

The Governor's Key Budget Policy Choices

Comparing the 2016-2018 budget to the current budget

January 2016

The House Appropriations and Senate Finance committees are currently considering the governor's 2016-2018 budget (FYs 2017 and 2018). The official baseline for this proposed budget is the FY2016 budget as approved in Chapter 665, Acts of Assembly 2015. **The chart below provides a summary level assessment of certain key changes and other noteworthy information proposed by the governor in the FY2017 and FY2018 budget.** Please contact us if you have any questions about this summary or other aspects of the proposed budget.

Governor's Budget

Total General Fund (GF) Spending	\$40.64 billion	
Revenue and Resources		
Overview	A strengthening economy has increased available tax revenue for state priorities. In addition, the governor is proposing some new tax policy changes that would reduce state revenue.	
Total GF Tax Revenue	Governor's budget estimate (<i>before policy changes</i>).	\$38.62 billion
Total Other GF Resources	Governor's budget estimate (<i>balances from prior years and transfers</i>).	\$2.25 billion
Tax Policy Changes	Total Proposed tax policy changes (<i>revenue lost</i>):	-\$204.6 million
	<ul style="list-style-type: none"> Reduces the number of retailers subject to the accelerated sales tax, removing businesses with sales between \$2.5 million and \$25 million by FY2018 Reduces the tax on corporate profits from 6% to 5.75% Increases personal/dependent and blind/aged individual income tax exemptions Establishes a new R&D tax credit Increases the Neighborhood Assistance Act credit caps Increases the angel investor tax credit Increases the existing R&D tax credit Establishes Achieving a Better Life Experience Act (ABLE) accounts tax deduction Establishes a new food bank tax credit 	<ul style="list-style-type: none"> -\$63.7 million -\$63.7 million -\$42.0 million -\$15.0 million -\$10.0 million -\$8.0 million -\$1.0 million -\$0.7 million -\$0.5 million
Health Care		
Overview	Closes the coverage gap and provides additional ID/DD waiver slots. Does not provide inflation adjustments to some Medicaid providers.	
Medicaid Expansion	Closes the coverage gap January 1, 2017 with projected enrollment of 353,000 people (<i>net savings</i>).	-\$156.9 million
Provider Assessment	Includes a hospital provider assessment of 3% of net patient revenue that could be used to offset future costs of closing the coverage gap.	
Medicaid Forecast	Accounts for enrollment increases among the currently eligible, inflation, and changes to the Virginia Health Care Fund.	\$770.0 million
Medicaid Provider Rates	Total payment rate adjustments withheld:	-\$60.6 million
	<ul style="list-style-type: none"> Freezes hospital payment rates in both fiscal years Freezes nursing home payment rates in FY2018 Freezes outpatient rehab & home health agency rates in FY2018 	<ul style="list-style-type: none"> -\$47.7 million -\$12.7 million -\$0.2 million
Children's Health Insurance Program (FAMIS)	Federal Medical Assistance Percentages (FMAP) increases to 88% from 65%, requiring less state funding.	-\$64.1 million
Department of Justice (DOJ) Settlement for Individuals with Disabilities	Includes 855 additional ID/DD slots and 100 reserve slots, waiver redesign, administrative costs, and savings from closing training centers.	\$102.9 million



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PreK-12 Education	
Overview	Takes a step in the right direction to rebuild state support for K-12 schools, but does not improve the basic school funding formula. Implements the more restrictive eligibility requirements for Virginia's Preschool Initiative, but gives locals flexibility to determine eligibility for 15% of their slots.
State Per Pupil Direct Aid	Provides per pupil direct aid of \$5,283 in FY2017 and \$5,478 in FY2018.
Rebenchmarking	Provides required funding to keep up with enrollment increases and inflation. \$429.8 million
Additional Staff	Funds the state's share of support for about 2,500 additional instructional positions beyond those recognized by the state's funding formula. Funding will support one new position in each elementary school over both years of the budget (FY2017 and FY2018) and two new positions in each middle and high school in the second year of the budget (FY2018). \$139.1 million
At Risk Add-On	Increases non-SOQ funds to support programs for students who are at risk of dropping out, boosting the formula to between 2.5% and 14% in additional basic aid per free lunch participant. \$49.7 million
Cost of Competing Adjustment (COCA)	Restores Virginia's cost of competing adjustment for Northern Virginia school divisions by recognizing support staff in FY2018. \$40.6 million
Funding for Governor's Schools	Phases in new funding formula for per pupil support based on similar standards as Virginia's Standards of Quality formula. \$5.6 million
Career and Technical Education (CTE)	Provides additional support for credentialing and equipment for CTE. \$5.0 million
"Breakfast After the Bell" Program	Expands school a breakfast program implemented in 2016 that encourages local school divisions to serve breakfast after the start of the school day. \$1.1 million
Virginia Early Childhood Foundation	Creates a grant program to encourage local school divisions to partner with private providers in the delivery of Pre-K services and provides scholarships for instructors to receive training in community colleges. \$6.9 million
Virginia Preschool Initiative (VPI)	Implements statewide eligibility requirements for VPI, but gives localities flexibility to determine eligibility for 15% of slots.
Higher Education	
Overview	Provides additional support for higher education, including support for undergraduate financial aid, new workforce initiatives, and direct operating support for colleges. However, the new funding will not fully restore the recent cuts in per student support for higher education, leaving students and families facing higher tuition.
Higher Education Operating Funding	Total operating funding changes: \$175.5 million <ul style="list-style-type: none"> • Access and Completion Initiative \$50.0 million • Increases undergraduate financial aid \$48.2 million • Workforce credential initiative \$24.6 million • Cybersecurity initiatives \$15.1 million • Establishes online degree completion, provided by GMU and ODU \$8.1 million • Brings state support at ODU and EVMS closer to recommended amounts \$5.3 million • Other higher education (non-research) increased support \$22.6 million • Other workforce development initiatives \$1.6 million
Support for Faculty Salary Increases	Noted under the "Compensation" section on page 3 of this document.
Capital Expenses	Noted under the "Other" section on page 3 of this document.

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Social Services		
Overview	Provides a 2% increase in payments to foster care families and extends foster care eligibility to age 21. Does not increase Temporary Assistance for Needy Families (TANF) benefits. Uses TANF trust funds to increase support to various nonprofits.	
Temporary Assistance for Needy Families (TANF) Funds	Uses \$24.4 million in TANF money to increase direct services, including funding for nonprofits, child care subsidies, and long-acting reversible contraception. Does not supplant GF support.	
Foster Care and Adoption	Extends access to foster care services up to age 21 (<i>net cost is \$1.9 million due to this providing some savings in the CSA budget</i>).	\$1.9 million
	Increases payments to foster care parents in line with commitment to maintain parity with state employee salary increases.	\$0.9 million
Compensation		
Overview	Provides increases in salaries for state employees, state-supported local employees, and K-12 employees and moves to fully fund the state's contributions to the Virginia Retirement System (VRS). Also includes funding for faculty raises, salary adjustments for sheriffs and jails, and career development funds for elected constitutional officers.	
Salary Increases for State, State-Support Locals, and K-12 Employees	Includes a 2% salary increase for state, state-supported locals, and K-12 employees in FY2018.	\$159.4 million
Other Compensation Changes	Total additional compensation changes:	\$36.3 million
	<ul style="list-style-type: none"> Funding for higher education faculty raises in FY2018 Funding to address salary compression for sheriffs and jail employees Career development funding for elected constitutional officers 	\$17.0 million \$12.3 million \$7.0 million
State Employee Health Insurance Program	Funds to cover the employer portion of premium increases for health insurance in FY2017 and FY2018 as well as a small amount of money to cover the employee portion of premium increases in FY2017.	\$143.2 million
Virginia Retirement System (VRS)	Funds retirement of state and K-12 employees at 100% of actuarial recommended rates by FY2018 (<i>includes other benefits</i>).	\$91.0 million
Other		
Revenue Stabilization Fund (Rainy Day Fund)	Makes required FY2017 deposit using money reserved for that purpose from the prior budget and FY2015 surplus. Fund balance expected to be \$845.3 million at the end of FY2017.	\$605.5 million
Capital Budget	\$2.9 billion for capital projects, including \$151.3 million in general fund cash and \$2.3 billion in tax-supported bonds.	
Research Funding	Increases funding for research, including these major items:	\$139.4 million
	<ul style="list-style-type: none"> Funds biotech spinoff program New higher education research initiative aimed at commercialization (<i>also proposes \$100 million from bond package</i>) Expands Virginia Bioscience Health Research (VBHRC) Supports Jefferson Lab's bid for the federal ion collider project Increases funding for other major research projects 	\$60.0 million \$40.0 million \$12.5 million \$2.4 million \$24.5 million
Economic Development Funding	Increases funding for additional economic development, including these major items:	\$93.2 million
	<ul style="list-style-type: none"> GO Virginia, a new program to encourage regional collaboration between business, education, and government organizations Funds grant for the Shandong Tranlin Paper Company Increases funding for the Governor's Motion Picture Opportunity Fund New or increased funding for other programs and grants 	\$38.4 million \$5.0 million \$1.2 million \$48.6 million

