

# The Governor's Key Budget Policy Choices

## Comparing the 2018-2020 budget to the current budget



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The House Appropriations and Senate Finance committees are currently considering the governor's 2018-2020 budget (FYs 2019 and 2020) and amendments to the budget for FY 2018. The baseline for this proposed budget is the FY 2018 budget as approved in Chapter 836, Acts of Assembly 2017.

The chart below provides a summary level assessment of certain key changes from FY 2018 and other noteworthy information proposed by the governor in the FY 2019 and FY 2020 budget.

### Governor's Proposed Budget

<b>Total General Fund (GF) spending</b>	<b>\$42.44 billion</b>
<b>Unappropriated balance</b>	<b>\$12.1 million</b>
<b>Revenue and Resources</b>	
<b>Overview</b>	A strengthening economy has increased available tax revenue for state priorities and for deposits into a new reserve fund
<b>Total GF tax revenue</b>	General fund revenue estimates <b>\$40.99 billion</b> <ul style="list-style-type: none"> <li>• GACRE estimate (before policy changes) <b>\$40.97 billion</b></li> <li>• Total proposed tax policy changes (revenue change): <b>\$15.8 million</b> <ul style="list-style-type: none"> <li>◦ Federal tax conformity (-\$3.3 million)</li> <li>◦ Tax initiative to expand audits (\$18.5 million)</li> <li>◦ Notification of payroll system breaches (\$0.6 million)</li> </ul> </li> </ul>
<b>Total other GF resources</b>	Balances from prior years and transfers <b>\$1.46 billion</b>
<b>Health Care</b>	
<b>Overview</b>	Makes policy proposals to expand coverage for low-income Virginians, addresses our state's opioid epidemic, and improves Virginia's behavioral health system
<b>Medicaid expansion</b>	Accounts for savings from Medicaid expansion <b>-\$421.7 million</b>
<b>Provider assessment</b>	Adopts an assessment on private acute care hospitals to cover state share of Medicaid expansion (provides non-GF revenues)
<b>Medicaid forecast</b>	Funds Medicaid utilization and inflation <b>\$575.9 million</b>
<b>Family Access to Medical Insurance Security (FAMIS)</b>	Adjusts FAMIS funding to reflect utilization and inflation, assuming that funding for the Children's Health Insurance Program is maintained at the federal level <b>\$27.2 million</b>
<b>DOJ settlement agreement</b>	Adds 825 new waiver slots per Department of Justice agreement <b>\$45.0 million</b>
<b>Same day access</b>	Covers Medicaid costs to extend same day access to all community service boards (CSB) effective July 1, 2019 (funding for 18 of 40 CSBs was initially appropriated effective July 1, 2017) <b>\$15.0 million</b>
<b>Supportive housing</b>	Expands supportive housing options for adults with serious mental illness, pregnant and parenting mothers with substance use disorder, and individuals with developmental disabilities <b>\$12.8 million</b>
<b>Opioid medication assisted treatment</b>	Replaces federal funding for medication assisted treatments for opioid use disorder at community service boards <b>\$10.0 million</b>
<b>Western State Hospital</b>	Provides funds to support an additional 56 beds at Western State Hospital <b>\$5.6 million</b>
<b>Mental health facilities</b>	Addresses capacity issues by establishing assisted living facilities and community support teams for individuals with serious mental illness <b>\$4.5 million</b>
<b>Community living waiver</b>	Adds 50 community living waiver slots <b>\$2.8 million</b>

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<b>K-12 Education</b>		
<b>Overview</b>	Provides for updates to the education funding formula, a salary increase for teachers and school staff effective December 2019, and uses increased lottery funds to supplant general fund investment in education in both years	
<b>Rebenchmarking</b>	Updates education funding with more current estimates of student enrollment, demographics, and other technical adjustments	<b>\$435.6 million</b>
<b>Supplanting GF dollars</b>	Uses lottery funds to decrease general fund support for public education	<b>-\$80.4 million</b>
<b>Salary increase</b>	Funds state share of 2% salary increase for school positions effective Dec. 1, 2019	<b>\$51.3 million</b>
<b>Hold harmless</b>	Compensates localities that would lose funding based on new composite index for first year of the budget	<b>\$11.5 million</b>
<b>One full-time principal in every elementary school</b>	Provides funding to ensure every elementary school has state funding for one full-time principal starting in FY 2020. Previously, elementary schools with less than 300 students did not have state funding for a full-time position	<b>\$7.7 million</b>
<b>At-Risk funding</b>	Increases Virginia's At-Risk Add-On from 1 - 13% more per free lunch student to 1 - 14% more in the second year of the budget	<b>\$7.1 million</b>
<b>Principal retention and recruitment grant</b>	Provides competitive grant to assist schools identified as needing additional support to recruit and retain principals	<b>\$1.0 million</b>
<b>Compensation</b>		
<b>Overview</b>	Funds small increases in the state's contribution to salaries of public employees. Most increases do not keep pace with inflation	
<b>Salary increases for state, state-support local employees, and K-12 employees</b>	Includes a 2% salary increase for state, state-supported local employees, and K-12 employees: <ul style="list-style-type: none"> <li>• K-12 employees (state share; effective Dec. 1, 2019) <b>\$51.3 million</b></li> <li>• State employees (effective Nov. 10, 2019) and the state share of state-supported local employees (effective Dec. 1, 2019) <b>\$49.4 million</b></li> </ul>	<b>\$100.7 million</b>
<b>State employee health insurance</b>	Covers increases in employee and employer share of health insurance premiums and ensures that benefits are maintained at current levels over FY 2019 and FY 2020	<b>\$132.1 million</b>
<b>VRS and other retirement benefits</b>	Decreases use of literary funds and replaces it with general funds for public school employee retirement contributions	<b>\$80.0 million</b>
	Changes contribution rates for employee retirement benefits	<b>-\$59.2 million</b>
<b>Social Services</b>		
<b>Overview</b>	Funds certain adjustments to social services spending including technical adjustments for caseload changes	
<b>Temporary Assistance for Needy Families (TANF)</b>	No proposed increase in cash benefits  Uses <b>\$6 million</b> in TANF money for Long Acting Reversible Contraception	
<b>Children's Services Act (CSA)</b>	Updates CSA funding to meet anticipated caseload and expenditure growth	<b>\$54.2 million</b>
	Funds consultant to study and recommend a rate-setting methodology for special education private day services	<b>\$0.25 million</b>

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### Higher education (excludes capital projects)

<b>Overview</b>	Proposes additional funding for need-based financial aid and targeted program enhancements	
	Increases need-based financial aid for in-state undergraduate students	<b>\$45.5 million</b>
	Enhances programs at EVMS, ODU and UVA-Wise and fund enrollment growth at GMU	<b>\$37.9 million</b>
	Allows institutions to retain interest and credit card rebates	<b>\$13.1 million</b>
	Funds equipment upgrades at UVA-Wise and VSU	<b>\$3.1 million</b>
	Increases TAG grants to \$3,350	<b>\$1.6 million</b>
	Funds cybersecurity and biofuels research at NSU	<b>\$1.3 million</b>

### Other

<b>Overview</b>	Makes deposits into the new revenue cash reserve and provides authority for significant borrowing for higher education and other capital projects	
<b>Revenue cash reserves (Deposits)</b>	Makes additional deposits in FY 2019 and FY 2020 so that balance at the end of FY 2020 is equal to 2% of operating appropriations. Balance expected to be \$427.1 million at the end of FY 2020	<b>\$270.7 million</b>
<b>Capital Budget (all funding sources)</b>	Total capital budget in FYs 2019 and 2020:	<b>\$974.0 million</b>
	• Tax-supported bonds for central capital outlay and VPBA/VCBA	<b>\$453.7 million</b>
	• Bonds backed by college/university revenue	<b>\$281.7 million</b>
	• Non-general fund cash from higher ed institutions and other special funds for capital	<b>\$223.6 million</b>
	• General fund cash for project planning	<b>\$15.0 million</b>