

# Key Budget Policy Choices: Special Session



## Comparing the House, compromise, and Senate Finance budgets to FY 2018 budget

Revised: May 30, 2018

Virginia's budget process restarted with no agreement on the budget during the regular legislative session. The House of Delegates passed amendments to the governor's proposal on April 16. Compromise amendments by members of the House and Senate were publicly posted on the House Appropriations website on May 22, and the Senate Finance Committee reported out amendments to the budget on May 29.

The chart below provides a summary level assessment of certain key changes and other noteworthy information passed by the House, included in compromise amendments publicly posted on the House Appropriations website, and reported out by the Senate Finance Committee. The baseline for these comparisons is the FY 2018 budget as approved in Chapter 836, Acts of Assembly 2017. The dollar figures represent combined FY 2019 and FY 2020 changes in General Fund spending.

	House (passed 4/16)		Compromise (posted 5/22)		Senate Finance (reported 5/29)	
<b>Revenue and Resources</b>						
<b>Total GF tax revenue after policy changes</b>	\$41.03 billion		\$41.15 billion		\$41.15 billion	
<b>Total other GF resources</b>	\$1.47 billion		\$1.49 billion		\$1.50 billion	
<b>GACRE estimate before policy changes</b>	\$40.97 billion		\$40.97 billion		\$40.97 billion	
<b>Reforecast</b>	Not included		Assumes higher withholding revenues based on FY18 actuals <b>\$120.0m</b>		Assumes higher withholding revenues based on FY18 actuals <b>\$120.0m</b>	
<b>Tax policy changes</b>	Total proposed tax policy changes:	<b>\$55.6m</b>	Total proposed tax policy changes:	<b>\$56.9m</b>	Total proposed tax policy changes:	<b>\$57.2m</b>
<i>Tax audits</i>	• Assumes higher revenue due to additional staffing	<b>\$29.3m</b>	• Assumes higher revenue due to additional staffing	<b>\$29.3m</b>	• Assumes higher revenue due to additional staffing	<b>\$29.3m</b>
<i>Land Preservation Tax Credit</i>	• Retains \$20,000 limit on Land Preservation Tax Credit	<b>\$13.2m</b>	• Retains \$20,000 limit on Land Preservation Tax Credit	<b>\$13.2m</b>	• Retains \$20,000 limit on Land Preservation Tax Credit	<b>\$13.2m</b>
<i>Historic Rehab Tax Credit</i>	• Retains \$5m limit on Historic Rehab Tax Credit	<b>\$13.0m</b>	• Retains \$5m limit on Historic Rehab Tax Credit	<b>\$13.0m</b>	• Retains \$5m limit on Historic Rehab Tax Credit	<b>\$13.0m</b>
<i>Utility rebate revenue</i>	• Includes rebate revenue related to utility payments on state facilities (HB1558)	<b>\$3.4m</b>	• Includes rebate revenue related to utility payments on state facilities (HB1558)	<b>\$3.4m</b>	• Includes rebate revenue related to utility payments on state facilities (SB966)	<b>\$3.4m</b>
<i>Payroll breaches</i>	• Notification of payroll system breaches	<b>\$0.6m</b>	• Notification of payroll system breaches	<b>\$0.6m</b>	• Notification of payroll system breaches	<b>\$0.6m</b>
<i>ATV tax changes</i>	• Not included		• Applies motor vehicle sales tax to ATVs (SB249)	<b>\$0.5m</b>	• Applies motor vehicle sales tax to ATVs (SB249)	<b>\$0.5m</b>
<i>DNA testing fee changes</i>	• Increases fee revenues from requiring DNA testing for additional misdemeanor convictions (HB1249)	<b>\$0.3m</b>	• Increases fee revenues from requiring DNA testing for additional misdemeanor convictions (HB1249)	<b>\$0.2m</b>	• Increases fee revenues from requiring DNA testing for additional misdemeanor convictions (HB1249)	<b>\$0.2m</b>
<i>R&amp;D tax exemption</i>	• Not included		• Not included		• Reverses expanded sales & use tax exemption for research and development	<b>\$0.3m</b>
<i>Coal tax credits</i>	• Reinstates coal tax credits for metallurgical coal (HB665)	<b>-\$0.9m</b>	• Reinstates Coalfield Employment Enhancement Tax Credit for metallurgical coal; can be claimed starting in FY22 (HB665)		• Reinstates Coalfield Employment Enhancement Tax Credit for metallurgical coal; can be claimed starting in FY22 (SB378)	
<i>Conformity</i>	• Federal tax conformity	<b>-\$3.3m</b>	• Federal tax conformity	<b>-\$3.3m</b>	• Federal tax conformity	<b>-\$3.3m</b>

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<b>Health Care</b>						
<b>Medicaid expansion</b>	Extends health coverage to nearly 400,000 newly eligible. Assumes start date on/around Jan. 1, 2019 ( <i>net savings</i> )	<b>-\$371.0m</b>	Extends health coverage to nearly 400,000 newly eligible. Assumes start date on/around Jan. 1, 2019 ( <i>net savings</i> )	<b>-\$371.0m</b>	Not included	
<b>Work requirements</b>	Directs DMAS to apply for a demonstration waiver that imposes work requirements for Medicaid recipients (TEEOP), including a “lock-out” provision; Uses \$3.5m in FY18 to hire consultant to design waiver	<b>\$21.5m</b>	Provides funding to cover the fiscal impact of implementing work requirements for Medicaid recipients (TEEOP), including a “lock-out” provision (contingent upon federal approval of demonstration waiver); Uses \$3.5m in FY18 to hire consultant to design waiver	<b>\$25.5m</b>	Not included	
<b>Provider “coverage” assessment</b>	Adopts assessment on private acute care hospitals to cover state share of expansion (provides non-GF revenues)		Adopts an assessment on private acute care hospitals to cover state share of Medicaid expansion (provides non-GF revenues). Places revenues in special fund to be used exclusively to cover state costs of Medicaid expansion		Not included	
<b>Provider “payment rate” assessment</b>	Not included		Adopts an assessment on private acute care hospitals to fund an increase in Medicaid payments for inpatient and outpatient services. Places revenues in special fund to be used exclusively for increasing inpatient and outpatient Medicaid payment rates		Not included	
<b>Innovation waiver</b>	Authorizes the HHR Secretary to develop and apply for a state innovation waiver to stabilize the individual health insurance market; implementation contingent upon future appropriation of any needed non-federal funds		Authorizes the HHR Secretary to develop and apply for a state innovation waiver to stabilize the individual health insurance market; implementation contingent upon future appropriation of any needed non-federal funds		Authorizes the Commissioner of Insurance to prepare and submit a state innovation waiver to waive the eligibility restrictions for individuals eligible for catastrophic health plans	
<b>Medicaid forecast</b>	Delays hospital inflation adjustment until FY20	<b>\$564.9m</b>	Reduces funding in FY20 to pay the health insurance fee on managed care contracts	<b>\$533.9m</b>	Funds Medicaid utilization and inflation	<b>\$575.9m</b>
<b>Waiver slots</b>	Adds 825 new Community Living and Family and Individual Supports waivers	<b>\$45.0m</b>	Adds 384 Community Living, 895 Family and Individual Supports and 40 Building Independence redesigned waiver slots	<b>\$45.0m</b>	Adds 384 Community Living, 895 Family and Individual Supports and 40 Building Independence redesigned waiver slots	<b>\$45.0m</b>
	Not included		Adds 326 Family and Individual Supports waiver slots in FY20	<b>\$5.0m</b>	Not included	
	Adds 50 reserve community living waiver slots	<b>\$2.8m</b>	Adds 50 reserve community living waiver slots	<b>\$2.8m</b>	Adds 50 reserve community living waiver slots	<b>\$2.8m</b>
<b>Mental health facility crowding</b>	Addresses capacity issues through discharge planning, assisted living slots, and community support teams	<b>\$11.4m</b>	Addresses capacity issues through discharge planning, assisted living slots, and community support teams	<b>\$11.4m</b>	Provides limited funding for discharge planning	<b>\$3.5m</b>

*Health Care continued on next page ...*

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<b>Health Care (cont.)</b>			
<b>Supportive housing</b>	Expands supportive housing options for adults with SMI, pregnant and parenting mothers with SUD, and individuals with DD <b>\$12.8m</b>	Expands supportive housing options for adults with SMI, pregnant and parenting mothers with SUD, and individuals with DD; improves monthly rates in FY20 <b>\$13.8m</b>	Expands supportive housing options; more limited rental assistance than the governor's budget <b>\$11.8m</b>
<b>STEP-VA detox/outpatient services</b>	Not included	Funds STEP-VA CSB funding for detoxification and CSB/BHA outpatient services in FY20 <b>\$17.0m</b>	Not included
<b>Primary care screening</b>	Includes funding for primary care outpatient screenings at CSBs <b>\$11.2m</b>	Includes funding for primary care outpatient screenings at CSBs <b>\$11.2m</b>	Includes limited funding for primary care outpatient screening at CSBs in FY20 <b>\$3.7m</b>
<b>Criminal justice &amp; mental health</b>	Funds CIT assessment sites <b>\$2.7m</b>	Funds jail discharge planning, alternative transportation for TDOs, CIT sites and training, and other services <b>\$17.8m</b>	Funds jail discharge planning, alternative transportation for TDOs, CIT training, and other services <b>\$15.1m</b>
<b>Federal tax changes</b>	Captures savings from suspension of ACA health insurance tax <b>-\$42.0m</b>	Captures savings from suspension of ACA health insurance tax <b>-\$42.0m</b>	Captures savings from suspension of ACA health insurance tax <b>-\$42.0m</b>
<b>Home health care</b>	Provides 1% rate increase for agency and consumer-directed personal care services <b>\$4.9m</b>	Provides 2% rate increase for agency and consumer-directed personal and respite care services in FY20 <b>\$9.9m</b>	Provides training for personal care attendants <b>\$1.0m</b>
<b>Priority Needs Access Program</b>	Not included	Not included	Includes language articulating health care priorities but does not provide funding
<b>K-12 Education</b>			
<b>Avg. state per pupil direct aid</b>	Provides <b>\$5,617</b> in FY19 and <b>\$5,690</b> in FY20	Provides <b>\$5,620</b> in FY19 and <b>\$5,734</b> in FY20	Provides <b>\$5,583</b> in FY19 and <b>\$5,659</b> in FY20
<b>Rebenchmarking</b>	Updates education funding with more current enrollment and staffing data; small, technical changes <b>\$477.0m</b>	Updates education funding with more current enrollment and staffing data; small, technical changes <b>\$477.0m</b>	Updates education funding with more current enrollment and staffing data; small, technical changes <b>\$477.0m</b>
<b>Salary increase</b>	Funds state share of 2% salary increase for school positions eff. Jul. 1, 2019 <b>\$87.6m</b>	Funds state share of 3% salary increase for school positions eff. Jul. 1, 2019, contingent on hitting revenue targets <b>\$131.4m</b>	Includes state share of 2% salary increase for K-12 employees eff. Jul. 1, 2019, contingent on hitting revenue targets. If met, directs governor to include additional increase in next budget <b>\$87.6m</b>
<b>Supplanting GF dollars</b>	Includes GF supplanting with lottery revenues, yet partially offsets with GF investment in lottery PPA (see "Lottery PPA" on next page) <b>-\$80.4m</b>	Includes GF supplanting with lottery revenues, yet partially offsets with GF investment in lottery PPA (see "Lottery PPA" on next page) <b>-\$80.4m</b>	Uses increased lottery fund estimates to further decrease general fund support for public education <b>-\$97.9m</b>
<i>K-12 Education continued on next page ...</i>			

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THE COMMONWEALTH INSTITUTE

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<b>K-12 Education (cont.)</b>			
<b>Lottery per pupil allocation (PPA)</b>	Increases the lottery PPA with general funds (\$73.9m) and increased NGF lottery revenues (\$17.6m) with no local matching requirement <b>\$73.9m</b>	Increases the lottery PPA with general funds (\$73.9m) and increased NGF lottery revenues (\$17.6m) with no local matching requirement <b>\$73.9m</b>	Increase not included
<b>Loss assistance to localities</b>	Provides additional assistance to school divisions with enrollment declines of 5% or greater over the last 5 years and have < 10,000 students <b>\$6.1m</b>	Provides additional assistance to school divisions with enrollment declines of 5% or greater over the last 5 years and have < 10,000 students. Sets a minimum amount of \$75,000 <b>\$6.1m</b>	Provides additional assistance to school divisions with enrollment declines of 10% or greater since 2008 and have < 10,000 students <b>\$5.0m</b>
<b>One full-time principal in every elem. school</b>	Not included	Not included	Not included
<b>At-Risk funding</b>	Increase not included	Increases At-Risk Add-On from 1-13% more per free lunch student to 1-14% more in FY20 <b>\$7.1m</b>	Increases At-Risk Add-On from 1-13% more per free lunch student to 1-14% more in FY20 <b>\$7.1m</b>
<b>Va. Preschool Initiative (VPI)</b>	Does not increase VPI per pupil reimbursement	Increases per pupil reimbursement from \$6,125 to \$6,326 for full-day programs and from \$3,062 to \$3,163 for half-day programs <b>\$4.6m</b>	Increases per pupil reimbursement from \$6,125 to \$6,500 for research-based curriculum <b>\$9.2m</b>
<b>Teacher residency</b>	Increase not included	Increases support for teacher residency partnerships between schools and university teacher preparation programs <b>\$1.5m</b>	Increases support for teacher residency partnerships between schools and university teacher preparation programs <b>\$1.5m</b>
<b>Social Services</b>			
<b>Temporary Assistance for Needy Families (TANF)</b>	No proposed increase in cash benefits  Uses <b>\$6m</b> in TANF funds for LARC pilot  Uses <b>\$12.6m</b> in TANF funds for additional grants to nonprofits and local governments	No proposed increase in cash benefits  Uses <b>\$6m</b> in TANF funds for LARC pilot  Uses <b>\$13.9m</b> in TANF funds for additional grants to nonprofits and local governments	No proposed increase in cash benefits  Uses <b>\$10.8m</b> in TANF funds for LARC pilot  Uses <b>\$8.9m</b> in TANF funds for additional grants to nonprofits and local governments
<b>Children's Services Act (CSA)</b>	Updates CSA funding to meet anticipated caseload and expenditure growth; requires evidence-based services <b>\$54.2m</b>	Assumes lower spending growth <b>\$44.0m</b>	Assumes lower spending growth <b>\$40.1m</b>
<b>Office of Immigrant Assistance</b>	Not included	Not included	Not included

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<b>Higher Education (excludes capital projects)</b>			
<b>Financial aid</b>	Includes need-based financial aid. Allows higher education institutions to prioritize awards to students enrolling in data science & technology, science & engineering, healthcare, and education <b>\$45.5m</b>	Provides approximately two-thirds (64%) of the funds proposed by the governor for need-based financial aid <b>\$29.3m</b>	Provides half the funds proposed by the governor for need-based financial aid <b>\$22.8m</b>
<b>Commonwealth Cyber Initiative (CyberX)</b>	Creates CyberX anchored by Virginia Tech for research and training in cybersecurity <b>\$40.0m</b>	Provides half as much proposed by the House to create the CyberX <b>\$20.0m</b>	Not included
<b>TAG</b>	Increases TAG grants to \$3,350 <b>\$1.6m</b>	Increases TAG grants to \$3,350 <b>\$1.6m</b>	Increases TAG grants to \$3,350 <b>\$1.6m</b>
<b>Other</b>	Awarded to higher education institutions to increase the number of degrees available in data science & technology, science & engineering, healthcare, and education <b>\$42.6m</b>	Awarded to higher education institutions to increase the number of degrees available in data science & technology, science & engineering, healthcare, and education <b>\$28.4m</b>	Not included
	Increases operations and maintenance and enhances programs at colleges and universities <b>\$23.2m</b>	Increases operations and maintenance and enhances programs at colleges and universities <b>\$15.2m</b>	Enhances programs and makes changes to operations funding (including new proposals for ODU shipbuilding initiative and UMW career development) <b>\$29.2m</b>
	Allows institutions to retain interest and credit card rebates <b>\$13.1m</b>	Allows institutions to retain interest and credit card rebates <b>\$13.1m</b>	Allows institutions to retain interest and credit card rebates <b>\$13.1m</b>
	Funds equipment upgrades at UVA-Wise and VSU <b>\$3.1m</b>	Funds equipment upgrades at UVA-Wise and VSU <b>\$3.1m</b>	Partially funds the equipment upgrades at UVA-Wise and VSU <b>\$2.3m</b>
	Funds cybersecurity and biofuels research at NSU <b>\$1.3m</b>	Not included	Not included
<b>Other</b>			
<b>Revenue cash reserves (Deposits)</b>	Makes additional deposits each year so that balance reaches \$247.4m at the end of FY20. Provides additional deposit of 100% of available surplus revenue <b>\$91.0m</b>	Makes additional deposits each year so that balance reaches \$503m at the end of FY20. The higher balance is due to increased deposits in FY18 <b>\$91.0m</b>	Makes additional deposits each year <b>\$180.0m</b>
<b>Capital budget</b>	Adds \$330m for Port of Virginia; increases capital outlay pool and makes other adjustments <b>\$1,437.1m</b>	Adds \$330m for Port of Virginia; increases capital outlay pool and makes other adjustments <b>\$1,447.5m</b>	Increases capital outlay pool and makes other adjustments <b>\$1,239.0m</b>
<b>Juvenile justice capital projects</b>	Provides funds to build 156-bed facility at Beaumont	Language authorizing building a 60-bed facility at Isle of Wight; Dept. of General Services shall determine options for a second DJJ Juvenile Correctional Center to be located in Central Virginia (excluding Bon Air)	Provides funds to build facilities at Bon Air (96 beds) and Isle of Wight (60 beds)
<b>GO Virginia</b>	Increases funds for Virginia Initiative for Growth and Opportunity <b>\$16.3m</b>	Increases funds for Virginia Initiative for Growth and Opportunity <b>\$16.3m</b>	Increases funds for Virginia Initiative for Growth and Opportunity <b>\$16.3m</b>

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<b>Compensation</b>					
<b>Salary increases</b>	Total proposed salary increases for state and state-supported local employees: <b>\$234.0m</b>		Total proposed salary increases for state and state-supported local employees (contingent on hitting revenue targets): <b>\$308.8m</b>		Total proposed salary increases for state and state-supported local employees (contingent on hitting revenue targets): <b>\$141.5m</b>
<b>K-12 employees</b>	<ul style="list-style-type: none"> <li>Includes state share of 2% salary increase for K-12 employees (eff. Jul. 1, 2019) <b>\$87.6m</b></li> </ul>		<ul style="list-style-type: none"> <li>Includes state share of 3% salary increase for K-12 employees (eff. Jul. 1, 2019) <b>\$131.4m</b></li> </ul>		<ul style="list-style-type: none"> <li>Includes state share of 2% salary increase for K-12 employees (eff. Jul. 1, 2019). <b>\$87.6m</b></li> </ul>
<b>State and state-supported employees</b>	<ul style="list-style-type: none"> <li>Provides a 2% salary increase to state employees and university faculty (eff. Jun. 10, 2019) and for state-supported local employees (state share; eff. Jul. 1, 2019) <b>\$86.4m</b></li> </ul>		<ul style="list-style-type: none"> <li>Provides a 2% salary increase to state employees and university faculty (eff. Jun. 10, 2019) and for state-supported local employees (state share; eff. Jul. 1, 2019) <b>\$86.7m</b></li> </ul>		<ul style="list-style-type: none"> <li>Provides a 1% salary increase to state employees and university faculty (eff. Jun. 10, 2019) and for state-supported local employees (state share; eff. Jul. 1, 2019) <b>\$42.9m</b></li> </ul>
<b>Merit salary adjustment</b>	<ul style="list-style-type: none"> <li>Includes a 1% merit salary adjustment for classified state employees (eff. Jun. 10, 2019) <b>\$24.6m</b></li> </ul>		<ul style="list-style-type: none"> <li>Includes a 2% merit based salary increase for certain state employees with 3+ years of continuous service (eff. Jun. 10, 2019) <b>\$38.0m</b></li> </ul>		<ul style="list-style-type: none"> <li>Language only; see "Additional salary increases" <b>\$0.0m</b></li> </ul>
<b>Law enforcement &amp; DBHDS</b>	<ul style="list-style-type: none"> <li>Targets salary increase for some law enforcement (eff. Jan. 10, 2019) and direct care staff in the DBHDS facilities (eff. Feb. 1, 2019) <b>\$35.2m</b></li> </ul>		<ul style="list-style-type: none"> <li>Targets salary increase for some law enforcement and direct care staff in the DBHDS facilities (eff. Jan. 10, 2019) and deputy sheriffs (eff. Feb. 1, 2019) <b>\$52.7m</b></li> </ul>		<ul style="list-style-type: none"> <li>Provides 5% increase for state troopers and district clerks (eff. Jun. 10, 2019) <b>\$10.9m</b></li> <li>Targets salary increases for deputy sheriffs (eff. Feb. 1, 2019) <b>\$5.5m</b></li> </ul>
<b>Additional salary increases</b>	Not included		Not included		If revenue targets are met, directs governor to include in the next budget: <ul style="list-style-type: none"> <li>Additional 1% salary increase for certain state and state-supported local employees, and state share of K-12 employees</li> <li>A 2% merit based salary increase for certain state employees with 3+ years of continuous service (eff. Jun. 10, 2019)</li> <li>Targeted salary increases for some law enforcement and direct care staff in the DBHDS facilities</li> </ul>
<b>State employee health insurance</b>	Covers increases in only the employer share of health insurance premiums <b>\$118.2m</b>		Covers increases in only the employer share of health insurance premiums <b>\$118.2m</b>		Covers increases in employee & employer share of health insurance premiums <b>\$132.1m</b>
<b>VRS and other retirement benefits</b>	Decreases use of literary funds and replaces with general funds for public school employee retirement contributions <b>\$80.0m</b>		Decreases use of literary funds and replaces with general funds for public school employee retirement contributions <b>\$80.0m</b>		Decreases use of literary funds and replaces with general funds for public school employee retirement contributions <b>\$80.0m</b>