b>	<b>(55.8)</b>	<b>(91.4)</b>
SOQ Basic Aid Offset Adjustment	20.0	31.4	51.3
Net Total Funding Impact	(\$15.5)	(\$24.5)	(\$40.0)
<b>HB 1500 – Sales Tax Estimate</b>	<b>\$1,347.4</b>	<b>\$1,377.1</b>	<b>\$2,724.5</b>

# Technical Updates to Lottery Revenues and Lottery-Funded Program Accounts

- Collectively, the Lottery changes total \$51.9 million NGF in the first year and \$5.5 million NGF in the second year
  - \$33.2 million in the first year from carryover revenues collected during FY 2016 but were not budgeted
  - \$8.6 million in the first year from additional available cash that have accumulated on the balance sheet of the Lottery Fund from prior years
  - \$5.3 million each year from increases to the Lottery revenue forecast
  - \$0.1 million in the first year for a PreK data submission – Buena Vista
  - (\$5.1) million savings over the biennium from lower student participation in Lottery-funded programs
- The additional new lottery revenues and the freed-up dollars from program changes are used to fund a like amount of general fund program costs and generate an equal amount of GF savings

# Other Proposed Technical Updates

- Proposes supplanting \$25.0 million GF each year by using additional Literary Fund revenue to pay a portion of the VRS payment for teacher retirement costs
  - Treasury Department has increased its revenue forecast to reflect additional proceeds from unclaimed stocks by \$25.0 million each year
- Update to the National Board Certification bonus payments that are provided to eligible teachers who have received a certification from the National Board of Professional Teaching Standards – reflects a savings of \$1.7 million over the biennium
- Update for the Academic-Year Governor's School cost to reflect lower student enrollments and less costs from the \$50.00 per course add-on per student – saves \$1.1 million GF over the biennium

# Proposed Policy Changes

- The amendments provide \$55.5 million GF in the second year equivalent to the state's share of a 1.5% bonus payment that is calculated and based on funded SOQ instructional and support positions and the Academic-year Governor Schools instructional and support positions
- The introduced budget does not include any language requirement for a school superintendent certification to verify that if state funds are accepted that school employees will receive any bonus
- If school divisions were to elect to use the proposed state allocation for a 1.5% bonus, then they would have to provide a local match in order for school employees to receive the actual bonus percentage

# Proposed Policy Changes

- Proposes adding \$1.0 million GF in the second year to expand the Teacher Residency initiative
- New language proposes allowing all unobligated balance in the Teach For America (TFA) initiative to be spent on the Teacher Residency program and further action strikes the existing language that permits up to 50% of any carry-forward TFA balance to be spent on the Teacher Residency program
- Adds \$480,000 GF in the second year for a new Summer Cyber Camp
- Eliminates the Math & Science Teacher Recruitment Initiative and saves \$400,000 GF each year
- Cuts funding for New Teacher Improvement Compensation Initiative and saves \$2.0 million GF in the second year
- Adds language for the Special Education Endorsement program that increases grant awards from \$450 to \$600 to be used for a minimum of 3 semester hours of course work in areas of special education and specifically override existing statute (§ 22.1-290.02, *Code of Virginia*)

# DOE Central Office

- Amendments reflect the transfer of the administrative duty for two federal food programs (Summer Food Service and the Adult and Child Care Food programs) from the Department of Health over to Education: \$57.7 million NGF and 20.0 FTE in the second year
- Proposes adding \$1.6 million GF in the second year for the increased costs of a statewide rollout of the Instructional Improvement System for school divisions to access and use at no cost
- Adds \$400,000 the second year to cover additional costs of the Algebra Readiness Diagnostic Test that is provided to schools at no cost
- Adds \$500,000 in the second year to continue the pilot initiative of the Student Growth Model

# DOE Central Office

- Proposed budget action also reflects the October Saving Plan decrease of \$763,125 GF in the first year and continues those reductions in the second year to save \$734,624 GF

October Savings Plan	FY 2017	FY 2018
Principal Prof Dev in Under-Performing Schools & 1.0 FTE	(\$150,000)	(\$150,000)
Principal & Teacher Prof Dev for High-Needs Students	(\$150,000)	(\$150,000)
Dyslexia Teacher Training – supplant with existing NGF	(\$128,500)	\$0
School Personnel Training on Performance Evaluation and Contract Changes	(\$34,625)	(\$34,625)
Information Technology Academy	(\$100,000)	(\$200,000)
eMedia	(\$100,000)	(\$100,000)
Kindergarten Readiness Assessment Program	(\$100,000)	(\$100,000)

- Eliminates \$150,000 in the second year for the design expansion of the School Quality Performance Report Card
- Proposes to eliminate 4 new FTE positions & save \$454,073 in the second year
- Uses \$195,090 of existing federal funds in the second year to pay for 2 FTE positions and save a like amount of GF



# Higher Education

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# Higher Education Reductions

- For FY 2018, the Governor recommends a \$76.1 million five percent across-the-board reduction for public colleges and universities including VIMS and extension agencies
  - The Governor had previously excluded higher education from reductions for FY 2017
  - Financial aid programs were exempt from any reduction targets
  - NSU, VSU and VSU Extension were also exempt from any reductions
- In addition, \$24.2 million GF the first year and \$16.1 million GF the second year is proposed as savings as part of the VRS accelerated payment made in 2016
  - While the savings reflect the NGF portion of the VRS prepayment, the introduced budget proposes the reductions come from the general fund of each institution
  - Teaching hospitals, VIMS and extension were exempted from the recovery
- The new research initiatives (VRIF & INOVA) were reduced by \$8.0 million or 50% in FY 2017 and \$6.0 million or about 43% in FY 2018
- The introduced budget eliminates the \$4.0 million interest earnings incentive contained in Central Appropriations

# Other Higher Education Reductions

- Other higher education entities such as EVMS, Jeff Labs and higher education centers would be reduced by about 5% in both years resulting in about \$0.8 million in FY 2017 and \$1.8 million in FY 2018
  - EVMS was exempt from FY 2017 reductions
- SCHEV reductions are about \$600,000 or 4% in FY 2017 and about \$900,000 or 5% in FY 2018
  - Financial aid and online degree program were exempt from reductions
- State Library and Museums were reduced by \$1.9 million or about 5% in in FY 2017 and \$2.6 million or about 7.5% in FY 2018
- Jamestown 2019 Commemorations was reduced by about \$400,000 or 10% in the first year and \$5.8 million or about 80% in the second year

# Higher Education Spending

- Proposes \$1.0 million GF in FY 2017 to increase the new workforce credential grants program
  - The program was approved in the 2016 Session with \$4 million provided in the first year and \$8.5 million in the second year
  - The VCCS and SCHEV sought an increase based on current demand
  - However, no data are yet available to determine if the programs being provided align and meet regional demands
- Proposes \$0.7 million GF in FY 2018 for projected growth in the transfer grant program
  - Growth primarily occurring at GMU
- Proposes \$0.9 million GF in FY 2018 for VMI to backfill tuition revenue loss estimated for out-of-state students to enter Virginia National Guard and receive in-state tuition
  - Assumes new legislation will be proposed
  - The funding would only be sufficient to cover about 37 out-of-state students, however, currently there are over 40 cadets out of about 660 out-of-state students who may be eligible
  - No provision made for out-of-state students at other institutions such as Virginia Tech



# Capital Outlay

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# Capital Savings to Balance the Budget = \$142.3 million

- Proposes \$94.7 million in Virginia College Building Authority bonds to supplant general funds for previously authorized higher education projects from Chapter 665 in the 2015 Session
- Proposes to revert \$33.8 million GF from the central capital planning pool and project balances
  - \$14.3 million from the planning pool would be funded through the bonds authorized in the 2016 Session capital program
  - \$19.5 million GF was previously supplanted in 2015, however the project balances were never reverted
- Treasury Board
  - Proposes additional debt service savings \$12.8 million in FY 2017 and \$1.0 million in FY 2018 primarily from GO, VPBA and VCBA refinancing

# New Tax-Supported Debt = \$176.1 million

- Project pool supplements of \$20.9 million for six projects in previously approved capital project pools
- \$104.8 million in VPBA bonds for new ABC Central Office and Warehouse Facility
  - Language requires sale at market rate current property upon project completion
  - Language also allows for the project to proceed under any capital procurement process including a PPEA project
- \$29.9 million for six new capital projects
  - VSDB – Repair Main Hall
  - DOC – Buckingham Wastewater Treatment Plant
  - DBHDS – Infrastructure Repairs
  - DMA – Property Acquisition & Maintenance Shop Repairs
  - DGS – Main Street Exterior Repairs
- \$19.6 million to purchase previously-approved equipment for projects schedule to come on-line
- \$1.0 million to supplement DMA maintenance reserve allocation

# Other Capital Outlay

- Projects funded through nongeneral funds (e.g. gifts, federal funds, auxiliary enterprise revenues, and special revenues)
  - \$20.4 million for higher education related projects
  - \$1.0 million for projects at Dept. of Military Affairs
  - \$3.7 million for more property acquisition in DCR
- Projects funded through revenue bonds
  - Proposes \$13.6 million in 9 (c) nongeneral fund supported bonds to renovate dormitories and William and Mary
  - Proposes \$121.3 million in 9 (d) nongeneral fund supported bonds for the nongeneral fund share of projects authorized in the 2016 bond program and other higher education projects
- Proposes an unspecified amount to be used from the central planning pool to plan four new projects
  - Two of the projects (Replacement of Central State Hospital and Repairs to the Monroe Tower) were both considered but not included in the 2016 bond program or project planning legislation
  - It is unclear if these projects would supersede those projects already included in planning queue
  - Half of the planning fund is proposed for reversion in the budget as introduced

# Capital Outlay Language

- Proposes to allow the State Police to use up to \$3.4 million of existing STARS radio system project to upgrade & replace equipment
- Proposes language to allow for the management of nine higher education projects to utilize NGF sources prior to issuance of tax-supported debt
- Proposes placement of third-party solar energy projects on Forestry, DOC & DJJ property
- Proposes allowing VSU to utilize unused 9 (c) bond proceeds for new projects through change of scope related to two previous projects as opposed to creating a new project
- Proposes sale of the VDOT Hampton Roads District HQ property



# Public Safety

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# FY 2017 Savings Plan

Agency	Action	FY 2017 Amount (\$MM)
DOC	Delay Culpeper Women's Correctional Center Opening	(\$6.7)
DOC	Defer equipment replacement	(4.4)
DOC	Staff vacancy savings	(4.0)
DOC	Eliminate mothball funding for Mecklenburg	(0.4)
State Police	Eliminate positions for new Special Operations Division	(1.1)
State Police	Eliminate funding for new area office in New River Valley	(0.2)
DCJS	Delay awarding of additional grants for local pre-trial and community corrections programs	(1.5)
Dept. Fire Programs	Administrative reductions	(0.1)
Dept. Forensic Science	Reductions in discretionary spending, vacancies, efficiencies	(1.1)
<b>Total</b>		<b>(\$20.4)</b>

# FY 2017 Savings Plan - Transfers

- For public safety agencies, FY 2017 Savings Plan included \$12.1 million in NGF balance transfers

## DOC

- Use of \$1.2 million in NGF balances from Virginia Correctional Enterprises and other sources to supplant general funds
- Transfer of \$411,000 in various NGF balances to the general fund

## State Police

- Supplanting general funds with \$5.6 million in NGF balances from the Sex Offender Registry Fund, Help Eliminate Auto Theft Fund, the Insurance Fraud Fund, and the Safety Fund

## DCJS

- Transfer NGF balance from asset forfeiture proceeds to general fund (\$4.4 million)
- Transfer NGF balance from school resource officer program to general fund (\$411,000)

# Department of Corrections

- Savings of \$22.1 million proposed for FY 2018:
  - Continued delay of Culpeper opening results in \$21.7 million savings
  - Elimination of mothball funding for Mecklenburg saves \$443,000
- Proposes additional \$11.4 million in FY 2017 and \$7.2 million in FY 2018 for increased inmate medical costs
- Includes \$300,000 in FY 2018 for projected bed-space impact of administration bills affecting criminal sentencing
- Provides \$200,000 and two positions the second year for investigation of deaths at local and regional jails
  - Administration will propose legislation to authorize State Board of Corrections to investigate deaths in local and regional jails

# State Police

- Special Operations Division (\$2.4 million) and New River Valley area office (\$235,000) savings continued into FY 2018
- Includes \$5.9 million GF and 16 positions in FY 2018 to support separation from VITA
  - Amount in addition to \$7.6 million already in department's base budget for IT services
  - State Police will be responsible for paying \$3.6 million in “stranded costs” to VITA until services are disentangled from Northrup Grumman
- Includes \$508,000 and seven positions for universal background checks on all firearms transactions related to legislation to be proposed by governor
- Includes \$494,000 GF and six positions in FY 2018 to support background checks
  - Four positions are to support criminal background checks for child day care center employees and volunteers, as provided in by language under Department of Social Services
  - Two positions are intended to support the firearms transaction program

# Department of Alcoholic Beverage Control

- Increases transfer of net profits to the general fund by \$13.0 million the first year and \$11.6 million the second year
  - Reflects assumed 8.7% increase in operating revenues over 2016-18 biennium
- Adds \$522,236 NGF the second year and 25 positions to address workforce shortages in retail stores

# Other Public Safety

## DCJS

- Reduces amount available to local victim/witness programs by \$1.7 million GF in FY 2018
- \$500,000 GF reduction in FY 2018 for local pretrial and community corrections program grants
- Provides \$4.2 million GF and two positions in FY 2018 for grants to local and regional jails for mental health screening and assessment
  - This is in addition to \$3.5 million GF for six mental health pilot projects in local and regional jails provided by 2016 General Assembly
  - Goal of 18-month pilot program was to assess approaches to providing services to mentally ill inmates and providing pre-incarceration crisis intervention services to prevent mentally ill offenders from entering jails
- Includes \$500,000 GF and one position to develop new training standards and curricula for community policing
  - Administration will introduce legislation to authorize

## VDEM

- Reduction of \$196,000 GF in FY 2018 from operational efficiencies

## Military Affairs

- Includes \$172,000 GF in FY 2018 for readiness center operations and maintenance

# Department of Veterans Services

- Reduces by \$144,000 GF in FY 2017 by capturing grant funding for Virginia Values Veterans (V3) program not needed to meet anticipated grant requests
- Includes reduction of \$133,000 GF and one position in FY 2018 by delaying hiring of veterans care center administrator
- Includes \$610,000 GF and 34 positions the second year to reorganize Virginia Veteran and Family Support (VVFS) program
  - Converts all contract staff employed by CSBs to DVS staff
  - Amount is in addition to \$688,000 included in Chapter 780 for this purpose
  - Recommendation of VVFS working group established following 2015 JLARC report that identified concerns with program
- Includes \$900,000 GF in FY 2018 to establish new program to award grants to organizations that assist veterans in starting new business
  - Companion bill authorizing program expected to be introduced by Governor

# Judicial Department

- Proposes \$2.5 million in FY 2018 for compensation initiative for district court clerks and deputy clerks
- Transfers \$300,000 the second year from the Criminal Fund to the Involuntary Mental Commitment Fund to cover increased costs



# Commerce and Trade, and Technology

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# Commerce and Trade Agencies

- Amendments proposed throughout the Secretariat provide a net decrease of \$21.9 million GF in FY 2017 and \$14.6 million in FY 2018, including incentives and transfers

## **Department of Housing and Community Development**

- Reduces funding for Enterprise Zone Real Property and Job Creation Grants by \$1.8 million over the biennium
- Removes funding of \$600,000 GF the first year and \$325,797 the second year for the Integrated Test Facility at the Center for Advanced Engineering and Research
- Provides a nongeneral fund appropriation of \$15.0 million in FY 2018 to offset expenditures related to Virginia's \$120.5 million federal grant award from the National Disaster Resilience Competition
  - The grant award will support investments to protect communities in the Hampton Roads region from the effects of recurrent flooding

# GO Virginia

- Reduces funding for grants to be awarded through the GO Virginia initiative from \$5.5 million to \$900,000 GF in FY 2017 and from \$30.0 million to \$19.7 million GF in FY 2018
- The proposed reductions affect grant allocations as follows:
  - Capacity building grants are reduced from \$5.5 million in FY 2017 to \$900,000 GF, or \$100,000 for each of the nine regions; and from \$3.5 million in FY 2018 to \$1.35 million GF
  - Language also exempts these grants from the local match requirement
  - Per capita regional grant funding is reduced in the second year from \$12.2 million to \$6.1 million GF
  - Competitive grant funding is reduced in the second year from \$14.3 million to \$12.2 million GF
- Repeal GO Virginia Enactment Provisions. Enactments in the General Provisions section repeal the requirements for the General Assembly to authorize grants via subsequent enactments, and provide that the creation of the Virginia Growth and Opportunity Foundation satisfies the requirement for an affiliated supporting entity set forth in GO Virginia's enabling legislation, Chapters 778 and 779 of the 2016 Acts of Assembly

# Commerce and Trade Agencies

## **Department of Mines, Minerals and Energy**

- Proposes new spending of \$1.1 million GF in the second year to develop programs for subsidizing solar energy projects
  - \$750,000 GF proposed to support a credit enhancement program aimed at private lenders
  - \$350,000 GF is proposed for a competitive loan fund available to local school districts and small businesses

## **Virginia Economic Development Partnership**

- Reduces support for the Brownfields Restoration and Economic Redevelopment Assistance Fund from \$2.25 million GF each year to \$2.0 million GF in FY 2017 and \$947,634 GF in FY 2018.
- In FY 2017, supplants \$750,000 GF from the Going Global Defense Initiative (GGDI) with federal grant funds. In FY 2018, GGDI is reduced \$75,000 GF to \$1.425 million
- In FY 2017, supplants \$359,461 GF from the State Trade and Export (STEP) program with federal grant funds. In FY 2018, STEP is reduced \$25,000 GF to \$475,000
- Proposes an additional \$168,000 GF in FY18 to support hiring an internal auditor on the recommendation of the Joint Legislative Audit and Review Commission. This position would report directly to the Board of Directors

# Economic Development Incentive Payments

## Total \$125.4 million GF for the Biennium

- Total funding for the Economic Development Incentives Payments item increases by \$6.6 million over levels included in Chapter 780
- **Increase largely attributable to funding for Advanced Shipbuilding Production Facility Grant**
  - Proposes \$6.0 million GF in FY 2018 to fund an economic development incentive grant program pursuant to Chapter 723 of the 2016 Acts of Assembly
  - The grant program incentivizes the construction and operation of a new facility related to the production of a class of nuclear warships for the United States Navy
- **Advanced Shipbuilding Training Facility Grant**
  - Provides \$7.2 million GF the first year for the final scheduled payment pursuant to a memorandum of understanding between the Commonwealth, Huntington Ingalls, Inc. and Newport News Industrial Development Authority for the construction of a new apprenticeship training school

# Economic Development Incentive Payments

## Total \$125.4 million GF for the Biennium

- **Aerospace Engine Facility Incentive Payments**
  - Includes reductions of \$8.5 million GF the first year and \$3.7 million GF the second year
  - The reduction recognizes delayed performance milestones
  - Total of \$15.2 million NGF from prior year balances is appropriated in FY 2018 to fund grant payments based on expected job creation and investment totals as follows:
    - \$2.5 million Aerospace Engine Manufacturing Supplier Cluster Grant
    - \$11.0 million Aerospace Manufacturing Performance Grant
    - \$1.2 million Aerospace Manufacturer Workforce Training Grant
- **Virginia Economic Development Incentive Grant (VEDIG) Program**
  - Reduces funding by \$2.8 million GF in FY 2018 based on a revised performance schedule
  - Grants are awarded to companies that have met investment and job creation criteria required by VEDIG performance agreements
  - In FY 2018 \$3.6 million already appropriated shall be deposited in the VEDIG for a total of \$5.2 million in incentives grant money to be paid out in the second year

# Commerce and Trade Agencies

## Virginia International Trade Corporation

- Transfers \$6.2 million in FY 2018, the resources associated with the International Trade Division of VEDP, to the Virginia International Trade Corporation, a new state agency created pursuant to Chapter 749 of the 2016 Acts of Assembly
- Establishes the Virginia International Trade Corporation as a new state agency pursuant to Chapter 749 of the 2016 Acts of Assembly, and provides funding of \$7.2 million GF and 24 positions beginning in FY 2018. Funding includes:
  - \$6.2 million GF representing the transfer of 19 positions and resources associated with the International Trade Division from the Virginia Economic Development Partnership
  - \$150,000 GF representing the transfer of 1 position from the office of the Secretary of Commerce and Trade
  - \$817,455 GF in new spending and 5 new positions to fulfill necessary administration functions of the new agency

# Commerce and Trade Agencies

## Virginia Tourism Authority

- Proposes reductions to marketing, advertising, and sponsorships, including the “Vision Strategy,” totaling \$711,000 GF the first year and \$1.5 million GF the second year
- Reduces funding in FY 2017 by 50 percent for the *See Virginia First* program, a partnership with the VA Association of Broadcasters, from \$627,556 to \$313,778 GF. FY18 funding levels for this program remain unchanged
- Proposes new funding of \$400,000 GF the second year for the first payment of a three-year arrangement for tourism promotion campaign designed to promote travel from India to Virginia

## Department of Labor and Industry

- Adds new spending of \$1.5 million GF and 15 positions in FY 2018
  - 6 positions in the Virginia Occupational Safety and Health (VOSH) program
  - 6 positions in Consultation Services
  - 3 positions in the Virginia Voluntary Protection Program (VPP)
- Spending is expected to be partially offset by higher revenues from federally mandated increases in civil penalties for occupational safety violations

# Technology

## Innovation and Entrepreneurship Investment Authority

- Savings included in the October Reduction Plan and unutilized funds for FY 2017 total \$425,000
- Proposes language preventing the charge of indirect costs associated with administration and overhead to program funds, including but not limited to the following programs: Innovation and Entrepreneurship Measurement System, broadband, unmanned systems, Cyber Security Commission, and Information Sharing and Analysis Organization

## Virginia Information Technologies Agency

- Adjustments in revenues for the Shared Security Center and the transition timeline activities result in combined NGF savings of approximately \$3.4 million in FY 2017 and \$3.5 in FY 2018, as well as a personnel reduction of 12.0 FTE for the biennium
- Proposes a one-time payment of \$2.3 million GF in FY 17 to resolve an outstanding debt left over from the Virginia Enterprise Applications Program that was in place prior to the current statewide IT contract
  - The contract and program that served as the source of funds dedicated towards payment was terminated, and this outstanding balance remains
- Proposes to supplant \$2.0 million GF to NGF internal service funds sources in FY 2018. New ISF rate adjustments should be in place in FY 2018 to capture revenue required to support what previously were GF obligations & the new process would be in place in out of NGF in FY 2019



# Agriculture and Forestry, and Natural Resources

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# Savings: Agriculture & Forestry

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

## Department of Forestry:

- Proposes the establishment of a new fee for the enforcement of silvicultural water quality inspections to offset a \$500,000 GF reduction in the agency's budget
  - Fee would be \$100 per job site
  - Currently these services are provided to landowners and logging operators at no cost
- Reduce by \$300,000 in the second year the GF match for the reforestation of timberlands program
- Generates savings of \$330,730 GF in the second year by eliminating 4 positions, which will result in 4 layoffs
- Captures turnover and vacancy savings by deferring filling vacant positions and eliminates support for a new position authorized in Chapter 780 that was never filled. In combination, this generates about \$460,000 of GF savings over the biennium
- Includes language authorizing the sale of five forestry tracts located in Amelia, Emporia, Kilmarnock, Lexington and Floyd, with revenues of \$340,000 being retained by Forestry to backfill reductions included in the October 2016 Savings Plan

# Savings: Agriculture & Forestry

## VDACS:

- Amendments include a proposal that would change what is currently a flat fee of \$40.00 per non-restaurant food establishment's annual inspection to a variable fee ranging from \$40.00 to \$375.00 based on the size of the enterprise
  - Estimated to generate \$400,000 and would be used to supplant like amount of GF support
  - A similar proposal was made in 2015 and rejected by the General Assembly
- Other notable program reductions included in VDACS include:
  - \$500,000 reduction in the first year and \$750,000 reduction in the second year to the Farmland Preservation/Purchase of Development Rights Matching Grant program
  - Reduction of \$220,000 each year for the Agriculture and Forestry Industries Development Fund and the elimination of one new position established to support the programs by the 2016 General Assembly
  - Elimination of state support for the federally funded coyote control program
  - Sweep of balances in the Beehive Grant Fund & elimination of funding in second year
  - Elimination \$75,000 for Specialty Crop Commercialization funding and reduction for domestic and international marketing of \$175,000 in the first year and \$250,000 in the second year

# Natural Resources

- Proposed actions in Natural Resources reduce agency spending by \$2.1 million (1.2%) in the first year and \$7.4 million GF (6.4%) in the second year
- The largest savings were generated by reducing funding for land preservation activities
- Several smaller reductions are offset by supplanting fund balances and increasing fees
- No reductions are proposed for the Department of Game and Inland Fisheries

# Conservation and Recreation

- Proposes to modify language included in Chapter 780 prohibiting the acquisition of park land to allow for purchase or acceptance of in-holdings and other lands contiguous to existing State Parks
  - Separate actions in Capital Outlay would authorize \$1.0 million NGF for State Parks and \$2.7 million NGF for Natural Area Preserves for land acquisition
- Includes no new funding for Ag BMPs in FY 2018 and does not propose any use of the WQIF Reserve Fund

## Reductions:

- The October 2016 reductions for FY 2017 total \$1.1 million GF and are largely from the elimination of \$635,000 GF for the Swift Creek Bike Trail and the elimination of four positions in the environmental education unit
- The proposed FY 2018 reductions are primarily achieved by reducing the deposit to the Virginia Land Conservation Fund from \$8.0 million to \$4.5 million GF in the second year

# Environmental Quality

## Proposed Reductions:

- FY 2018 GF program reductions total \$2.6 million, offset by the use of dedicated nongeneral funds
  - Vehicle Emissions Inspection Fund: \$1.0 million
  - Waste Tire Fund: \$1.6 million
- October Reduction Plan also included the reversion of \$1.0 million in prior year waste tire fund balances
- Amendments propose capture of \$500,000 unencumbered NGF balances from the Hazardous Waste Management Fund to the GF in FY 2018

## Language Amendments:

- Two proposed language changes also are included:
  - Eliminates language prioritizing Nutrient Credit Offsets for animal waste to energy projects
  - Adds Stationary Sources Air Pollution Programs to those eligible for funding from the Virginia Environmental Response Fund to backfill GF reductions

# Other Natural Resources Actions

## Marine Resources Commission:

- Amendments include GF reductions of \$1,023,258 over the biennium offset by special fund increases of \$747,246 in the second year
- Proposes to end the Virginia Saltwater Sport Fishing Tournament, saving \$0.2 million
- Reflects NGF revenues estimated at \$244,246 in commercial fishing license and equipment fees to offset a reduction in general funds
  - Fee increases have been adopted by the MRC Board and would be effective December 2017
  - Each increase capped at \$5.00 or the rate of inflation since the last increase
- Proposes to restore \$0.4 million GF to the Habitat Management Division eliminated in 2010

## Historic Resources:

- Reduces the Battlefield Preservation Fund by \$0.2 million GF in FY 2017 and \$0.3 million GF in FY 2018
- Includes \$34,875 GF in the second year to allow for the preservation of historical African-American Graves and Cemeteries in addition to the current Revolutionary and Civil War grave sites program

## Museum of Natural History:

- Savings totaling \$0.3 million for the biennium are achieved through turnover and vacancy savings and the elimination of two positions



# Transportation

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# VDOT / DRPT

- Proposed actions within the transportation secretariat provide for an increase of \$136.2 million NGF (2.0%) in the first year offset by a reduction of \$37.6 million NGF (0.6%) in the second year.
  - No proposed changes to GF appropriations within the Secretariat which are limited to Route 58 debt service and PILOT for the VPA
- Proposed amendments to VDOT and DRPT are primarily technical in nature and reflect revisions to the Commonwealth Transportation Fund forecast for FY 2018
  - **DRPT:** Increase of \$8.2 million NGF in FY 2018
  - **VDOT:** Increase of \$137.2 million NGF in FY 2017 and a decrease of \$42.9 million in FY 2018
- Staffing increases are also proposed at both agencies
  - **DRPT:** Increase of 6.0 FTE associated with management of the Atlantic Gateway project funded by doubling the retained overhead from passenger rail funds
  - **VDOT:** Increase of 10.0 FTE for state operated toll facilities to manage the I-66 Inside the Beltway project

# VPA and DMV

## VPA:

- Increases the NGF appropriation to account for the newly amended and extended lease of the Virginia International Gateway Facility
  - Leases costs are \$58.5 million in FY 2017 and \$68.0 million in FY 2018

## DMV:

- Proposes to eliminate approximately \$1.1 million in transfers from VDOT to DMV for administration of EZ Pass program
- Provides authorization for DMV to pass along indirect costs to agencies that DMV collects revenues on behalf of resulting in approximately \$3.8 million NGF in revenue which will be retained by DMV
  - This is intended to offset losses to DMV incurred in Chapter 780 when a statewide change to indirect cost distribution was instituted which disproportionately impacted the department even though the revenues it collects are directly passed through to other agencies
- Includes language in Capital Outlay authorizing a third DMV Customer Service Center, or relocation and expansion of existing centers, in Loudoun County