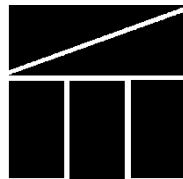


Governor McAuliffe's Proposed Amendments to the 2014-2016 Biennial Budget

*A briefing for the Joint Meeting of the Senate Finance Committee,
House Appropriations Committee, and the House Finance Committee*

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The Starting Point

Adjusting for Year-End Close

The current budget, Chapter 3, is the starting point for the Governor's introduced budget . . .

Chapter 3, 2014 Acts of Assembly, Special Session I

General Fund Only

| | FY 2015 | FY 2016 | Biennial Total |
|-------------------------------------|-------------------|-------------------|-------------------|
| <u>RESOURCES</u> | | | |
| Revenue Forecast | | | |
| Prior Year Balance | \$40.8 | | \$40.8 |
| Additions to Balance | 303.7 | 0.8 | 304.5 |
| Revenue Forecast | 16,874.4 | 17,317.3 | 34,191.7 |
| Transfers | 588.1 | 555.1 | 1,143.2 |
| Revenue Stabilization Fund | 470.0 | 235.0 | 705.0 |
| Total GF Resources Chapter 3 | \$18,277.1 | \$18,108.2 | \$36,385.3 |
| <u>EXPENDITURES</u> | | | |
| Operating | \$18,261.6 | \$18,120.6 | \$36,382.2 |
| Capital | 0.2 | 0.0 | 0.2 |
| Chapter 3 Appropriation Base | <u>\$18,261.8</u> | <u>\$18,120.6</u> | <u>\$36,382.4</u> |
| BALANCE | \$15.3 | (\$12.4) | \$2.9 |

*Amounts shown in millions

FY 2014 concluded with an unrestricted year-end balance of \$405.8 million . . .

- Chapter 3 adjusted the beginning balance for the revenue loss in FY 2014 from the official forecast; however, it did not adjust for the remainder of year-end balances that need to be reflected from the June 30, 2014, balance sheet.
- As a result, the first step is to reverse the adjustment for the revenue loss so the process can begin with the actual unrestricted fund balance at June 30, 2014, which recognizes the loss in prior year revenue.
- This step increases the beginning balance by **\$365.0 million**.
- From this starting point, all routine adjustments to balance can be allocated in the normal fashion.

Adjustments need to be made to Chapter 3 to fully account for all of the details from the final closing of FY 2014 . . .

This balance must be adjusted for a number of items that can be broken into four categories:

- Routine and Technical Adjustments – those that are normally made based on the restrictions, commitments, and assignments on the Commonwealth’s balance sheet.
- Adjustments Due to Execution Actions – certain execution actions can take place during the course of the fiscal year that must be taken into account before funds can be identified for the budget.
- Adjustments Due to Vetoes – these are adjustments to recognize Vetoes that were enacted against the prior adopted budget.
- Adjustments Due to Savings Actions – some of the actions taken to balance the budget will result in the need to adjust the balances available for appropriation.

Routine adjustments reduce the balance available by \$409.6 million in FY 2015 and increase the FY 2016 balance by \$1.2 million. . .

| | FY 2015 | FY 2016 |
|--|------------------|--------------|
| <u>Routine and Technical Adjustments to Balance</u> | | |
| Revenue Stabilization Reserve 2016 | \$243.2 | \$0.0 |
| Remove Credit for Capitol Treasury Loan Swap - taken by DOA in FY 2014 | (13.2) | 0.0 |
| Reappropriation of 2014 Unexpended Capital Outlay Balances | (21.2) | 0.0 |
| Amounts reserved for restoration of capital projects | (0.5) | 0.0 |
| Virginia Health Care Fund | (74.2) | 0.0 |
| Central Capital Planning Fund | (11.0) | 0.0 |
| Communication Sales and Use Tax | (38.9) | 0.0 |
| Governor's Opportunity Fund | (28.6) | 0.0 |
| Natural Disaster Sum Sufficient - year end designation | (33.3) | 0.0 |
| Amount Required for Mandatory Reappropriation - 0100 | (139.5) | 0.0 |
| Amount Required for Mandatory Reappropriation - 0300 | (31.4) | 0.0 |
| Accelerated Sales Tax for Transportation Trust Fund | (22.0) | 0.0 |
| Accelerated Sales Tax for Highway Maintenance and Operation Fund | (1.3) | 0.0 |
| Federal Action Contingency Trust (FACT) Fund | (6.0) | 0.0 |
| Virginia Water Quality Improvement Fund | (54.2) | 0.0 |
| Committed NGF Balances reported in GF | (40.2) | 0.0 |
| Federal Portion of Dominion Resources Refund | (1.5) | 0.0 |
| Federal Portion of Internal Service Fund Interest | (1.6) | 0.0 |
| Federal Portion of Internal Service Funds Profits and Transfers | (2.7) | 0.0 |
| Federal Portion of Partners in Procurement | (0.8) | 0.0 |
| Federal Portion of State Surplus Property Sales | (0.0) | 0.0 |
| Total of Discretionary Reappropriations less FACT Fund (listed above) | (77.3) | 0.0 |
| Remove anticipated reversion of agency balances - replace with actual | (14.0) | 0.0 |
| SCC Plan Management Reimbursement | \$1.2 | \$1.2 |
| Other Assigned NGF Balances reported in GF | (40.6) | 0.0 |
| Subtotal of Routine and Technical Adjustments | (\$409.6) | \$1.2 |

*Amounts shown in millions

Additional adjustments reduce the balance available by \$115.0 million in FY 2015 and increase the FY 2016 balance by \$0.9 million . . .

| | FY 2015 | FY 2016 |
|---|------------------|--------------|
| <u>Adjustments Due to Execution Actions Taken</u> | | |
| Amounts appropriated in YR 2 moved to YR 1 (GOF) | (\$7.8) | \$0.0 |
| Authorized Deficit - Health Dept for Ebola | (2.0) | 0.0 |
| Subtotal of Adjustments Due to Execution Actions | (\$9.8) | \$0.0 |
| <u>Adjustments Due to Vetoes</u> | | |
| Reverse vetoed FACT fund balance | (\$4.4) | \$0.0 |
| Reverse vetoed Ethics Commission amounts | 0.2 | 0.3 |
| Reverse vetoed Chesterfield-Petersburg school agreement | 0.0 | 0.6 |
| Subtotal of Adjustments Due to Vetoes | (\$4.2) | \$0.9 |
| <u>Adjustments Due to Savings Plans</u> | | |
| Chapter 3, Item 471.40 Misc. Balances | (151.8) | 0.0 |
| Discretionary Reappropriations Reverted | 41.4 | 0.0 |
| GF Balances from savings plans | 9.4 | 0.0 |
| Subtotal of Adjustments Due to Savings Plans | (\$101.0) | \$0.0 |
| Total of Adjustments Due to Execution Actions, Vetoes, and Savings Plans | (\$115.0) | \$0.9 |

*Amounts shown in millions

In total, adjustments to the balance reduce the balance available by \$524.5 million in FY 2015 and increase the FY 2016 balance by \$2.1 million . . .

| | FY 2015 | FY 2016 |
|--|------------------|--------------|
| Subtotal of Routine and Technical Adjustments | (\$409.6) | \$1.2 |
| Subtotal of Adjustments Due to Execution Actions | (9.8) | 0.0 |
| Subtotal of Adjustments Due to Vetoes | (4.2) | 0.9 |
| Subtotal of Adjustments Due to Savings Plans | (101.0) | 0.0 |
| Grand Total of New Adjustments to Balance | (\$524.5) | \$2.1 |

*Amounts shown in millions

Solving the Revenue Shortfall

Recap of the revenue shortfall . . .

Identifying the Revenue Shortfall

| | FY 2015 | FY 2016 | Biennium |
|--|--------------------|--------------------|--------------------|
| <u>Calculation of Shortfall</u> | | | |
| Official Forecast Contained in Chapter 2 | \$17,721.9 | \$18,448.6 | \$36,170.5 |
| JABE Pessimistic - July 2014 | \$16,927.4 | \$17,418.3 | \$34,345.7 |
| Shortfall after JABE | (\$794.5) | (\$1,030.3) | (\$1,824.8) |
| Adjust for Post-GACRE revisions - August 2014 | (\$65.0) | (\$105.0) | (\$170.0) |
| Revised Shortfall | (\$859.5) | (\$1,135.3) | (\$1,994.8) |
| Add Revenue Shortfall from FY 2014 | (\$437.8) | \$0.0 | (\$437.8) |
| FINAL Revised Shortfall as of August 15, 2014 | (\$1,297.3) | (\$1,135.3) | (\$2,432.6) |

*Amounts shown in millions

Solving the revenue shortfall . . .

| | FY 2015 | FY 2016 | Biennium |
|---|--------------------|--------------------|--------------------|
| FINAL SHORTFALL as of August 15, 2014 | (\$1,297.3) | (\$1,135.3) | (\$2,432.6) |
| <u>Previously Proposed Resources</u> | | | |
| Appropriated Reserves | \$480.0 | \$362.5 | \$842.5 |
| Revenue Stabilization Fund | \$470.0 | \$235.0 | \$705.0 |
| Subtotal | \$950.0 | \$597.5 | \$1,547.5 |
| Balance of Shortfall Remaining to be Addressed | (\$347.3) | (\$537.8) | (\$885.1) |
| Add: | | | |
| Proposed Adjustments in Chapter 3 | \$357.2 | \$525.0 | \$882.2 |
| Add Balance Remaining in Chapter 2 | \$5.4 | \$0.4 | \$5.7 |
| Unappropriated Balance in Chapter 3 | \$15.3 | (\$12.4) | \$2.9 |

*Amounts shown in millions

The introduced budget proposes actions that exceed those required by Chapter 3 . . .

Addressing the Projected Revenue Shortfall

| Chapter 3 Adjustments to Balance Budget | FY 2015 | | FY 2016 | | Biennium | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | Required | Identified | Required | Identified | Required | Identified |
| Item 471.10, State Agency Reversions | \$92.4 | \$93.5 | \$100.0 | \$116.3 | \$192.4 | \$209.8 |
| Item 471.20, Higher Education Reversions | 45.0 | 45.0 | 45.0 | 45.0 | 90.0 | 90.0 |
| Item 471.30, Aid to Local Government Reversions | 30.0 | 30.0 | 30.0 | 30.0 | 60.0 | 60.0 |
| Item 471.40, Miscellaneous Reversions & Other Resource Adjustments * | 189.8 | 365.6 | 350.0 | 229.4 | 539.8 | 595.0 |
| Subtotal | \$357.2 | \$534.1 | \$525.0 | \$420.7 | \$882.2 | \$954.7 |
| Amount Over/(Under) the Requirement | | \$176.8 | | (\$104.3) | | \$72.5 |

*Amounts shown in millions

Additional actions to solve the revenue shortfall . . .

*** Detail of Item 471.40**

| | FY 2015 | | FY 2016 | | Biennium | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | Required | Identified | Required | Identified | Required | Identified |
| Excess Lottery Proceeds & Literary Fund | \$43.1 | \$75.6 | \$0.0 | \$21.7 | \$43.1 | \$97.2 |
| Debt Service | 3.2 | 10.4 | 23.0 | 40.0 | 26.2 | 50.4 |
| Natural Resources Commitment Fund | 1.0 | 1.0 | 1.0 | 1.0 | 2.0 | 2.0 |
| Judicial Balances | 0.7 | 0.7 | 0.0 | 0.0 | 0.7 | 0.7 |
| Legislative Agency Balances | 3.9 | 3.9 | 0.0 | 0.0 | 3.9 | 3.9 |
| VASAP | 1.0 | 1.0 | 0.0 | 0.0 | 1.0 | 1.0 |
| Other Agency Balances | | | | | | |
| Discretionary Carryforwards Reverted | 26.0 | 41.4 | | 0.0 | 26.0 | 41.4 |
| GF Offset from Health Care Fund | 74.0 | 51.4 | | (24.9) | 74.0 | 26.5 |
| Other Operating Balances | 51.8 | 0.0 | 272.0 | 0.0 | 323.8 | 0.0 |
| Medicaid Savings | | 143.9 | | 72.1 | 0.0 | 216.0 |
| Public Education Enrollment Savings | | 19.8 | | 11.0 | 0.0 | 30.8 |
| Public Education Retirement Savings | | 0.0 | | 10.4 | 0.0 | 10.4 |
| Public Education Sales Tax Savings | | 2.4 | | 3.6 | 0.0 | 6.0 |
| Other Health and Human Resource Savings | | 1.0 | | 7.8 | 0.0 | 8.8 |
| Employee Benefit Savings from Reduced Cost | | 2.5 | | 23.9 | 0.0 | 26.3 |
| DPB Targeted Savings | | 25.5 | | 8.7 | 0.0 | 34.2 |
| Other Adjustments in Chapter 3 | | | | | | |
| Debt Setoff with US Treasury (TOPS) | 12.0 | 12.0 | 4.0 | 4.0 | 16.0 | 16.0 |
| Higher Ed Revenue Reserve | 0.0 | 0.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| Revert Chapter 2 funding for Judges | 8.9 | 8.9 | 10.1 | 10.1 | 19.0 | 19.0 |
| Reverse Transportation Transfer in Chapter 2 | (30.0) | (30.0) | 30.0 | 30.0 | 0.0 | 0.0 |
| Appropriation to Fill Vacant Judgeships | (5.7) | (5.7) | (10.1) | (10.1) | (15.8) | (15.8) |
| | \$189.8 | \$365.6 | \$350.0 | \$229.4 | \$539.8 | \$595.0 |

*Amounts shown in millions

After solving the revenue shortfall and accounting for technical resource adjustments, a balance of \$67.0 million is available to address new spending requirements . . .

| | FY 2015 | FY 2016 | Biennium |
|--|---------------|---------------|--------------|
| Balance After Savings Plans | \$176.8 | (\$104.3) | \$72.5 |
| <u>Technical Resource Adjustments</u> | | | |
| Adjustment to Beginning Balance | 365.0 | 0 | 365.0 |
| New Adjustments to Balance | (524.5) | 2.1 | (522.4) |
| remove adjustments already reflected above | 101.0 | 0.0 | 101.0 |
| Remaining Value of Adjustments to Balance | (\$58.5) | \$2.1 | (\$56.4) |
| Revisions to Transfers | (2.8) | (4.5) | (7.3) |
| Technical Revisions to Revenue | | | |
| Post GABE Adjustment | 0.0 | 34.5 | 34.5 |
| ABC State Tax Revision | 6.1 | 6.9 | 13.0 |
| Debt Setoff with US Treasury (TOPS) | 0.0 | 1.0 | 1.0 |
| Restore portion of DMME interest | (0.1) | (0.1) | (0.1) |
| Racing Commission Revenue | (0.1) | (0.1) | (0.2) |
| Education Scholarship Credits | 5.0 | 5.0 | 10.0 |
| | 10.9 | 47.3 | 58.2 |
| Total of Technical Revisions to Resources | (50.4) | 44.9 | (5.5) |
| Balance After Applying Technical Adjustments to Resources | 126.4 | (59.4) | 67.0 |

*Amounts shown in millions

Summary of Proposed Spending Changes

Operating spending proposed in the introduced budget focus on six major themes for improving Virginia's financial health . . .

- Invest in opportunities to grow a new economy.
- No reductions in public education and begin increasing support for core needs.
- Protect investments in higher education with no new cuts and small increases in key areas.
- Provide adequate funding for core Health and Human Resource services.
- Support priority needs in public safety and for veterans.
- Protect transportation funding.

Investments to grow a new economy . . .

- Increase funding for the Governor's Development Opportunity Fund
 - *FY 2015 = \$9.9 million; FY 2016 = \$10.8 million*
- Expand the Community Business Launch program from the recently announced three communities to up to seven additional urban and rural communities
 - *FY 2015 = \$0.0 million; FY 2016 = \$1.0 million*
- Establish the Virginia Tourism Growth Incentive Fund to provide incentive grants to attract tourism, retail, and lodging development projects
 - *FY 2015 = \$0.0; FY 2016 = \$500,000*
- Rapid re-housing assistance focuses on moving homeless persons out of shelters and into permanent housing as quickly as possible
 - *FY 2015 = \$0.0; FY 2016 = \$1.0 million*
- Funds to improve Virginia's chances of winning the US Department of Energy's bid for a new Electron Ion Collider at Jefferson Lab
 - *FY 2015 = \$0.0; FY 2016 = \$4.2 million*

No reductions in public education and increase support for core needs . . .

- Additional staff positions in school improvement and curriculum specialists to council underperforming schools
 - *FY 2015 = \$0.0; FY 2016 = \$572,976*
- Training to increase the capacity of principals at underperforming schools
 - *FY 2015 = \$0.0; FY 2016 = \$713,000*
- Expedite Standards of Learning (SOL) test retakes and expand computer-adaptive SOL testing
 - *FY 2015 = \$0.0; FY 2016 = \$932,000*
- Enhance the school free breakfast program
 - *FY 2015 = \$0.0; FY 2016 = \$537,297*
- Reduce teacher retirement liability
 - *FY 2015 = \$0.0; FY 2016 = \$150.0 million (from Literary Fund)*
- Revive use of Literary Fund for school construction
 - *FY 2015 = \$0.0; FY 2016 = \$75.0 million from the Literary Fund (\$50.0 million in loans; \$25 million in interest rate subsidies)*

Protecting investments in higher education . . .

No new budget reductions are proposed beyond the \$45 million each year provided in Chapter 3.

Removes language in Chapter 3 that does not allow tuition increases to cover budget reductions.

- Increase Higher Education Equipment Trust Fund authorization
 - *FY 2015 = \$0.0; FY 2016 = \$10.0 million from bond proceeds*
- Student financial aid
 - *FY 2015 = \$0.0; FY 2016 = \$2.5 million*
- Support for base operations in the most underfunded higher education institutions
 - *FY 2015 = \$0.0; FY 2016 = \$2.3 million*
- Support workforce development needs in the community colleges by offering financial assistance for individuals pursuing industry-based certifications
 - *FY 2015 = \$0.0; FY 2016 = \$1.0 million*

Provide adequate funding for core services in health and human resources . . .

- Fund redesign of the Day Support Waiver and increase the number of slots from 300 to 500 for individuals with intellectual and developmental disabilities
 - *FY 2015 = \$0.0; FY 2016 = \$1.2 million*
- Provide additional staff at Western State Hospital to address an increase in the number of Temporary Detention Orders admitted to the facility
 - *FY 2015 = \$0.0; FY 2016 = \$454,532*
- Fund legislation that would extend foster care and adoption payments to age 21 to serve a larger population and provide support for enhanced visitation
 - *FY 2015 = \$0.0; FY 2016 = \$5.7 million*
- Address loss of federal revenue associated with the reclassification of Piedmont Geriatric and Catawba hospitals
 - *FY 2015 = \$3.8 million; FY 2016 = \$9.1 million*
- Delay discharge of patients at state intellectual disability training centers
 - *FY 2015 = \$535,369; FY 2016 = \$6.4 million*

Provide adequate funding for core services in health and human resources . . .

- Fully fund the projected costs of medical services related to involuntary mental commitments / temporary detention orders
 - *FY 2015 = \$3.1 million; FY 2016 = \$1.5 million*
- Fund additional local inpatient bed purchases to address increased admissions to state hospitals
 - *FY 2015 = \$0.0; FY 2016 = \$2.2 million*
- Fund additional local eligibility workers
 - *FY 2015 = \$2.1 million; FY 2016 = \$1.9 million*
- Support Healthy Virginia to extend services to uninsured individuals with a serious mental illness, establish a children's healthcare outreach program, provide dental coverage to pregnant women to improve birth outcomes, and improve access to health care for veterans
 - *Funded within the Medicaid forecast before any savings were calculated.*
- Language authorizes Medicaid Expansion. Any savings resulting from expansion will be directed toward Medicaid costs or the revenue stabilization fund.

Supporting priority needs in public safety . . .

- Establish new minimum salaries for sheriff deputies at \$31,009 for grade 7 sheriff deputies and \$32,000 for grade 8 sheriff deputies
 - *FY 2015 = \$0.0; FY 2016 = \$1.6 million*
- Fund positions for the Phase I expansion of the Central Virginia Regional Jail to be completed November 2015
 - *FY 2015 = \$0.0; FY 2016 = \$206,723*
- Funding for inmate medical care
 - *FY 2015 = \$10.9 million; FY 2016 = \$20.4 million*
- Funding for jail per diems in local and regional jails
 - *FY 2015 = \$11.3 million; FY 2016 = \$0.0 million*
- Funding for the Criminal Fund
 - *FY 2015 = \$5.0 million; FY 2016 = \$8.0 million*
- Retesting of post-conviction DNA cases with “inconclusive” results
 - *FY 2015 = \$0.0; FY 2016 = \$150,000*

Supporting priority needs for veterans . . .

- Increase the number of claim agents in field offices, open two new field offices and provide for staff retention and training of claim agents
 - *FY 2015 = \$0.0; FY 2016 = \$1.75 million*
- Virginia Values Veterans (V-3) and Virginia Transition Assistance Program (VTAP) programs to support Virginia's growing veteran population transition from military service
 - *FY 2015 = \$0.0; FY 2016 = \$474,000*
- Funding to support positions at the local level to coordinate the housing of homeless veterans
 - *FY 2015 = \$0.0; FY 2016 = \$180,000*

The top 10 spending amendments account for 64.3 percent of the total increased spending . . .

| Agency | Title | FY 2015 GF Appropriation | FY 2016 GF Appropriation | Biennial GF Appropriation | Percent of Total |
|---|---|-----------------------------|-----------------------------|------------------------------|---------------------|
| Department of Corrections | Provide funding to support increases in offender medical costs | \$10,945,433 | \$20,417,922 | \$31,363,355 | |
| Economic Development Incentive Payments | Provide additional funding for the Governor's Opportunity Fund | \$9,916,000 | \$10,750,000 | \$20,666,000 | |
| Mental Health Treatment Centers | Address lost revenue associated with the CMS reclassification of Piedmont Geriatric and Catawba hospitals | \$3,781,635 | \$9,075,925 | \$12,857,560 | |
| Compensation Board | Provide funding to support per diem payments to localities and regional jails | \$11,310,001 | \$0 | \$11,310,001 | |
| Central Appropriations | Adjust funding to agencies for information technology and telecommunications charges | \$4,860,169 | \$5,983,298 | \$10,843,467 | |
| Circuit Courts | Increase funding for Criminal Fund | \$2,394,560 | \$3,789,980 | \$6,184,540 | |
| Department of Social Services | Fund revised estimates for extending foster care and adoption payments to age 21 | \$0 | \$5,743,891 | \$5,743,891 | |
| Department of Medical Assistance Services | Modify funding for state intellectual disability facilities | \$535,369 | \$5,146,644 | \$5,682,013 | |
| Department of Medical Assistance Services | Fund medical services for involuntary mental commitments | \$3,126,498 | \$1,498,988 | \$4,625,486 | |
| Department of Medical Assistance Services | Fund on-going costs for the Cover Virginia central processing unit | \$0 | \$4,283,004 | \$4,283,004 | |
| Subtotal of Top 10 Spending Items | | \$46,869,665 | \$66,689,652 | \$113,559,317 | 64.3% |
| Subtotal of Remaining Spending Items (86) | | \$13,130,322 | \$49,863,838 | \$62,994,160 | 35.7% |
| Total of All Proposed Spending Increases | | \$59,999,987 | \$116,553,490 | \$176,553,477 | 100.0% |

Summary of Proposed Capital

Capital Outlay . . .

| CAPITAL OUTLAY RECOMMENDATIONS – HB 1400/SB 800 Introduced | | |
|---|--|--|
| Nongeneral Fund Projects | <i>Provides nongeneral appropriations for numerous projects. Funding sources range from Higher Education Operating to Special funds available to the agency to federal funds.</i> | \$33.5 million Various NGF |
| Equipment for Previously Approved Projects | <i>Provides funds for 14 previously approved construction or renovation projects. The previously approved amounts for these projects did not include funding for movable equipment and furnishings. The projects are expected to be completed within the next 18 months and agencies will need lead time to order the equipment. Most of the projects are for higher education facilities.</i> | \$50.7 million VCBA/VPBA |
| Maintenance Reserve | <ul style="list-style-type: none"> • <i>Addresses maintenance needs that are critical to continued use of buildings, systems, or equipment.</i> • <i>Increases total funding in second year from \$75 million to \$80 million.</i> • <i>Agencies with minimum allocation of \$100,000 in first year are maintained at that level; additional funding allocated to remaining agencies on proportionate basis.</i> • <i>Eastern Virginia Medical School added to list of agencies funded; allocated \$100,000.</i> | \$5 million VCBA/VPBA |
| Revenue Bonds | <i>Provides authority for six institutions of higher education to issue revenue bonds for a total of nine projects.</i> | \$67.5 million 9(c) Bonds \$55.5 million 9(d) Bonds |
| Higher Education Equipment Trust Fund | | \$10 million VCBA |
| Voting Equipment, Statewide | <i>Provides funding for replacing voting equipment with latest approved equipment.</i> | \$28 million VPBA |

Closing the Gap

Even with a \$67.0 million balance after the savings are realized, new spending requires additional action to be taken . . .

| | FY 2015 | FY 2016 | Biennium |
|--|----------------|------------------|------------------|
| Balance After Applying Technical Adjustments to Resources | 126.4 | (59.4) | 67.0 |
| Less Spending Requirements | (60.0) | (116.6) | (176.6) |
| Balance After Applying Spending Requirements | \$66.4 | (\$176.0) | (\$109.5) |

The Governor's proposed tax preferences add \$114.3 million, leaving an unappropriated balance of \$7.6 million . . .

| | FY 2015 | FY 2016 | Biennium |
|--|----------------|------------------|------------------|
| Balance After Applying Spending Requirements | \$66.4 | (\$176.0) | (\$109.5) |
| <u>Add Tax Preference Issues</u> | | | |
| • Limit Coalfield Employment and Production Incentive Tax Credit to \$500,000 per taxpayer | 0.0 | 5.2 | 5.2 |
| • Limit Coalfield Employment Enhancement Tax Credit to \$500,000 per tax payer | 0.0 | 14.7 | 14.7 |
| • Sales tax for online travel companies | 0.0 | 1.7 | 1.7 |
| • Reduce AST to \$2.5 million threshold (excludes transportation portion) | 39.2 | 18.6 | 57.8 |
| • Reduce long-term care insurance deduction to 50% of premium | 0.0 | 9.4 | 9.4 |
| • Repeal subtraction for sale of land for open space use | 0.0 | 0.5 | 0.5 |
| • Combine sales tax holidays | 1.6 | 1.0 | 2.6 |
| • Land Preservation Tax Credit \$20K/\$40K | 0.0 | 22.4 | 22.4 |
| | \$40.8 | \$73.5 | \$114.3 |
| Preliminary Balance | 107.2 | (102.5) | 4.7 |
| Add Balance left in Chapter 3 | 15.3 | (12.4) | 2.9 |
| Ending Balance | \$122.5 | (\$114.9) | \$7.6 |

*Amounts shown in millions

Summary of Budget Actions

Total changes to resources result in net new funds available for spending . . .

Total Changes in General Fund Resources

| | FY 2015 | FY 2016 | Biennium |
|-----------------------------------|------------------|----------------|------------------|
| <u>Changes in Balances</u> | | | |
| Change in Beginning Balance | \$365.0 | \$0.0 | \$365.0 |
| New Adjustments to Balance | (524.5) | 2.1 | (522.4) |
| Total Changes in Balances | <u>(\$159.6)</u> | <u>\$2.1</u> | <u>(\$157.5)</u> |
| <u>Changes in Revenues</u> | | | |
| Technical | \$10.9 | \$47.3 | \$58.2 |
| Savings Plans | 1.3 | 21.1 | 22.4 |
| Policy – Tax Preferences | 40.8 | 73.5 | 114.3 |
| Changes in Revenues | <u>\$53.0</u> | <u>\$141.9</u> | <u>\$195.0</u> |
| <u>Changes in Transfers</u> | | | |
| Technical | (\$2.8) | (\$4.5) | (\$7.3) |
| Savings Plans | 48.2 | 13.5 | 61.7 |
| Policy | 0.0 | 0.0 | 0.0 |
| Changes in Transfers | <u>\$45.4</u> | <u>\$9.0</u> | <u>\$54.4</u> |
| Total Changes in Resources | (\$61.1) | \$153.0 | \$91.9 |

*Amounts shown in millions

Virginia will have modest amounts of additional resources to direct toward high priority spending . . .

| | FY 2015 | FY 2016 | Biennium |
|-------------------------------------|--------------------------|--------------------------|--------------------------|
| RESOURCES | | | |
| Revenue Forecast - Chapter 3 | | | |
| Prior Year Balance | \$40.8 | | \$40.8 |
| Additions to Balance | 303.7 | 0.8 | 304.5 |
| Revenues | 16,874.4 | 17,317.3 | 34,191.7 |
| Transfers | 588.1 | 555.1 | 1,143.2 |
| Revenue Stabilization Fund | 470.0 | 235.0 | 705.0 |
| Total GF Resources | <u>\$18,277.1</u> | <u>\$18,108.2</u> | <u>\$36,385.3</u> |
| Revisions to Forecast | | | |
| Prior Year Balance | \$365.0 | | \$365.0 |
| Additions to Balance | (524.5) | 2.1 | (522.4) |
| Revenues | 53.0 | 141.9 | 195.0 |
| Transfers | 45.4 | 9.0 | 54.4 |
| Revenue Stabilization Fund | 0.0 | 0.0 | 0.0 |
| Total Revisions | <u>(\$61.1)</u> | <u>\$153.0</u> | <u>\$91.9</u> |
| Revised Revenue Forecast | | | |
| Prior Year Balance | \$405.8 | | \$405.8 |
| Additions to Balance | (220.8) | 2.9 | (217.9) |
| Revenues | 16,927.4 | 17,459.2 | 34,386.7 |
| Transfers | 633.5 | 564.1 | 1,197.6 |
| Revenue Stabilization Fund | 470.0 | 235.0 | 705.0 |
| Grand Total Resources | <u>\$18,216.0</u> | <u>\$18,261.2</u> | <u>\$36,477.2</u> |

*Amounts shown in millions

The introduced budget combines new revenues and changes in spending to yield an unappropriated general fund balance of \$7.6 million . . .

| | FY 2015 | FY 2016 | Biennium |
|------------------------------------|--------------------------|--------------------------|--------------------------|
| Revised Revenue Forecast | | | |
| Prior Year Balance | \$405.8 | | \$405.8 |
| Additions to Balance | (220.8) | 2.9 | (217.9) |
| Revenues | 16,927.4 | 17,459.2 | 34,386.7 |
| Transfers | 633.5 | 564.1 | 1,197.6 |
| Revenue Stabilization Fund | 470.0 | 235.0 | 705.0 |
| Grand Total Resources | <u>\$18,216.0</u> | <u>\$18,261.2</u> | <u>\$36,477.2</u> |
| <u>EXPENDITURES</u> | | | |
| Chapter 3 Base | \$18,261.8 | \$18,120.6 | \$36,382.4 |
| Total Proposed Changes in Spending | (168.3) | 255.5 | 87.2 |
| GRAND TOTAL OF REQUIREMENTS | <u>\$18,093.5</u> | <u>\$18,376.1</u> | <u>\$36,469.6</u> |
| BALANCE | \$122.5 | (\$114.9) | \$7.6 |

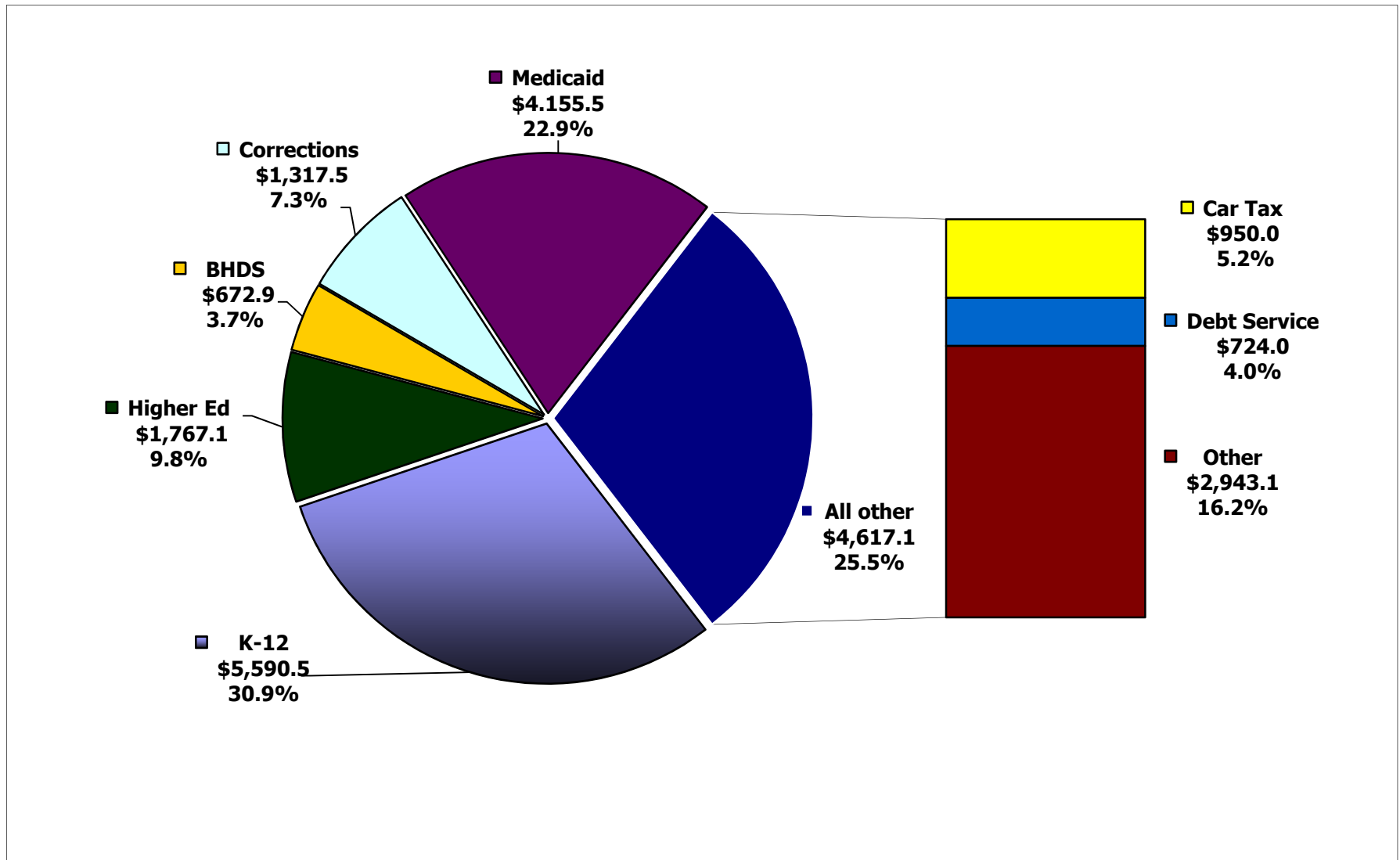
*Amounts shown in millions

Appendix

**Summary of Budget Drivers
Summary of Secretarial Changes
For More Details**

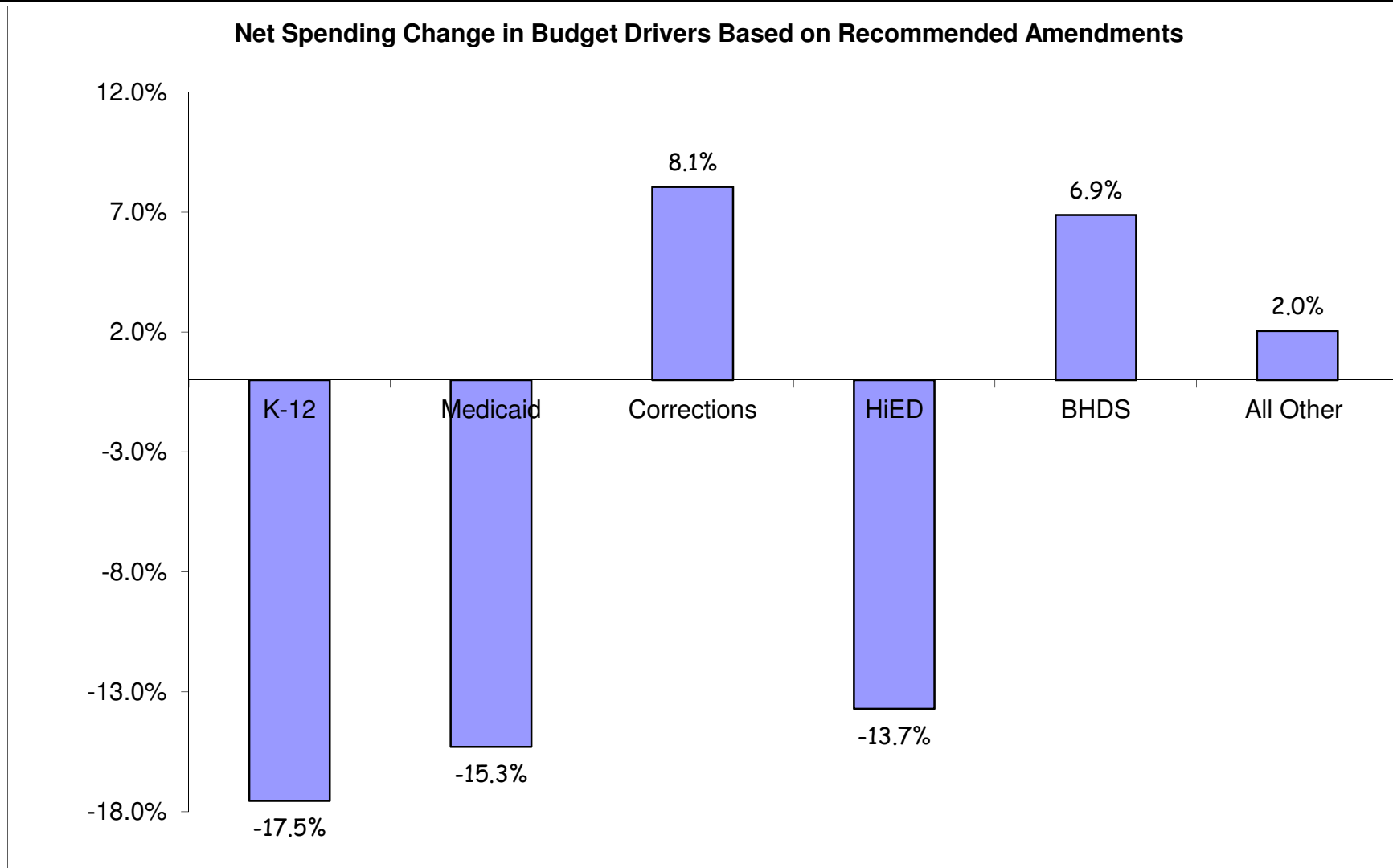
Summary of Changes in Budget Drivers

Five budget drivers make up 74.5 percent of the FY 2016 general fund budget in Chapter 3 . . .

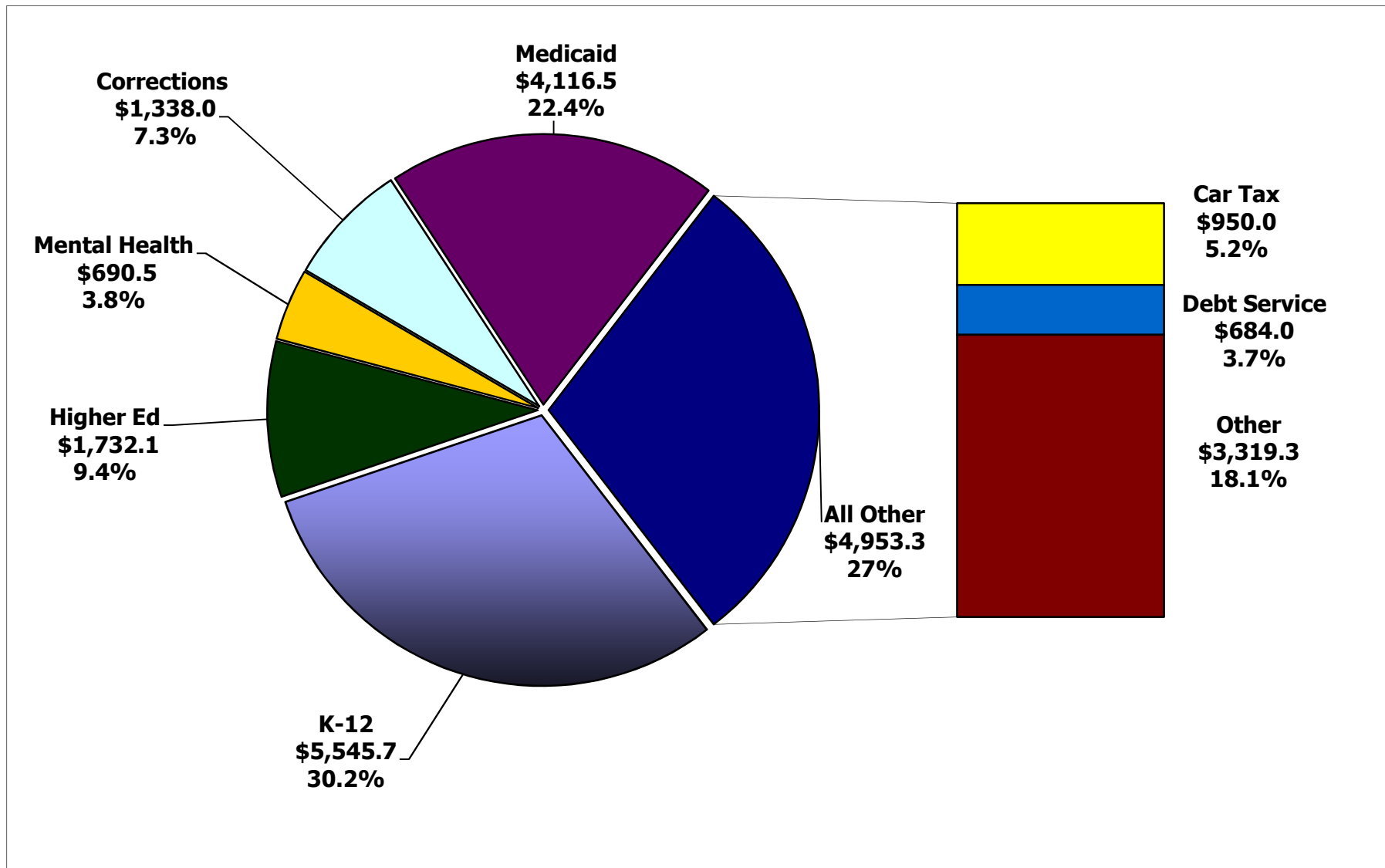


*Amounts shown in millions

Compared to previous estimates, growth rates in the top three budget drivers begin to slow as we approach FY 2016 . . .

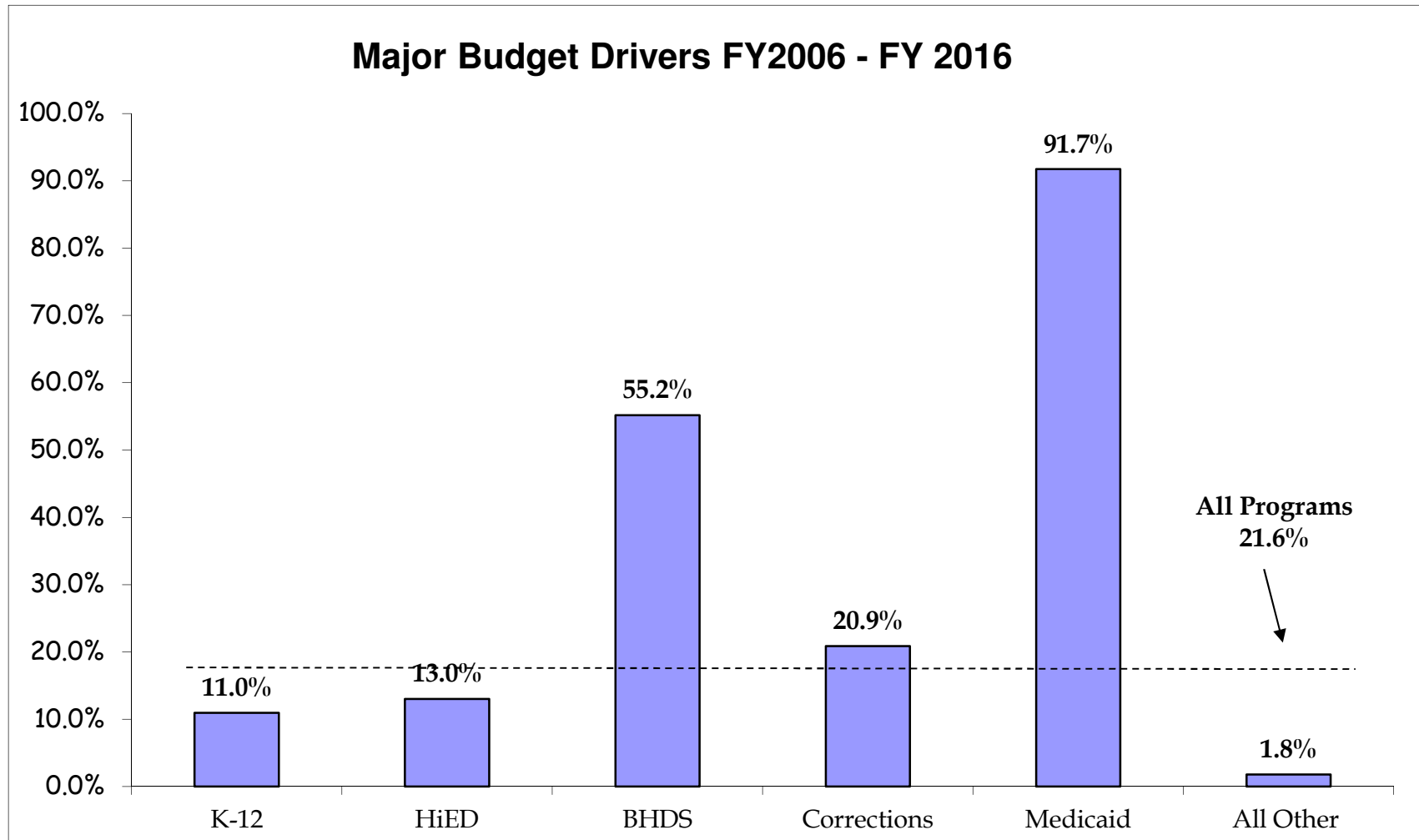


The same budget drivers account for 73.1 percent of the FY 2016 general fund in the introduced budget . . .



*Amounts shown in millions

The net change in general fund spending on budget drivers from FY 2006 to FY 2016 ranges from 11.0 percent to 92 percent ...



Summary of Changes by Secretarial Area

Overall, general fund operating appropriations will grow modestly with some areas actually declining . . .

Change in General Fund Operating Budget by Secretarial Area

| | Chapter 3 | | HB 1400/SB 800 Amendments | | HB 1400/SB 800 Introduced | |
|---------------------------------------|-------------------------|-------------------------|---------------------------|----------------------|---------------------------|-------------------------|
| | FY 2015 | FY 2016 | FY 2015 | FY 2016 | FY 2015 | FY 2016 |
| Operating Appropriations | | | | | | |
| Legislative Branch | \$76,040,249 | \$74,289,852 | \$0 | \$0 | \$76,040,249 | \$74,289,852 |
| Judicial Branch | \$436,364,757 | \$435,511,067 | \$10,827,685 | \$18,266,772 | \$447,192,442 | \$453,777,839 |
| Executive Branch | | | | | | |
| Executive Offices | \$32,988,200 | \$32,902,813 | \$0 | \$150,000 | \$32,988,200 | \$33,052,813 |
| Administration | \$675,712,777 | \$679,096,947 | \$11,340,001 | \$3,329,325 | \$687,052,778 | \$682,426,272 |
| Agriculture and Forestry | \$49,430,868 | \$50,329,632 | \$0 | (\$302,000) | \$49,430,868 | \$50,027,632 |
| Commerce and Trade | \$166,500,915 | \$179,110,769 | \$10,261,663 | \$14,188,377 | \$176,762,578 | \$193,299,146 |
| Education | \$7,407,708,655 | \$7,500,525,973 | (\$141,414,067) | (\$77,368,268) | \$7,266,294,588 | \$7,423,157,705 |
| Finance | \$2,044,106,389 | \$1,844,116,327 | (\$10,305,673) | (\$40,067,161) | \$2,033,800,716 | \$1,804,049,166 |
| Health and Human Resources | \$5,526,356,843 | \$5,663,956,136 | (\$181,076,777) | (\$12,461,506) | \$5,345,280,066 | \$5,651,494,630 |
| Natural Resources | \$133,283,407 | \$102,083,611 | \$740,886 | \$564,282 | \$134,024,293 | \$102,647,893 |
| Public Safety and Homeland Security | \$1,780,180,863 | \$1,788,126,970 | \$10,984,031 | \$20,958,356 | \$1,791,164,894 | \$1,809,085,326 |
| Technology | \$11,016,185 | \$11,028,997 | \$0 | (\$95,650) | \$11,016,185 | \$10,933,347 |
| Transportation | \$13,154,398 | \$69,121,540 | \$0 | \$0 | \$13,154,398 | \$69,121,540 |
| Veterans and Defense Affairs | \$11,773,220 | \$11,701,217 | \$0 | \$2,471,291 | \$11,773,220 | \$14,172,508 |
| Central Appropriations | (\$104,228,090) | (\$322,491,227) | \$120,335,493 | \$325,836,877 | \$16,107,403 | \$3,345,650 |
| Total Executive Department | \$17,747,984,630 | \$17,609,609,705 | (\$179,134,443) | \$237,203,923 | \$17,568,850,187 | \$17,846,813,628 |
| Independent Agencies | \$1,200,133 | \$1,200,446 | \$0 | \$0 | \$1,200,133 | \$1,200,446 |
| Nonstate Entities | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Operating Appropriations | \$18,261,589,769 | \$18,120,611,070 | (\$168,306,758) | \$255,470,695 | \$18,093,283,011 | \$18,376,081,765 |

*Amounts shown in millions

Public Safety & Homeland Security Secretariat accounts for the majority of the net decrease in position levels in 2016. . .

| Secretarial Area | FY 2015 FTE (CH 3) | FY 2016 Changes (Amendments)* | FY 2016 Changes (Savings)* | FY 2016 Net Changes |
|-------------------------------------|--------------------|-------------------------------|----------------------------|---------------------|
| Legislative | 609.0 | 0.0 | 0.0 | 0.0 |
| Judicial | 3,364.7 | 0.0 | 0.0 | 0.0 |
| Executive Offices | 511.0 | 0.0 | 0.0 | 0.0 |
| Administration | 835.5 | 2.0 | -8.0 | -6.0 |
| Agriculture and Forestry | 826.0 | 0.0 | -6.0 | -6.0 |
| Commerce and Trade | 1,683.5 | 0.0 | -5.0 | -5.0 |
| Education | 57,302.0 | 38.5 | -6.0 | 32.5 |
| Finance | 1,299.0 | 0.0 | -10.0 | -10.0 |
| Health and Human Resources | 15,765.3 | 135.0 | 12.0 | 147.0 |
| Natural Resources | 2,180.0 | 3.0 | -5.0 | -2.0 |
| Public Safety and Homeland Security | 20,104.0 | 25.0 | -702.0 | -677.0 |
| Technology | 286.0 | -14.0 | -13.0 | -27.0 |
| Transportation | 9,784.0 | 48.0 | 0.0 | 48.0 |
| Veterans and Defense Affairs | 685.0 | 9.0 | 0.0 | 9.0 |
| Independent Agencies | 1,701.0 | 0.0 | 0.0 | 0.0 |
| Grand Total | 116,936.0 | 246.5 | -743.00 | -496.5 |

*Position changes in Amendment are included in agency budgets in the introduced budget bill. Position changes included in savings are from centrally budgeted savings strategies and have not been distributed to agency budgets in the introduced bill.

| | | |
|------------------------------------|--------------------------------------|--------------------------|
| <u>Positions Eliminated</u> | <u>New Positions Proposed</u> | <u>Net Change</u> |
| -962.46 | 466.00 | -496.46 |

Note: Positions eliminated and new positions proposed include positions being transferred to and from agencies being eliminated.

For More Details About Governor McAuliffe's Introduced Budget

including specific language amendments, please
refer to the Department of Planning and Budget's
Web site at:

<http://dpb.virginia.gov/>