

# Key Budget Policy Choices

## Comparing the Senate, House, and conference proposals to the FY16 budget

March 2016

House and Senate budget negotiators have submitted their conference budget for floor consideration by the General Assembly. It reflects their amendments to the Governor's 2016-2018 (FYs '17 and '18) budget. The chart below provides a summary level assessment of key changes and other noteworthy information proposed by the House, Senate, and conference committee compared to the FY16 baseline. Please contact us for more detailed analysis on these or other key aspects within these proposals.

	<b>Senate</b>	<b>House</b>	<b>Conference</b>
<b>Total General Fund (GF) Spending</b>	<b>\$40.77 billion</b>	<b>\$40.62 billion</b>	<b>\$40.63 billion</b>
<b>Leftover Balance</b>	<b>\$57.2 million</b>	<b>\$5.2 million</b>	<b>\$9.9 million</b>
<b>Resources</b>			
<b>Total GF Tax Revenue After Policy Changes</b>	<b>\$38.53 billion</b>	<b>\$38.54 billion</b>	<b>\$38.54 billion</b>
<b>Total Other GF Resources</b>	<b>\$2.30 billion</b>	<b>\$2.09 billion</b>	<b>\$2.11 billion</b>
<b>Tax Policy Changes</b>	Total proposed tax policy changes: <b>-\$89.3m</b> <ul style="list-style-type: none"> <li>• Limits the accelerated sales tax to retailers &gt;\$25m in annual sales <b>-\$63.7m</b></li> <li>• Increases existing R&amp;D tax credit and establishes a new one <b>-\$21.0m</b></li> <li>• Establishes a new tax credit and deduction <b>-\$1.2m</b></li> <li>• Increases the Neighborhood Assistance Act credit caps <b>-\$10.0m</b></li> <li>• Not in the budget <b>\$0.0m</b></li> <li>• Modifies tax credits and refunds <b>\$5.6m</b></li> <li>• Collects additional revenue <b>\$1.1m</b></li> </ul>	Total proposed tax policy changes: <b>-\$79.9m</b> <ul style="list-style-type: none"> <li>• Limits the accelerated sales tax to retailers &gt;\$25m in annual sales <b>-\$63.7m</b></li> <li>• Increases existing R&amp;D tax credit and establishes a new one <b>-\$21.0m</b></li> <li>• Establishes a new tax credit and deduction <b>-\$1.2m</b></li> <li>• Not in the budget <b>\$0.0m</b></li> <li>• Conforms state to federal tax code <b>-\$0.3m</b></li> <li>• Modifies tax credits and refunds <b>\$5.6m</b></li> <li>• Collects additional revenue <b>\$0.7m</b></li> </ul>	Total proposed tax policy changes: <b>-\$79.4m</b> <ul style="list-style-type: none"> <li>• Limits the accelerated sales tax to retailers &gt;\$25m in annual sales <b>-\$63.7m</b></li> <li>• Increases existing R&amp;D tax credit and establishes a new one <b>-\$21.0m</b></li> <li>• Establishes a new tax credit and deduction <b>-\$1.2m</b></li> <li>• Not in the budget <b>\$0.0m</b></li> <li>• Conforms state to federal tax code <b>-\$0.3m</b></li> <li>• Modifies tax credits and refunds <b>\$6.0m</b></li> <li>• Collects additional revenue <b>\$0.9m</b></li> </ul>
<b>PreK-12 Ed.</b>			
<b>State Per Pupil Direct Aid</b>	Provides <b>\$5,284</b> in FY17 and <b>\$5,461</b> in FY18.	Provides <b>\$5,299</b> in FY17 and <b>\$5,500</b> in FY18.	Estimated to provide <b>\$5,305</b> in FY17 and <b>\$5,486</b> in FY18.
<b>Per Pupil Aid in Highest Poverty Areas</b>	Increases by <b>\$626</b> per pupil in FY18.	Increases by <b>\$599</b> per pupil in FY18.	Department of Education (DOE) data unavailable at time of publication.



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<b>Ed. (cont.)</b>			
<b>Rebenchmarking</b>	Required funding to keep up with enrollment and inflation, and technical updates to sales tax and At-Risk Program. <b>\$400.7m</b>	Required funding to keep up with enrollment and inflation, and technical updates to sales tax and At-Risk Program. <b>\$400.7m</b>	Required funding to keep up with enrollment and inflation, and technical updates to sales tax and At-Risk Program. <b>\$400.7m</b>
<b>Salary Increases</b>	Funds state's share in FY17 of 2% salary increase. <b>\$134.4m</b>	Funds state's share in FY18 of 2% salary increase. <b>\$83.3m</b>	Funds state's share in FY17 of 2% salary increase. <b>\$134.4m</b>
<b>Additional Support for Instruction</b>	Provides school divisions additional support for "classroom needs" with no local matching requirement. Some funds allocated per student share and others per school. <b>\$120.6m</b>	Provides school divisions additional support on a per student basis with no local matching requirement. <b>\$252.4m</b>	Provides school divisions additional support on a per student basis with no local matching requirement. <b>\$173.5m</b>
<b>Cost of Competing Adjustment (COCA)</b>	Restores some of the COCA for Northern Virginia school divisions in recognizing support staff in both fiscal years. <b>\$32.3m</b>	Restores the COCA for Northern Virginia school divisions in recognizing support staff in FY2018. <b>\$40.6m</b>	Restores some of the COCA for Northern Virginia school divisions in recognizing support staff in both fiscal years. <b>\$34.4m</b>
<b>At-Risk Add-On</b>	Enhances non-SOQ support for the At-Risk Program boosting the formula to between 1% and 14% in additional basic aid per free lunch participant. <b>\$28.2m</b>	Offers no enhancements to At-Risk Program, keeping the formula at 1% to 12% in additional basic aid per free lunch participant.	Enhances non-SOQ support for the At-Risk Program boosting the formula to between 1% and 13% in additional basic aid per free lunch participant. <b>\$14.2m</b>
<b>Funding for Governor's Schools</b>	Phases in new funding formula similar to the Standards of Quality. <b>\$5.6m</b>	Maintains current funding for Governor's Schools.	Maintains the current funding formula for the Governor's Schools, but increases tuition by 2.5% per student and \$50 per course per student. <b>\$3.1m</b>
<b>Teacher Improvement Incentive Fund</b>	Creates new grant program to initiate incentive-based teacher compensation. <b>\$4.3m</b>	Does not include grant program.	Creates new grant program to initiate incentive-based teacher compensation. <b>\$2.1m</b>
<b>Virginia Early Childhood Foundation</b>	Creates new grant program to encourage local school divisions to partner with private providers in the delivery of Pre-K and scholarships for instructors. <b>\$6.9m</b>	Creates new grant program with less funding for scholarships. <b>\$4.6m</b>	Creates new grant program with less funding for scholarships. <b>\$4.6m</b>
<b>Virginia Preschool Initiative (VPI)</b>	Increases VPI per pupil reimbursement by 4.2%. <b>\$5.8m</b>	Does not increase VPI per pupil reimbursement.	Increases VPI per pupil reimbursement by 2.1%. <b>\$2.9m</b>



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<b>Health Care</b>			
<b>Medicaid Expansion</b>	Does not close the coverage gap, removes \$3 billion in federal funds related to coverage expansion, reverses governor's identified budget savings in health care related services and provides additional general funds instead, and includes language for a health care reform legislative study group.	Does not close the coverage gap, removes \$3 billion in federal funds related to coverage expansion, reverses governor's identified budget savings in health care related services and provides additional general funds instead, includes language to reinstate the MIRC, and prevents governor from acting unilaterally.	Does not close the coverage gap, removes \$3 billion in federal funds related to coverage expansion, reverses governor's identified budget savings in health care related services and provides additional general funds instead, and prevents governor from acting unilaterally.
<b>Provider Assessment</b>	Removes the hospital provider assessment.	Removes the hospital provider assessment.	Removes the hospital provider assessment.
<b>Medicaid Provider Rates</b>	<p>Total payment rate adjustments: <b>-\$15.4m</b></p> <ul style="list-style-type: none"> <li>Provides hospital payment rate adjustments in FY17 but not for FY18 <b>-\$15.4m</b></li> <li>Provides nursing home payment rate adjustments for both fiscal years <b>\$0.0m</b></li> <li>Provides outpatient rehab &amp; home health agency rate adjustments for both fiscal years <b>\$0.0m</b></li> </ul>	<p>Total payment rate adjustments withheld: <b>-\$60.6m</b></p> <ul style="list-style-type: none"> <li>Freezes hospital payment rates for both fiscal years <b>-\$47.7m</b></li> <li>Freezes nursing home payment rates for FY18 <b>-\$12.7m</b></li> <li>Freezes outpatient rehab &amp; home health agency rates for FY18 <b>-\$0.2m</b></li> </ul>	<p>Total payment rate adjustments: <b>-\$37.4m</b></p> <ul style="list-style-type: none"> <li>Provides half hospital payment rate adjustment for FY17 - full adjustment for CHKD - and freezes rates for FY18 <b>-\$30.9m</b></li> <li>Provides half nursing home payment rate adjustment for FY18 <b>-\$6.4m</b></li> <li>Provides full outpatient rehab &amp; home health agency rate adjustments for FY17 and half for FY18 <b>-\$0.1m</b></li> </ul>
<b>Governor's Access Program (GAP)</b>	Maintains eligibility at 60% of Federal Poverty Level (FPL).	Increases eligibility to 80% from 60% of FPL. <b>\$5.4m</b>	Increases eligibility to 80% of FPL and requires DMAS to collaborate with correctional facilities. <b>\$5.4m</b>
<b>Department of Justice (DOJ) Settlement</b>	<p>Includes 1,255 additional ID/DD slots but not the 100 reserve slots. <b>\$48.5m</b></p> <p>Increases services and rates, adds new staff, and closes training centers. <b>\$52.5m</b></p>	<p>Includes 1,005 additional ID/DD slots and 100 reserve slots. <b>\$53.6m</b></p> <p>Increases services and rates, adds new staff, and closes training centers. <b>\$50.6m</b></p>	<p>Includes 1,170 additional ID/DD slots and 40 emergency reserve slots. <b>\$52.7m</b></p> <p>Increases services and rates, adds new staff, and closes training centers. <b>\$52.8m</b></p>
<b>Substance Abuse Treatment</b>	Expands coverage for Medicaid Substance Use Disorder treatment services. <b>\$11.0m</b>	Expands coverage for Medicaid Substance Use Disorder treatment services. <b>\$11.0m</b>	Expands coverage for Medicaid Substance Use Disorder treatment services. <b>\$11.0m</b>
<b>Community Behavioral Health Services</b>	Increases funding for community behavioral health services. <b>\$15.0m</b>	Increases funding for community behavioral health services, in part with reprogrammed funds. <b>\$8.9m</b>	Increases funding for community behavioral health services, in part with reprogrammed funds. <b>\$8.2m</b>



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<b>Higher Ed.</b>			
<b>Higher Education Operating Funding</b>	<p>Total operating funding changes: <b>\$217.5m</b></p> <ul style="list-style-type: none"> <li>Provides funds for access and affordability <b>\$50.0m</b></li> <li>Increases undergraduate financial aid <b>\$48.2m</b></li> <li>Increases support for other higher ed (non-research) initiatives <b>\$33.1m</b></li> <li>Support for faculty salary increases <b>\$29.4m</b></li> <li>Establishes workforce credential initiative <b>\$23.0m</b></li> <li>Includes additional support for operations and maintenance of new facilities <b>\$23.6m</b></li> <li>Increases graduate financial aid <b>\$10.1m</b></li> </ul>	<p>Total operating funding changes: <b>\$236.2m</b></p> <ul style="list-style-type: none"> <li>Provides funds for access and affordability <b>\$123.4m</b></li> <li>Increases undergraduate financial aid <b>\$52.7m</b></li> <li>Increases support for other higher ed (non-research) initiatives <b>\$4.1m</b></li> <li>Support for faculty salary increases <b>\$44.0m</b></li> <li>Establishes workforce credential initiative <b>\$12.0m</b></li> <li>Does not include additional support for operations and maintenance of new facilities <b>\$0.0m</b></li> <li>Does not increase graduate financial aid <b>\$0.0m</b></li> </ul>	<p>Total operating funding changes: <b>\$248.4m</b></p> <ul style="list-style-type: none"> <li>Provides funds for access and affordability <b>\$101.0m</b></li> <li>Increases undergraduate financial aid <b>\$48.2m</b></li> <li>Increases support for other higher ed (non-research) initiatives <b>\$32.2m</b></li> <li>Support for faculty salary increases <b>\$44.0m</b></li> <li>Establishes workforce credential initiative <b>\$12.5m</b></li> <li>Does not include additional support for operations and maintenance of new facilities <b>\$0.0m</b></li> <li>Increases graduate financial aid <b>\$7.5m</b></li> </ul>
<b>Social Services</b>			
<b>Temporary Assistance for Needy Families (TANF) Fund</b>	<p>Uses <b>\$4.7m</b> in TANF funds to increase TANF cash assistance 2.5%.</p> <p>Uses <b>\$20.4m</b> in TANF money to increase funding for nonprofits and workforce development.</p>	<p>Uses <b>\$9.6m</b> in TANF money to provide child support supplemental payments.</p> <p>Uses <b>\$25.4m</b> in TANF money to increase funding for nonprofits.</p>	<p>Uses <b>\$4.7m</b> in TANF funds to increase TANF cash assistance 2.5% and <b>\$4.8m</b> in TANF funds to provide child support supplemental payments beginning in FY18.</p> <p>Uses <b>\$26.0m</b> in TANF money to increase funding for nonprofits and workforce development.</p>
<b>Foster Care and Adoption</b>	<p>Extends access to foster care services up to age 21 (<i>Net GF cost is \$1.9m due to this providing some savings in the CSA budget</i>). <b>\$1.9m</b></p>	<p>Does not extend access to foster care services up to age 21.</p>	<p>Extends access to foster care services up to age 21 (<i>Net GF cost is \$1.9m due to this providing some savings in the CSA budget</i>). <b>\$1.9m</b></p>

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<b>Compensation</b>			
<b>Salary Increases</b>	Increases salaries 2% for state, state-supported local, and faculty in FY17 <i>(contingent on hitting revenue targets)</i> . <b>\$132.7m</b>	Increases salaries 3% in FY17 for state, state-supported local, and faculty and an additional 1% in FY18 <i>(contingent on hitting revenue targets)</i> . <b>\$226.1m</b>	Increases salaries 3% for state employees and faculty, and 2% for state-supported locals in FY17 <i>(contingent on hitting revenue targets)</i> . <b>\$183.9m</b>
	Funds state's share in FY17 of 2% salary increase for K-12 <i>(contingent on hitting revenue targets)</i> . <b>\$134.4m</b>	Funds state's share in FY18 of 2% salary increase for K-12 <i>(contingent on hitting revenue targets)</i> . <b>\$83.3m</b>	Funds state's share in FY17 of 2% salary increase for K-12 <i>(contingent on hitting revenue targets)</i> . <b>\$134.4m</b>
	Funds salary compression for sheriffs and jail employees. <b>\$12.4m</b>	Not in the budget.	Funds salary compression for sheriffs and jail employees <i>(contingent on hitting revenue targets)</i> . <b>\$12.4m</b>
	Provides funds to address state police salary compression. <b>\$8.0m</b>	Provides funds to address state police salary compression. <b>\$12.2m</b>	Provides funds to address state police salary compression <i>(contingent on hitting revenue targets)</i> . <b>\$6.3m</b>
	Funds salary initiative for district court clerks. <b>\$6.0m</b>	Not in the budget.	Funds salary initiative for district court clerks <i>(contingent on hitting revenue targets)</i> . <b>\$4.1m</b>
	Funds career development for elected constitutional officers. <b>\$7.0m</b>	Not in the budget.	Funds career development for elected constitutional officers <i>(contingent on hitting revenue targets)</i> . <b>\$5.2m</b>
<b>Virginia Retirement System (VRS)</b>	Funds accelerated phase-in of employer retirement contributions for state employee plans at 100% of Board-approved rates. <b>\$23.5m</b>	Funds accelerated phase-in of employer retirement contributions for state employee plans at 100% Board-approved rates. Spends \$189.5m in FY16 to fully repay deferred VRS contributions from FY11-12 early <i>(savings of \$44m in FY17-18)</i> . <b>-\$44.0m</b>	Funds accelerated phase-in of employer retirement contributions for state employee plans at 100% Board-approved rates. Spends \$189.5m in FY16 to fully repay deferred VRS contributions from FY11-12 early <i>(savings of \$44m in FY17-18)</i> . <b>-\$44.0m</b>
	Funds accelerated phase-in of state share of employer retirement contributions for teacher retirement plans at 100% of Board-approved rate in FY18. <b>\$55.1m</b>	Funds accelerated phase-in of state share of employer retirement contributions for teacher retirement plans at 100% of Board-approved rate in FY18. Includes state share of employer contribution for group life in FY17. <b>\$56.8m</b>	Funds accelerated phase-in of state share of employer retirement contributions for teacher retirement plans at 100% of Board-approved rate in FY18. Includes state share of employer contribution for group life in FY17. <b>\$56.8m</b>



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<b>Other</b>			
<b>Revenue Stabilization Fund (Rainy Day Fund)</b>	Makes required FY17 deposit. <b>\$605.5m</b>	Makes required FY17 deposit. <b>\$605.5m</b>	Makes required FY17 deposit. <b>\$605.5m</b>
<b>Capital Budget</b>	<b>\$2.4 billion</b> for capital projects, including \$1.4 billion from SB731 and \$149.1 million in GF cash.  Includes planning money for one new youth prison.	<b>\$2.5 billion</b> for capital projects, including \$1.5 billion from HB1344. No GF cash toward capital projects.  Includes planning money for one new youth prison.	Complete capital package (mostly funded through the HB1344 / SB731 bond bills) not yet known. Conference budget includes \$10.8m in general fund cash for capital projects.  Bond-funded capital projects not yet known but likely includes planning money for one new youth prison.
<b>Juvenile Justice Operating Funding</b>	Allows the reinvestment of savings from closing facilities into community-based accountability and treatment programs. Establishes workgroup on juvenile justice facilities.	Allows the reinvestment of savings from closing facilities into community-based accountability and treatment programs. Requires study on juvenile justice facilities.	Allows the reinvestment of savings from closing facilities into community-based accountability and treatment programs. Establishes workgroup on juvenile justice facilities.
<b>Research</b>	Pays for a new higher education research initiative aimed at commercialization (also proposes \$65m from bond package). <b>\$30.5m</b>  Increases funding for Virginia Bioscience Health Research (VBHRC). <b>\$2.5m</b>  Increased funding for other research programs. <b>\$0.2m</b>	Funds the Virginia Research, Development, and Commercialization Fund as part of GO Virginia (also proposes \$20m from bond package). <b>\$40.0m</b>  Does not increase funding for Virginia Bioscience Health Research (VBHRC).  Increased funding for other research programs. <b>\$10.9m</b>	Funds the Virginia Research, Development, and Commercialization Fund as part of GO Virginia (also proposes \$29m from bond package). <b>\$22.0m</b>  Increases funding for Virginia Bioscience Health Research (VBHRC). <b>\$2.5m</b>  Increased funding for other research programs. <b>\$18.9m</b>
<b>Economic Development</b>	Creates GO Virginia to encourage regional collaboration between business, education, and government organizations. <b>\$38.9m</b>  Not in the budget.  Increases funding for the Governor's Motion Picture Opportunity Fund. <b>\$3.2m</b>  New or increased funding for other programs and grants. <b>\$49.9m</b>	Creates GO Virginia to encourage regional collaboration between business, education, and government organizations. <b>\$32.5m</b>  Funds new JLARC unit for economic development oversight. <b>\$0.6m</b>  Increases funding for the Governor's Motion Picture Opportunity Fund. <b>\$5.7m</b>  New or increased funding for other programs and grants. <b>\$29.7m</b>	Creates GO Virginia to encourage regional collaboration between business, education, and government organizations. <b>\$35.5m</b>  Funds new JLARC unit for economic development oversight. <b>\$0.6m</b>  Increases funding for the Governor's Motion Picture Opportunity Fund. <b>\$4.2m</b>  New or increased funding for other programs and grants. <b>\$38.7m</b>

