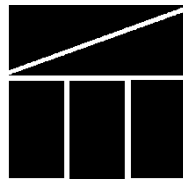


Governor McAuliffe's Proposed Amendments to the 2016-2018 Biennial Budget

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

December 16, 2016



Daniel S. Timberlake

Director

Virginia Department of Planning and Budget

Establishing the Starting Point

and

Changes in Resources

The current budget, Chapter 780, is the starting point for the Governor's introduced budget . . .

Chapter 780, 2016 Acts of Assembly

General Fund Only

	FY 2017	FY 2018	Biennium
General Fund Resources			
Prior Year Balance	\$265.3		\$265.3
Additions to Balance	\$680.9	(\$0.5)	\$680.4
Revenue Forecast	\$18,902.4	\$19,633.1	\$38,535.5
Revenue Stabilization Fund	\$0.0	\$0.0	\$0.0
Transfers	\$577.7	\$596.8	\$1,174.5
Total GF Resources	<u>\$20,426.4</u>	<u>\$20,229.4</u>	<u>\$40,655.8</u>
General Fund Appropriations			
Operating	\$20,338.7	\$20,285.0	\$40,623.8
Capital	\$10.8	\$0.0	\$10.8
Total GF Appropriations	<u>\$20,349.5</u>	<u>\$20,285.0</u>	<u>\$40,634.6</u>
General Fund Balance at Year-End	\$76.8	(\$55.6)	\$21.2

*Amounts shown in millions

FY 2016 concluded with an unrestricted year-end balance of \$623.4 million . . .

- The unrestricted cash balance reported by the State Comptroller represents the cash after accounting for liabilities and setting aside the balances for the restricted funds, including the Revenue Stabilization Fund, the Lottery Proceeds Fund, and the Water Supply Assistance Grant Fund.
- This balance also includes:
 - *cash that is appropriated to the Water Quality Fund in FY 2017 of \$61.7 million;*
 - *cash from the sale of the Alexandria ABC building of \$11.1 million;*
 - *unexpended general fund operating appropriations of \$153.5 million;*
 - *unexpended general fund capital appropriations of \$141.4 million;*
 - *other cash on deposit in the Treasury that is counted as general fund cash according to GASB standards.*
- This unrestricted general fund cash balance as of June 30, 2016, replaces the \$265.3 million beginning balance previously anticipated in CH 780 for an increase of approximately \$358.1 million.

CH 780 already included several adjustments to the balance in FY 2017 and FY 2018 . . .

	FY2017	FY2018
Adjustments to Balance - CH 780		
Intergovernmental Cash Management Act	(500,000)	(500,000)
Revenue Stabilization Reserve 2017	605,572,000	
Virginia Water Quality Improvement Fund - Part A	54,961,000	
Virginia Water Quality Improvement Fund - Part B	6,747,000	
Adjust Balance for Delayed Sale of Alexandria ABC Office	11,125,000	
Adjust Balance for 2016 Surplus Debt Service Funds	3,000,000	
	<hr/>	<hr/>
Adjustments per CH 780	\$680,905,000	(\$500,000)

New routine, technical adjustments reduce the balance available by \$572.5 million in FY 2017, leaving a net adjustment to the FY 2017 balance of \$108.4 million . . .

FY2017

New Routine/Technical Adjustments to Balance

Reappropriation of Capital Projects	(141,389,803)
Restoration of Capital Projects	(500,000)
Virginia Health Care Fund	(44,286,837)
Central Capital Planning Fund	(10,325,158)
Communication Sales and Use Tax	(35,864,452)
Commonwealth's Development Opportunity Fund	(24,956,823)
Natural Disaster Sum Sufficient	(25,572,870)
Amount Required for Mandatory GF Reappropriation	(39,970,762)
Amount Required for Mandatory 0300 Reappropriation	(18,744,225)
Virginia Water Quality Improvement Fund	(15,775,678)
Economic and Technological Development - committed	(45,259,715)
Health and Public Safety - committed and assigned	(32,579,178)
Economic and Technological Development - assigned	(7,253,045)
Environmental Quality and Natural Resource Preservation	(6,378,482)
Other Nongeneral Funds - committed and assigned	(24,950,512)
Amount Required for Discretionary Reappropriations	(23,297,097)
Reverse - Virginia Water Quality Improvement Fund - Part A	(54,961,000)
Reverse - Virginia Water Quality Improvement Fund - Part B	(6,747,000)
Reverse - Adjust Balance for Delayed Sale of Alexandria ABC Office	(11,125,000)
Reverse - Adjust Balance for 2016 Surplus Debt Service Funds	(3,000,000)
Virginia Conflict of Interest and Ethics Advisory Council - Yr 2 to Yr 1 Transfer	(150,000)
Revert balances in Office of the Attorney General	600,000
Subtotal of New Adjustments	<u>(\$572,487,637)</u>

Two policy-based adjustments increase the balance in FY 2018 by \$128.5 million . . .

- The year-end cash balances included \$141.4 million of unexpended general fund appropriation for 68 capital projects.
- These balances include:
 - *\$33.8 million for three projects that can be closed;*
 - *\$94.7 million for nine projects that can be converted from cash to bonds;*
 - *\$9.0 million for 48 maintenance reserve projects; and,*
 - *\$3.9 million for nine projects under \$2.0 million each.*
- The introduced budget recommends reverting the balances of projects that can be closed and bonding nine projects previously funded with cash.
- These actions will add \$128.5 million to the balance available for appropriation.

Additional Policy Adjustments to Balance

FY2018

Revert General Fund Capital Balances	33,790,000
Bond Capital Projects	94,730,575
	<hr/>
	\$ 128,520,575
	<hr/>

Total resources near \$40.4 billion after accounting for all forecast, technical, and policy changes . . .

Summary of Resources

	FY 2017	FY 2018	Biennial Total
Beginning Balance			
CH 780 Balance	\$265.3	\$0.0	\$265.3
Change in beginning balance	\$358.1		\$358.1
Revised Beginning Balance	\$623.4	\$0.0	\$623.4
Adjustments to Balance			
CH 780 Balances	\$680.9	(\$0.5)	\$680.4
Changes in Balances	(\$572.5)	\$128.5	(\$444.0)
Net Changes in Balances	\$108.4	\$128.0	\$236.4
Revenues and Transfers			
CH 780 Revenue Forecast	\$18,902.4	\$19,633.1	\$38,535.5
Interim forecast changes in Revenue	(\$564.4)	(\$632.7)	(\$1,197.1)
GACRE Revisions to Revenue Forecast & technical	\$183.7	\$55.2	\$238.9
Policy-Based Changes to Revenues	\$35.7	\$102.9	\$138.6
Revised Revenue Forecast	\$18,557.4	\$19,158.5	\$37,715.9
CH 780 Transfers Forecast	\$577.7	\$596.8	\$1,174.5
Interim forecast changes in Transfers	(\$17.9)	(\$21.8)	(\$39.7)
GACRE Revisions to Transfers Forecast & technical	\$11.7	\$27.0	\$38.7
Policy-Based Changes to Transfers	\$28.3	\$7.4	\$35.7
Total Changes to Transfers	\$599.9	\$609.3	\$1,209.3
Transfers from Revenue Stabilization Fund	\$294.7	\$272.5	\$567.2
TOTAL RESOURCES AVAILABLE	\$20,183.8	\$20,168.4	\$40,352.2

*Amounts shown in millions

Summary of Proposed Spending Changes

Goals of the Governor's budget . . .

- Reduce spending to address the revenue shortfall and balance the budget
- Address the growing problems in mental health
- Provide employee compensation
- Address mandates, critical needs, and core services

To address the revenue shortfall, the introduced budget has five categories of budget savings . . .

	FY 2017	FY 2018	Biennial Total
Savings Actions			
Savings proposed by agencies from October Plan	(\$54.9)	(\$18.1)	(\$72.9)
Other savings actions from October Plan	(\$237.6)	(\$290.0)	(\$527.6)
Additional FY 2018 savings proposed by agencies	(\$0.0)	(\$26.4)	(\$26.5)
Savings from 5% reductions in institutions of higher education	\$0.0	(\$76.1)	(\$76.1)
Targeted reduction strategies	(\$39.5)	(\$63.9)	(\$103.4)
Total Savings Actions	(\$332.0)	(\$474.5)	(\$806.5)

*Amounts shown in millions

The “Other Savings from the October Plan” for FY 2017 are included in the introduced budget along with the FY 2018 continuation savings associated with each strategy . . .

	FY 2017	FY 2018	Biennial Total
Strategies to Address Shortfall			
Pay Increase - Remove All	\$125.4	\$221.8	\$347.2
Additional Lottery Revenue - FY 2016	\$33.2	\$0.0	\$33.2
Additional Lottery Revenue – revised forecast	\$5.3	\$5.3	\$10.5
Additional Lottery Revenue - cash on balance sheet	\$8.6	\$0.0	\$8.6
Direct Aid net savings from Sales Tax loss in interim forecast	\$12.0	\$17.8	\$29.7
Offset teacher retirement costs in public education with Literary Fund revenue	\$25.0	\$25.0	\$50.0
Recover NGF Cost of VRS payment from Higher Education Institutions	\$24.2	\$16.1	\$40.4
Reverse credit card and interest restoration to higher education	\$4.0	\$4.0	\$8.0
Subtotal of Strategies	\$237.6	\$290.0	\$527.6

*Amounts shown in millions

Additional FY 2018 savings recommendations reflect an effort to protect core governmental services . . .

- On September 27, 2016, the Governor requested FY 2018 savings plans from executive branch agencies.
 - *Agencies were required to submit plans equal to 7.5 percent of their adjusted legislative appropriation.*
 - *Unused pledge credits from FY 2017 could be applied toward these targets.*
 - *Exemptions were granted to:*
 - *Department of Corrections*
 - *Department of Juvenile Justice*
 - *State Police*
 - *Department of Forensic Science (requested but no action taken)*
 - *Department of Behavioral Health and Developmental Services*
 - *Direct Aid to Public Education*
- Institutions of higher education were not required to submit plans but were advised to expect their FY 2018 general fund appropriations to be reduced by 7.5 percent after adjustments to remove student financial aid; however, the introduced budget only reduces institutions by 5.0 percent.
 - *Norfolk State University and Virginia State University were exempted.*
- No program reductions were made to direct payments to localities.

The additional FY 2018 savings recommendations reduce appropriations by nearly \$26.5 million . . .

Agency Name	Title	FY 2017	FY 2018	Biennial Total	
Department of Health	Increase restaurant inspection fee	-	(4,291,077)	(4,291,077)	
Department of Conservation and Recreation	Reduce general fund deposit to Virginia Land Conservation Fund	-	(3,500,000)	(3,500,000)	
Department of Criminal Justice Services	Decrease availability of general fund for Victim/Witness Grant awards	-	(1,691,300)	(1,691,300)	
Department of Environmental Quality	Supplant general fund support with Waste Tire funds for the Land Program	-	(1,557,575)	(1,557,575)	
Department of Social Services	Transfer support of the Virginia Early Childhood Foundation to the Temporary Assistance for Needy Families grant	-	(1,250,000)	(1,250,000)	
Department of Social Services	Transfer support of child advocacy centers to the Temporary Assistance for Needy Families grant	-	(1,231,000)	(1,231,000)	
Department of Environmental Quality	Supplant general fund support with Vehicle Emissions Inspection Fund resources for the Air Program	-	(1,000,000)	(1,000,000)	
Department of Social Services	Reduce general fund appropriation for program management, administrative support services, and licensing services	-	(819,747)	(819,747)	
Department for Aging and Rehabilitative Services	Capture administrative savings	-	(534,240)	(534,240)	
Department of Forestry	Establish water quality notification fee	-	(500,000)	(500,000)	
Subtotal of Top 10 Savings Items		-	(16,374,939)	(16,374,939)	62%
Subtotal of Remaining Savings Items (83)		(49,285)	(10,044,360)	(10,093,645)	38%
Total of All Proposed Savings Items		(\$49,285)	(\$26,419,299)	(\$26,468,584)	100%

After being exempt from across-the-board reductions in FY 2017, higher education institutions are proposed to take a 5 percent reduction in FY 2018 . . .

Agency Name	FY 2018
Virginia Community College System	(19,716,711)
Virginia Commonwealth University	(9,603,574)
Virginia Polytechnic Institute and State University	(8,588,385)
University of Virginia	(7,036,035)
George Mason University	(6,937,504)
Old Dominion University	(6,243,124)
James Madison University	(4,152,407)
Radford University	(2,525,221)
The College of William and Mary in Virginia	(2,183,886)
Virginia Cooperative Extension and Agricultural Experiment Station	(2,040,693)
Christopher Newport University	(1,423,060)
Longwood University	(1,380,536)
University of Mary Washington	(1,378,890)
Virginia Institute of Marine Science	(1,039,390)
University of Virginia's College at Wise	(776,390)
Virginia Military Institute	(709,189)
Richard Bland College	(328,532)
TOTAL	(\$76,063,527)

The top 10 Targeted Savings strategies make up 91 percent of the \$103.4 million biennial savings . . .

Agency Name	Title	FY 2017	FY 2018	Biennial Total	
Department of Corrections	Delay opening Culpeper Correctional Center	-	(21,744,762)	(21,744,762)	
Department of Housing and Community Development	Adjust funding for GO Virginia	(4,600,000)	(10,350,000)	(14,950,000)	
Treasury Board	Adjust debt service funding	(12,780,560)	(1,000,000)	(13,780,560)	
Economic Development Incentive Payments	Defer payment to support an aerospace engine facility	(8,500,000)	(3,729,000)	(12,229,000)	
Higher Education Research Initiative	Reduce support for the Virginia Research Investment Fund	(4,000,000)	(6,000,000)	(10,000,000)	
Economic Development Incentive Payments	Adjust funding for incentive grants	(942,750)	(5,874,730)	(6,817,480)	
Jamestown-Yorktown Commemorations	Reduce funding for the 2019 Commemoration	(175,390)	(5,239,117)	(5,414,507)	
Central Appropriations	Reduce operating support for the INOVA Global Genomics and Bioinformatics Research Institute	(4,000,000)	-	(4,000,000)	
Direct Aid to Public Education	Supplant general fund appropriation with increased DMV revenues for driver education	(1,506,222)	(1,581,222)	(3,087,444)	
Intellectual Disabilities Training Centers	Reduce unobligated funding at state training centers	-	(2,500,000)	(2,500,000)	
Subtotal of Top 10 Savings Items		(36,504,922)	(58,018,831)	(94,523,753)	91%
Subtotal of Remaining Savings Items (13)		(2,998,481)	(5,880,991)	(8,879,472)	9%
Total of All Proposed Savings Items		(\$39,503,403)	(\$63,899,822)	(\$103,403,225)	100%

Changes in operating spending are driven by issues that increase costs and issues that reduce costs . . .

- 121 amendments totaling \$676.8 million increase spending.
 - *Examples include:*
 - Updates to mandated programs like Medicaid;
 - Revisions in other expenditure forecasts;
 - Employee compensation;
 - Support to begin the transformation of the mental health system;
 - Funding for core services and priority needs in health and human resources, public safety, education, and veteran's services;
 - Transfers into an agency from another to spread funding to its proper location.

- 25 amendments totaling \$168.8 million decrease spending.
 - *Examples include:*
 - Use of nongeneral fund revenue to supplant the general fund;
 - Updates to premiums paid from Medicaid;
 - Enrollment and sales tax updates in public education; and,
 - Transfers from an agency to another to spread funding to its proper location.

The net impact is an overall increase in spending of \$508.0 million for the biennium.

Medicaid, support for core services, and other commitments dominate the increases in spending . . .

- \$255.1 million for the cost of Medicaid as estimated in the most recent forecast (*Note: The original forecast was for \$280.7 million, which was later reduced by 25.5 million for revised premium rates*).
- \$85.7 million (GF) to address the projected expenditure and caseload growth of services provided through the Children's Services Act.
- \$18.5 million for increased inmate medical expenses.
- \$8.6 million to meet projected VITA and other information systems costs resulting from the transition from the UNISYS mainframe to the Virginia Case Management System (VaCMS).
- \$8.5 million to pay overtime compensation to attendants who are providing care under the consumer-directed service option in the Medicaid waivers.
- \$6.0 million in new funding for deposit to the Advanced Shipbuilding Production Facility Grant Fund to meet an economic development incentive commitment.
- \$5.9 million to allow State Police to separate from VITA oversight for its information technology environment (*contingent on passage of authorizing legislation*).
- \$5.5 million to provide the full value of inflation to nursing facilities in FY 2018.
- \$5.1 million to fund the latest forecast of Family Access to Medical Insurance Security (FAMIS) program utilization and inflation.

After providing for core services, compensation increases lead the list of spending for initiatives . . .

- 1.5 percent bonus is recommended for:
 - *all state employees,*
 - *state-supported local employees, and*
 - *school division employees funded through the Standards of Quality (teachers, other instructional, and support positions).*
- The bonuses will be paid December 1, 2017.

	FY 2018
<u>1.5% Bonus</u>	
State Employees	\$ 42,169,125
State-supported locals	\$ 13,810,430
General fund share of Internal Service Funds	\$ 57,947
Teachers and support positions (state share of all SOQ-funded)	\$ 55,472,497
Total	<u>\$ 111,509,999</u>

In addition to the bonus, the Governor restores the additional compensation items provided in CH 780 that were initially frozen . . .

- Career development funding is restored for all qualified Constitutional Officers.
- Compression pay incentives are restored for State Police, Sheriff's offices, and regional jails.

	FY 2018
<u>Other Compensation</u>	
Salary Compression - Sheriffs offices, local & regional jails	\$ 8,719,289
Career Development - Sheriffs	\$ 28,552
Career Development - Sheriffs Master Deputy	\$ 2,234,469
Career Development - Commissioners of Revenue	\$ 112,780
Career Development - Deputy Commissioners of Revenue	\$ 127,951
Career Development - Assistant Commonwealth's Attorneys	\$ 638,181
Career Development - Circuit Court Clerks	\$ 311,292
Career Development - Deputy Circuit Court Clerks	\$ 307,525
Career Development - Treasurers	\$ 93,144
Career Development - Deputy Treasurers	\$ 51,941
Compensation Adjustments - District Court Clerks & Deputy Clerks	\$ 2,500,000
Salary Adjustments - State Police	\$ 4,000,000
Total	<u>\$ 19,125,124</u>

\$31.7 million is provided to address the transformation of the mental health system and the ongoing care of individuals who need services . . .

- \$8.2 million for “same-day-access” to provide additional intake and evaluation staff at 25 of the 40 CSBs to ensure that every person who walks through the door is screened the same day.
- \$7.4 million to aid state mental health hospitals by providing for discharge planning, private bed purchase, and other community supports that will aid in discharging and diverting individuals into community settings:
 - *\$3.0 million for child/adult/geriatric private bed purchases;*
 - *\$2.5 million for discharge assistance planning;*
 - *\$1.0 million for community detox and sobriety services;*
 - *\$880,000 for a multi-disciplinary team in the community to work with nursing homes;*
- \$4.5 million for a statewide assessment, gap analysis, and high-level design of the service delivery system to develop the future state of a community-based system.
- \$2.1 million to hire an additional 24 full-time security and direct care employees and purchase necessary pharmaceuticals.

\$31.7 million is provided to address the transformation of the mental health system and the ongoing care of individuals who need services *(continued)* . . .

- \$5.3 million to increase access to opioid addiction treatment and aid in preventing fatal overdoses:
 - *\$5.0 million to provide medication assisted treatment and support to over 700 people struggling with opioid addictions;*
 - *\$200,000 to purchase over 9,000 overdose reversal kits and 6,600 doses of naloxone that can be used in cases of accidental overdose to block the life-threatening effects; and,*
 - *\$78,000 to fund a position in the Department of Behavioral Health and Developmental services to oversee the opioid addiction treatment programs funded in this budget.*

- \$4.2 million for the Department of Criminal Justice Services to support mental health screening and assessment in local and regional jails.
 - *\$4.0 million for grants for which criteria would be developed in collaboration with the Department of Behavioral Health and Developmental Services. The number of persons adjudicated not guilty by reason of insanity in a locality or region would be one of the factors used in evaluating grant applications.*
 - *Two positions and \$200,000 in correlating administrative funds for administering the grant program.*

The top 10 spending amendments account for 80 percent of the total increased spending . . .

Agency Name	Title	FY 2017	FY 2018	Biennial Total	
Department of Medical Assistance Services	Fund Medicaid utilization and inflation	84,322,141	196,343,872	280,666,013	
Children's Services Act	Fund increasing caseload and service costs	41,226,438	44,521,228	85,747,666	
Central Appropriations	Provide compensation actions for state employees and state-supported local employees	-	60,037,502	60,037,502	
Direct Aid to Public Education	Provide bonus for public school positions	-	55,472,497	55,472,497	
Department of Corrections	Provide funding for inmate medical costs	11,352,430	7,167,851	18,520,281	
Grants to Localities	Address community behavioral health service gaps	-	9,380,000	9,380,000	
Compensation Board	Provide funding for salary compression	-	8,719,289	8,719,289	
Department of Social Services	Address changes in Virginia Information Technologies Agency system costs	3,950,788	4,629,778	8,580,566	
Department of Medical Assistance Services	Allow consumer-directed attendants to receive overtime pay for up to 56 hours	-	8,535,844	8,535,844	
Virginia International Trade Corporation	Establish the Virginia International Trade Corporation	-	7,200,266	7,200,266	
Subtotal of Top 10 Spending Increases		140,851,797	402,008,127	542,859,924	80%
Subtotal of Remaining Spending Increases (111)		12,964,489	120,985,811	133,950,300	20%
Total of All Proposed Spending Increases		153,816,286	522,993,938	676,810,224	100%

The top 10 amendments that reduce spending account for 97 percent of the total decrease . . .

Agency Name	Title	FY 2017	FY 2018	Biennial Total	
Department of Medical Assistance Services	Adjust Health Care Fund appropriation	(34,705,234)	(9,231,567)	(43,936,801)	
Direct Aid to Public Education	Capture savings from revised student enrollment projections	(14,710,828)	(19,903,966)	(34,614,794)	
Department of Medical Assistance Services	Adjust Medicaid forecast to account for revised Medicare premiums	(7,293,635)	(18,238,863)	(25,532,498)	
State Council of Higher Education for Virginia	Allocate undergraduate financial aid	-	(24,098,663)	(24,098,663)	
Direct Aid to Public Education	Update sales tax revenues for public education based on October 2016 forecast	(3,589,464)	(9,619,476)	(13,208,940)	
Direct Aid to Public Education	Update program participation for Remedial Summer School and English as a Second Language	(2,825,279)	(3,490,923)	(6,316,202)	
Virginia Economic Development Partnership	Transfer support for international trade to establish the Virginia International Trade Corporation	-	(6,232,811)	(6,232,811)	
Direct Aid to Public Education	Update costs of Lottery programs	(4,927,646)	(164,610)	(5,092,256)	
Virginia Information Technologies Agency	Transfer fund source for agency activities	-	(2,034,039)	(2,034,039)	
Department of Human Resource Management	Convert personnel system to an internal service fund	-	(1,855,961)	(1,855,961)	
Subtotal of Top 10 Spending Decreases		(68,052,086)	(94,870,879)	(162,922,965)	97%
Subtotal of Remaining Spending Decreases (15)		(2,313,486)	(3,554,221)	(5,867,707)	3%
Total of All Proposed Spending Decreases		<u>(70,365,572)</u>	<u>(98,425,100)</u>	<u>(168,790,672)</u>	100%

Overall, general fund operating appropriations will decrease in most secretarial areas . . .

Change in General Fund Operating Budget by Secretarial Area

(Dollars in Millions)

	Chapter 780		Savings Amendments		Other Amendments		Total Amendments		HB 1500/SB 900 Introduced	
	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018
Operating Appropriations										
Legislative	\$80.3	\$80.3	\$0.0	\$0.0	\$0.0	\$0.2	\$0.0	\$0.2	\$80.3	\$80.4
Judicial	\$484.5	\$485.3	(\$1.6)	(\$2.5)	\$0.0	\$2.5	(\$1.6)	\$0.0	\$482.9	\$485.3
Executive Branch										
Executive Offices	\$35.2	\$35.2	\$0.0	(\$0.1)	\$0.0	\$0.0	\$0.0	(\$0.1)	\$35.2	\$35.1
Administration	\$711.8	\$718.7	(\$6.5)	(\$13.5)	\$0.0	\$15.5	(\$6.5)	\$2.0	\$705.3	\$720.6
Agriculture and Forestry	\$56.6	\$57.1	(\$1.7)	(\$3.7)	\$0.1	\$0.1	(\$1.6)	(\$3.6)	\$55.0	\$53.5
Commerce and Trade	\$203.8	\$217.3	(\$21.9)	(\$24.6)	\$0.0	\$10.0	(\$21.9)	(\$14.6)	\$181.9	\$202.7
Education	\$7,946.6	\$8,271.7	(\$167.9)	(\$248.4)	(\$26.6)	\$31.3	(\$194.5)	(\$217.1)	\$7,752.1	\$8,054.6
Finance	\$2,467.1	\$1,890.4	(\$15.3)	(\$3.1)	\$1.0	\$0.1	(\$14.3)	(\$3.0)	\$2,452.8	\$1,887.5
Health and Human Resources	\$6,053.2	\$6,185.8	(\$11.6)	(\$17.5)	\$94.1	\$273.9	\$82.5	\$256.4	\$6,135.7	\$6,442.3
Natural Resources	\$181.1	\$115.1	(\$1.9)	(\$8.0)	(\$0.2)	\$0.7	(\$2.1)	(\$7.4)	\$179.0	\$107.7
Public Safety and Homeland Security	\$1,903.0	\$1,928.7	(\$26.1)	(\$27.7)	\$11.5	\$20.1	(\$14.6)	(\$7.6)	\$1,888.4	\$1,921.1
Technology	\$14.9	\$14.5	(\$0.4)	(\$0.2)	\$2.3	(\$2.0)	\$1.8	(\$2.2)	\$16.8	\$12.3
Transportation	\$41.0	\$41.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$41.0	\$41.0
Veterans and Defense Affairs	\$18.8	\$20.7	(\$0.1)	(\$0.1)	\$0.0	\$1.5	(\$0.1)	\$1.4	\$18.7	\$22.0
Central Appropriations	\$139.5	\$223.0	(\$77.1)	(\$125.1)	\$1.4	\$70.8	(\$75.8)	(\$54.3)	\$63.8	\$168.7
Total Executive Branch	\$19,772.7	\$19,719.2	(\$330.4)	(\$472.0)	\$83.5	\$421.9	(\$247.0)	(\$50.0)	\$19,525.8	\$19,669.2
Independent Agencies	\$1.2	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.2	\$0.3
Total Operation Appropriations	\$20,338.7	\$20,285.0	(\$332.0)	(\$474.5)	\$83.5	\$424.6	(\$248.6)	(\$49.9)	\$20,090.2	\$20,235.1

*Amounts shown in millions

Total net spending, including savings and increases, is approximately \$40.3 billion for the biennium . . .

Summary of Expenditures

CH 780 Expenditures (includes operating and capital)	\$20,349.5	\$20,285.0	\$40,634.6
Savings Actions			
Savings proposed by agencies from October Plan	(\$54.9)	(\$18.1)	(\$72.9)
Other savings actions from October Plan	(\$237.6)	(\$290.0)	(\$527.6)
Additional savings proposed by agencies	(\$0.0)	(\$26.4)	(\$26.5)
Savings from 5% reductions in institutions of higher education	\$0.0	(\$76.1)	(\$76.1)
Targeted reduction strategies	(\$39.5)	(\$63.9)	(\$103.4)
Total Savings Actions	(\$332.0)	(\$474.5)	(\$806.5)
Spending Actions	\$83.5	\$424.6	\$508.0
TOTAL EXPENDITURES	\$20,101.0	\$20,235.1	\$40,336.1

Summary of Proposed Capital

Capital Outlay – 2016-18 Biennium . . .

<p>Fund Maintenance Reserve <i>Addresses fire systems upgrades at the state's readiness centers.</i></p>	<p>\$1.0 million VPBA</p>
<p>Supplement existing projects <i>Provides funding to supplement 9 projects due to:</i> <ol style="list-style-type: none"> 1) <i>higher than anticipated costs (VSU erosion, VT academic buildings, Forestry fire dozer garages);</i> 2) <i>increasing range of project (DGS Consolidated Lab repair, DOC fire safety systems in prisons, VSU M.T. Carter Building);</i> 3) <i>shortfall in pool funding (VCCS Danville Technology building); and,</i> 4) <i>acquisition of land for natural areas and state park inholdings.</i> </p>	<p>\$20.9 million VCBA/VPBA \$7.0 million NGF</p>
<p>Move critical projects to construction stage <i>Provides funding to construct 7 projects: ABC office/warehouse; purchase of land for readiness centers; Corrections wastewater plant; envelopes of Main Hall (VSDB) and Main Street Center (DGS); DMA maintenance shop; and DBHDS facilities repair.</i></p>	<p>\$134.6 million VPBA \$1.0 million NGF</p>
<p>Add projects to planning list <i>Includes 4 projects on top of the list of planning projects approved in Chapters 759/769, 2016 Acts of Assembly: replace State Police Academy; upgrade Monroe infrastructure; phase 3 renovate Wilson facilities; and replace Central State</i></p>	<p>No additional funding needed.</p>
<p>Fund equipment for 14 previously authorized projects being completed within the next two years.</p>	<p>\$19.6 million VCBA/VPBA</p>
<p>Fund 8 projects at institutions of higher education with revenue bonds.</p>	<p>\$13.6 million 9(C) Bonds \$121.3 million 9(D) Bonds</p>
<p>Supplant general fund support with bonds.</p>	<p>\$94.7 million VCBA (\$94.7 million) GF</p>
<p>Revert general fund support.</p>	<p>\$33.8 million GF</p>

Summary of Budget Actions

The introduced budget combines new revenues and changes in spending to yield an unappropriated general fund balance of \$16.1 million . . .

	General Fund Only		
	FY 2017	FY 2018	Biennium
<u>Revised Resource Forecast</u>			
Prior Year Balance	\$623.4		\$623.4
Additions to Balance	\$108.4	128.0	236.4
Revenue	\$18,557.4	19,158.5	37,715.9
Revenue Stabilization Fund	\$294.7	272.5	567.2
Transfers	\$599.9	609.3	1,209.3
Total GF Resources	<u>\$20,183.8</u>	<u>\$20,168.4</u>	<u>\$40,352.2</u>
<u>Expenditures</u>			
Operating - base	\$20,338.7	\$20,285.0	\$40,623.8
Capital - base	\$10.8	\$0.0	10.8
CH 780 Base	<u>\$20,349.5</u>	<u>\$20,285.0</u>	<u>\$40,634.6</u>
New Operating	(\$248.6)	(\$49.9)	(\$298.5)
New Capital	0.0	0.0	0.0
Subtotal of New Spending	<u>(\$248.6)</u>	<u>(\$49.9)</u>	<u>(\$298.5)</u>
Revised Spending	<u>\$20,101.0</u>	<u>\$20,235.1</u>	<u>\$40,336.1</u>
Unexpended Balance	\$82.9	(\$66.8)	\$16.1

*Amounts shown in millions

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/>

Appendix

Summary of Secretarial Changes

Summary of Budget Drivers

Summary of Changes by Secretarial Area

Overall, general fund operating appropriations will decrease with few areas increasing . . .

Change in General Fund Operating Budget by Secretarial Area

	Chapter 780		HB 1500/SB 900 Amendments		HB 1500/SB 900 Introduced	
	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018
Operating Appropriations						
Legislative Branch	\$80,253,077	\$80,279,687	\$0	\$150,000	\$80,253,077	\$80,429,687
Judicial Branch	\$484,511,320	\$485,295,817	(\$1,593,348)	\$0	\$482,917,972	\$485,295,817
Executive Branch						
Executive Offices	\$35,206,202	\$35,236,585	\$0	(\$115,122)	\$35,206,202	\$35,121,463
Administration	\$711,768,068	\$718,664,603	(\$6,512,860)	\$1,983,553	\$705,255,208	\$720,648,156
Agriculture and Forestry	\$56,627,480	\$57,123,556	(\$1,585,593)	(\$3,590,126)	\$55,041,887	\$53,533,430
Commerce and Trade	\$203,813,721	\$217,286,285	(\$21,864,760)	(\$14,598,313)	\$181,948,961	\$202,687,972
Education	\$7,946,627,755	\$8,271,735,292	(\$194,537,207)	(\$217,095,738)	\$7,752,090,548	\$8,054,639,554
Finance	\$2,467,098,314	\$1,890,444,486	(\$14,284,810)	(\$2,964,246)	\$2,452,813,504	\$1,887,480,240
Health and Human Resources	\$6,053,153,875	\$6,185,834,945	\$82,535,841	\$256,416,862	\$6,135,689,716	\$6,442,251,807
Natural Resources	\$181,115,288	\$115,077,909	(\$2,096,278)	(\$7,359,547)	\$179,019,010	\$107,718,362
Public Safety and Homeland Security	\$1,903,006,643	\$1,928,675,675	(\$14,577,553)	(\$7,561,412)	\$1,888,429,090	\$1,921,114,263
Technology	\$14,932,520	\$14,450,564	\$1,842,966	(\$2,184,396)	\$16,775,486	\$12,266,168
Transportation	\$41,030,253	\$41,030,253	\$0	\$0	\$41,030,253	\$41,030,253
Veterans and Defense Affairs	\$18,813,339	\$20,650,175	(\$144,057)	\$1,376,795	\$18,669,282	\$22,026,970
Central Appropriations	\$139,548,040	\$222,997,731	(\$75,750,951)	(\$54,344,075)	\$63,797,089	\$168,653,656
Total Executive Department	\$19,772,741,498	\$19,719,208,059	(\$246,975,262)	(\$50,035,765)	\$19,525,766,236	\$19,669,172,294
Independent Agencies	\$1,233,841	\$251,292	\$0	\$0	\$1,233,841	\$251,292
Nonstate Entities	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Appropriations	\$20,338,739,736	\$20,285,034,855	(\$248,568,610)	(\$49,885,765)	\$20,090,171,126	\$20,235,149,090

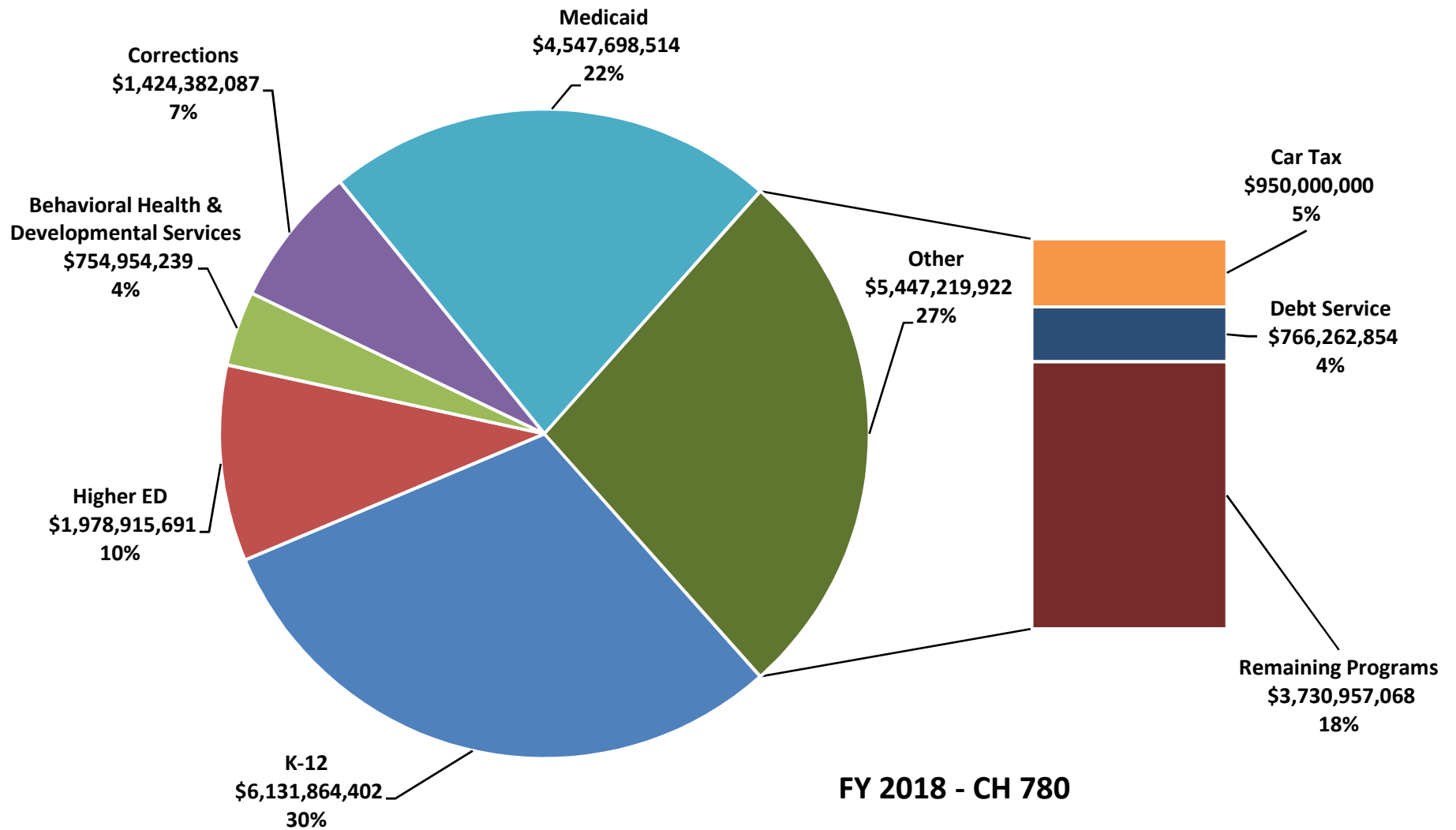
Education Secretariat accounts for the majority of the net increase in position levels in FY 2018. . .

Secretarial Area	FY 2018 Positions (CH 780)	FY 2018 Changes (Savings)	FY 2018 Changes (Other)	FY 2018 Net Changes	FY 2018 Position Totals (Introduced)
Legislative	619.00	0.00	2.00	2.00	621.00
Judicial	3,370.71	0.00	1.00	1.00	3,371.71
Executive Offices	542.00	0.00	0.00	0.00	542.00
Administration	839.50	3.00	-1.50	1.50	841.00
Agriculture and Forestry	836.00	-5.00	6.00	1.00	837.00
Commerce and Trade	1,690.00	-1.00	23.00	22.00	1,712.00
Education	58,479.22	-8.00	665.00	657.00	59,136.22
Finance	1,303.00	-4.00	0.00	-4.00	1,299.00
Health and Human Resources	15,265.02	-9.85	55.50	45.65	15,310.67
Natural Resources	2,183.00	-7.00	0.00	-7.00	2,176.00
Public Safety and Homeland Security	20,048.50	-279.00	60.00	-219.00	19,829.50
Technology	249.00	0.00	-8.00	-8.00	241.00
Transportation	10,103.00	0.00	16.00	16.00	10,119.00
Veterans and Defense Affairs	774.00	-1.00	34.00	33.00	807.00
Independent Agencies	1,717.00	0.00	7.00	7.00	1,724.00
Grand Total	118,018.95	-311.85	860.00	548.15	118,567.10

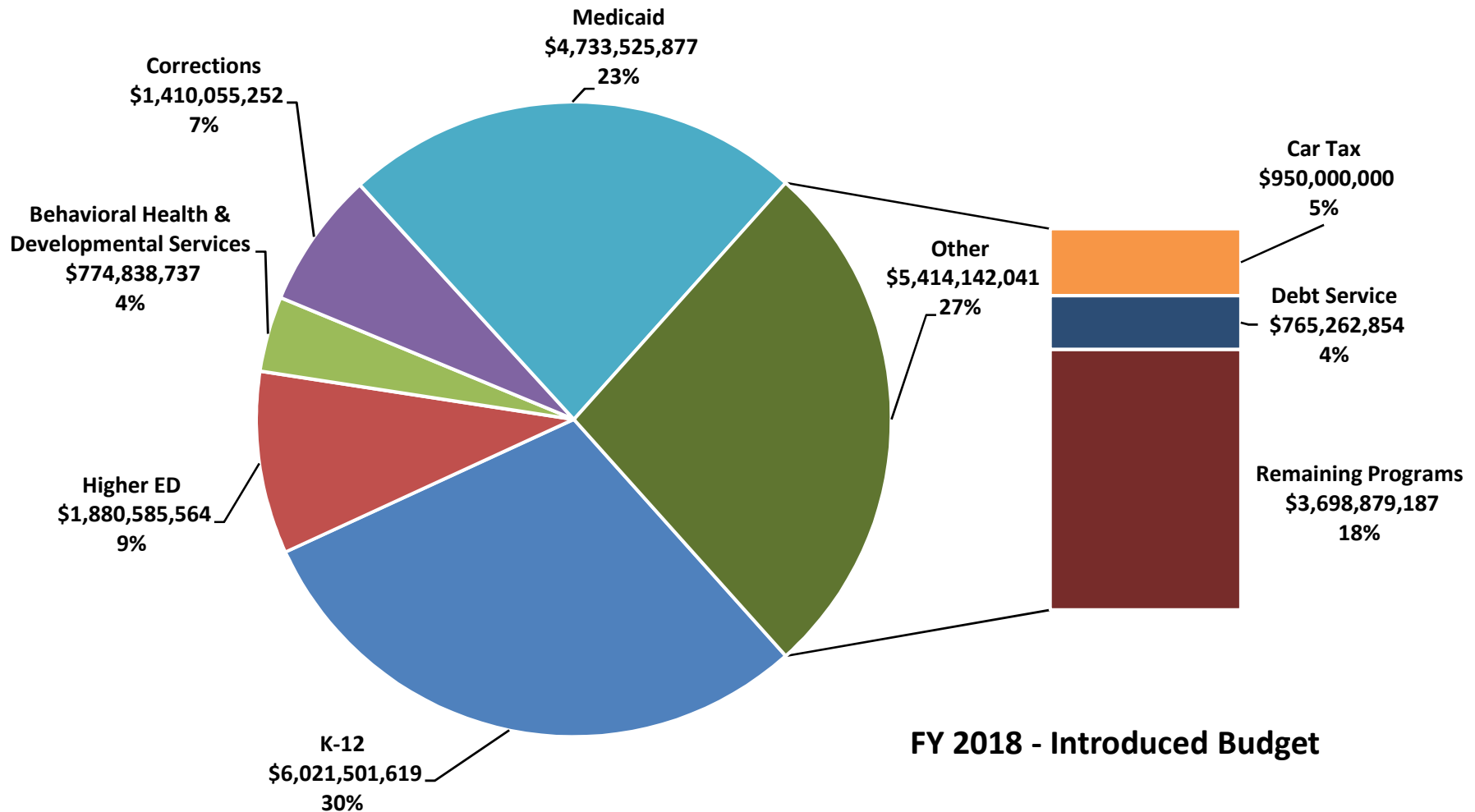
- Large decrease in positions in Public Safety and Homeland Security Secretariat is primarily due to the elimination of vacant positions associated with the continued delay in opening Culpeper Correctional Center.
- Large increase in positions in Education Secretariat is primarily due to a technical adjustment in the authorized position level for the University of Virginia Medical Center and other higher education institutions.

Summary of Changes in Budget Drivers

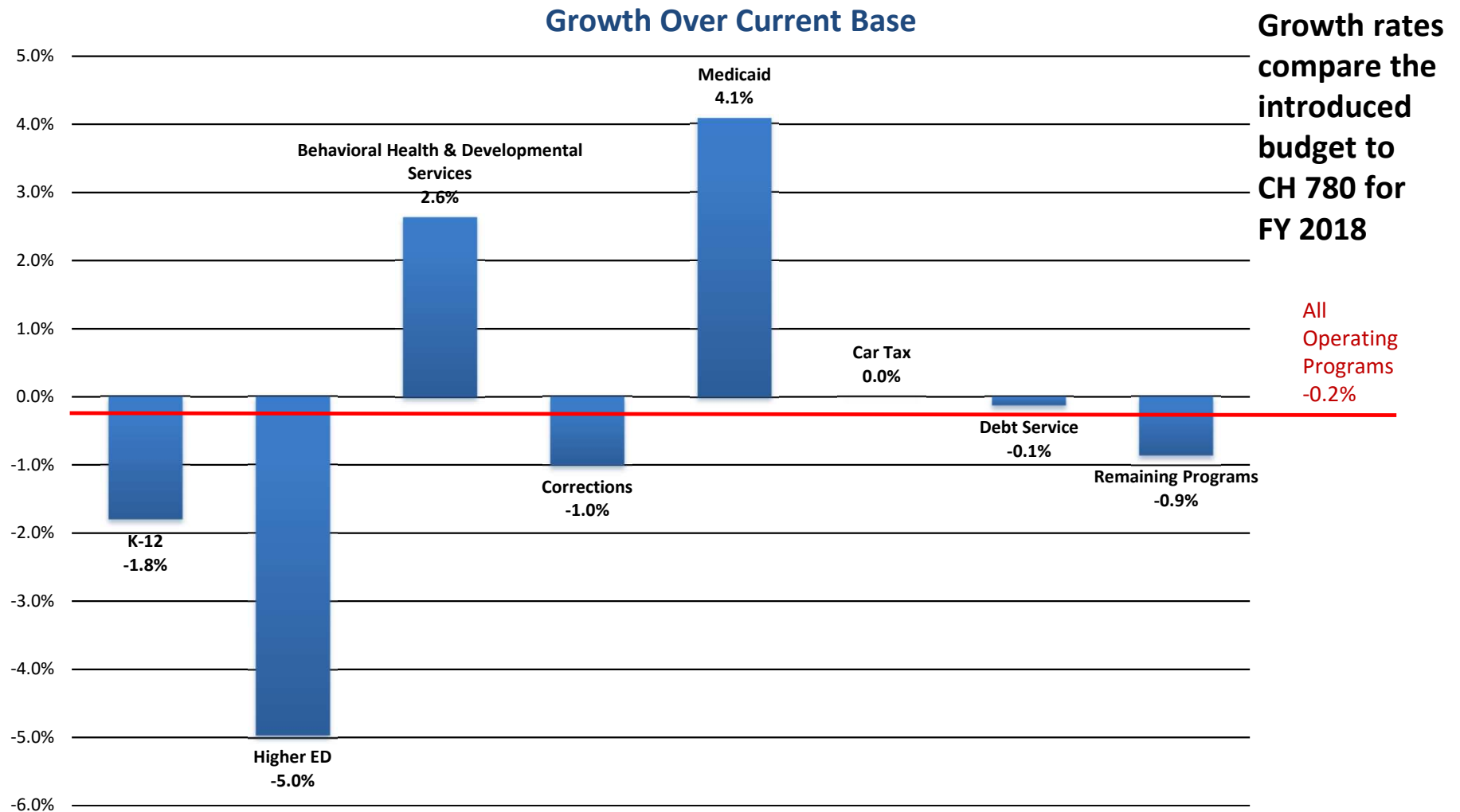
Five budget drivers make up 73 percent of the FY 2018 general fund budget in Chapter 780 . . .



The budget drivers still account for 73 percent of the general fund in FY 2018, but Medicaid takes a larger share in the introduced budget . . .



The FY 2018 growth rates for two budget drivers deviate from the other budget drivers and the rest of government services . . .



The net change in general fund spending on budget drivers from FY 2008 to FY 2018 ranges from 0.6 percent to 94.1 percent ...

