

The Governor's Key Budget Policy Choices

Amendments to the 2016-2018 enacted budget



The House Appropriations and Senate Finance committees are currently considering the governor's proposed amendments to the 2016-2018 budget (FYs 2017 and 2018). The chart below provides a summary level assessment of certain key changes and other noteworthy information proposed by the governor. The dollar figures represent changes in general fund spending for the combined FY2017 and FY2018 compared to the Chapter 780, Acts of Assembly 2016.

Governor's Amended Budget

Total General Fund (GF) Spending	\$40.34 billion	
Revenue and Resources		
Overview	Weaker than expected revenue collections during FY2016 created a budget shortfall, reducing the resources available for state priorities. These reductions are partially offset by proposed tax policy changes and withdrawals from the state's "rainy day fund."	
Adjustments in GF Resources	Reduced resources from revenue not meeting forecast and technical changes	-\$1,173.6 million
	Proposed tax policy changes (revenue gained):	\$138.6 million
	• Tax amnesty program	\$58.2 million
	• Accelerated Sales Tax - apply to additional merchants	\$47.9 million
	• Tighten sales tax nexus	\$11.1 million
	• \$5 million per return limit on Historic Rehab Tax credit	\$9.9 million
	• Retain \$20,000 limit on Land Preservation Tax Credit for 2017	\$6.1 million
	• Reform neighborhood and education scholarship tax credits	\$2.0 million
	• Increase transfer fee for Land Preservation Tax Credits	\$1.0 million
	• Other enforcement and tax policy reforms	\$2.4 million
	Other resource increases for settlements and other transfers	\$35.7 million
	Revenue Stabilization Fund ("rainy day fund") withdrawal	\$567.2 million
Health Care		
Overview	Provides additional funding for mental health care, nursing homes, and home health care. Includes contingent authority to close the coverage gap by expanding Medicaid on or after Oct. 2017.	
Medicaid Expansion	Closes the coverage gap on or after 10/01/2017 contingent on continued federal funding	
Technical changes	Updates Medicaid funding to reflect enrollment and other technical changes	\$255.1 million
	Updates funding for children's health insurance to reflect latest forecasts	\$6.6 million
	Supplants GF support with health care fund money	-\$43.9 million
Restore inflation adjustments for nursing homes	Restores inflation adjustments for nursing homes	\$5.5 million
Support overtime for home health attendants	Covers up to 56 hours in consumer-directed overtime costs for home health attendants	\$8.5 million
Mental health care transformation	Provides funding to begin transformation of mental health and substance abuse treatment system:	\$31.7 million
	• Same-day-access to evaluation services at 25 of 40 CSBs	\$8.2 million
	• Substance abuse treatment and support	\$6.3 million
	• Hire an independent contractor to study and design the state's community mental health services delivery system	\$4.5 million
	• Support mental health screening and assessment in local and regional jails	\$4.2 million
	• Address other community behavioral health service gaps	\$3.4 million
	• Purchase private inpatient beds	\$3.0 million
	• Hire an additional 24 full-time security and direct care employees and purchase necessary pharmaceuticals	\$2.1 million
	<i>Health Care continued on next page ...</i>	

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Health Care, cont.

Mental health hospitals	Funds additional mental health hospital costs:	\$4.1 million
	• Address growing special hospitalization costs at mental health facilities	\$3.2 million
	• Fund medical services for involuntary mental commitments	\$0.6 million
	• Fund 12 Direct Care Service Associates at VCBR	\$0.3 million

K-12 Education

Overview	Provides one-time bonus to partially offset elimination of salary increase. Uses lottery and literary funds to offset GF costs for public education.	
State Per Pupil Direct Aid	Provides per pupil direct aid of \$5,265 in FY17 and \$5,459 in FY18	
Compensation	Net change to compensation:	-\$79.0 million
	• Removes state share of 2 percent salary increase for SOQ funded positions based on the state not meeting revenue target	-\$134.4 million
	• Provides states share of one-time 1.5 percent bonus for SOQ funded positions without local matching requirement in Dec. 2017	\$55.5 million
Supplanting GF dollars	Uses non-general funds to decrease general fund support for public education:	-\$102.3 million
	• Uses lottery proceeds that came in above projections to decrease general fund spending on K-12 education	-\$52.3 million
	• Uses increased literary funds from collections of fines and forfeitures to decrease general fund spending on K-12 education	-\$50.0 million
Technical adjustments	Updates state support based on new enrollment and revenue projections:	-\$85.1 million
	• Adjusts sales tax dedicated to public education based on revised revenue forecasts and estimates of the school age population	-\$38.1 million
	• Adjusts SOQ costs based on lower enrollment projections for FY17 and FY18	-\$34.6 million
	• Adjusts Remedial Summer School and English as a Second Language program costs based on revised enrollment projections.	-\$6.3 million
	• Adjusts lottery program costs based on updated projections for participation	-\$5.1 million
	• Adjusts categorical and incentive program costs based on changes in enrollment, participation, and test scores	-\$1.0 million
Other Changes	Increases funding to support teacher residency programs in under-performing schools	\$1.0 million
	Eliminates support for teacher improvement initiative targeted to schools with the most at-risk students	-\$2.0 million
	Eliminates Department of Education positions for school improvement, professional development, facilities, and pupil transportation efficiency	-\$0.3 million

Compensation

Overview	Provides 1.5 percent bonus to offset elimination of raises for public employees. Reinstates salary compression and career development funds.	
Remove salary increases	Removes salary increase and compensation adjustments based on the state not meeting revenue target	-\$346.3 million
One-time bonus	Funds a 1.5 percent bonus for state, state-supported locals, and K-12 employees:	\$111.5 million
	• K-12 employees	\$55.5 million
	• State and state-supported local employees, including higher ed	\$56.0 million
Address salary compression	Restores compression pay incentives for State Police, Sheriff's offices, and regional jails:	
	• Sherrifs and jail employees	\$8.7 million
	• District court employees	\$2.5 million
	• State police	\$4.0 million
Career development for constitutional officers	Restores career development funding for local constitutional officers	\$3.9 million

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Social Services

Temporary Assistance for Needy Families (TANF)	Updates funding for TANF UP and Auxiliary Grants to reflect enrollment changes	-\$1.0 million
	Reduces support for nonprofit service providers	-\$0.2 million
	Uses TANF money to supplant GF support for service providers	-\$2.7 million
	Uses \$6 million in TANF money for Long Acting Reversible Contraception	
Foster care and adoption	Adjusts funding for foster care and adoption payments	\$2.6 million
	Funds increased investigations of when infants are exposed to substances	\$1.3 million
Children's services	Updates Children's Services Act funding for increased caseload and service costs	\$85.7 million
Changes in social services administration (net)	Supports more local child welfare workers to meet increased caseloads and make technology updates	\$12.3 million

Higher education (excludes capital projects)

Overview	Reduces state support by 5 percent for public colleges and universities in FY18. Funds one-time bonus to partially offset elimination of raises. Reduces funding for the Virginia Research Investment Fund.	
Compensation	Net change to compensation:	-\$31.7 million
	• Removes faculty salary increases based on the state not meeting revenue target	-\$44.0 million
	• Provides one-time 1.5 percent bonus in Dec. 2017	\$12.3 million
Other reductions	Reduces state support by 5 percent for Virginia's public colleges and universities in FY18	-\$76.1 million
	Reduces funding for the Virginia Research Investment Fund	-\$10.0 million
	Eliminates payments to higher education institutions for credit card and interest restoration	-\$8.0 million
Investments	Increases support for the New Economy Workforce Credential Grant Program	\$1.0 million

Other

Overview	Proposes additional borrowing to replace GF cash for capital projects. Reduces Go Virginia funding and proposes other changes to economic development spending.	
Capital Budget	Additional borrowing for capital projects:	
	• \$270.8 million in additional tax-supported bonds • \$134.9 million in other additional bonds	
Reduced general fund cash for capital projects	Supplants GF capital with bonds	-\$94.7 million
	Other capital-related GF savings	-\$33.7 million
Economic development and research funds	Provides new funding for deposit to the Advanced Shipbuilding Production Facility Grant Fund	\$6.0 million
	Reduces operating support for the INOVA Global Genomics and Bioinformatics Research Institute	-\$4.0 million
	Adjusts funding for incentive grants	-\$6.8 million
	Defers payment to support an aerospace engine facility	-\$12.2 million
	Reduces GO Virginia funding	-\$15.0 million
	Other changes in economic development investments	-\$1.2 million