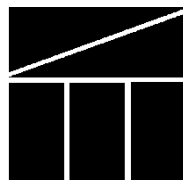


Governor McDonnell's Proposed Amendments to FY 2014 of the 2012-2014 Biennial Budget and the Proposed Biennial Budget for the 2014-2016 Biennium

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

December 16, 2013



Daniel S. Timberlake

Director

Virginia Department of Planning and Budget

HB/SB 29 – The “Caboose” Budget

Overview of Available Resources
for FY 2014

The current budget, Chapter 806, included a planned carryover balance from FY 2013 to FY 2014 of \$505.5 million, which is the starting point . . .

Chapter 806, 2013 Acts of Assembly General Fund Only

	FY 2013	FY 2014
General Fund Resources		
Prior Year Balance	\$976.0	\$505.5
Additions to Balance	(179.4)	3.6
Revenue Forecast	16,421.0	16,941.8
Transfers	423.9	546.8
Total GF Resources	\$17,641.6	\$17,997.7
General Fund Appropriations		
Operating	\$17,116.0	\$17,986.1
Capital	20.1	0.0
Total GF Appropriations	\$17,136.1	\$17,986.1
General Fund Balance at Year-End	\$505.5	\$11.6

*Amounts shown in millions

FY 2013 unrestricted year-end balances exceed previously anticipated balances by \$374.3 million . . .

- FY 2013 ended with a revenue surplus of \$264.3 million.
- In addition, there was also an unexpended general fund appropriation balance of \$184.4 million.
- As a result of these year-end surpluses and other cash in the Treasury, the State Comptroller reported an unrestricted general fund cash balance as of June 30, 2013, of approximately **\$879.7 million**, which replaces the \$505.5 million previously anticipated in Chapter 806.

**The FY 2014
beginning
balance must be
adjusted before
determining the
amounts
available for
appropriation . . .**

<u>Current Adjustments to Balance - CH 806</u>	
Intergovernmental Cash Management Act	(500,000)
Judicial Branch Balances (Freeze Judgeships)	3,902,508
Indigent Commission Balances	200,000
Adjustments per CH 806	<u>3,602,508</u>
<u>New Adjustments to Balance</u>	
Revenue Stabilization Reserve 2014	244,645,000
Revenue Stabilization Reserve 2015	243,169,000
Reappropriation of 2012 Unexpended Capital Outlay Balances	(25,998,000)
Restore amounts reserved for restoration of capital projects	500,000
Virginia Health Care Fund	(68,445,000)
Central Capital Planning Fund	(12,267,000)
Communication Sales and Use Tax	(33,908,000)
Governor's Opportunity Fund	(39,400,000)
Natural Disaster Sum Sufficient - year end designation	(34,519,093)
Amount Required for Mandatory Reappropriation - 0100	(79,021,380)
Amount Required for Mandatory Reappropriation - 0300	(55,635,308)
Accelerated Sales Tax for Transportation Trust Fund	(21,706,000)
Federal Action Contingency Trust Fund	(22,500,000)
Virginia Water Quality Improvement Fund	(102,222,000)
Other Committed NGF Balances reported in GF	(28,974,000)
Health and Public Safety - assigned NGF reported in GF	(15,184,000)
Environmental Quality and Natural Resource Preservation	(6,493,000)
Economic and Technological Development	(6,539,000)
Federal Portion of Dominion Resources Refund	(1,452,000)
Federal Portion of Internal Service Fund Interest	(1,327,000)
Federal Share of Internal Service Funds Profits and Transfers	(2,082,000)
Federal Share of State Surplus Property Sales	(15,000)
Amount Required for Discretionary Reappropriations	(26,674,143)
Other Assigned NGF Balances reported in GF	(12,219,000)
Add amounts appropriated in FY 2014 moved to FY 2013	4,327,853
Judicial Branch Balances	365,000
Subtotal of New Adjustments	<u>(103,574,071)</u>
TOTAL Adjustments to Balance	<u>(99,971,563)</u>

*Amounts shown in millions

Total changes to resources provide a net increase of \$275.9 million in new funds available for spending . . .

	FY 2014
Base Revenue Forecast - CH 806, 2013 Acts of Assembly	
Prior Year Balance	\$505.5
Additions to Balance	3.6
Revenue Forecast	16,941.8
Transfers	546.8
Total GF Resources	<u>\$17,997.7</u>
Revisions to Forecast	
Changes to Prior Year Balance	\$374.3
Changes to Additions to Balance	(103.6)
Changes to Revenue - Post-GACRE Forecast	29.2
Changes to Transfers	(24.0)
Total Revisions	<u>\$275.9</u>
Revised Revenue Forecast	
Prior Year Balance	\$879.7
Additions to Balance	(100.0)
Revenues - Post-GACRE Forecast	16,971.0
Transfers	522.8
Total GF Resources	<u>\$18,273.5</u>

*Amounts shown in millions

HB/SB 29 – The “Caboose” Budget

Summary of Proposed Spending Changes

The proposed caboose budget contains three forms of spending changes which add and subtract to overall spending for a net decrease of \$249.1 million in operating spending in FY 2014 . . .

- 78 individual savings plans strategies or targeted savings amendments result in a savings of \$21.6 million.
- 33 individual amendments increase spending by \$33.3 million.
- 13 individual technical and other amendments decrease spending by \$260.9 million.
- The result is a net decrease in operating spending of \$249.1 million over Chapter 806.

The top 10 reductions lower general fund spending by \$271.9 million, while the majority of the remaining increases of \$22.8 million support child welfare services, jail per diem payments, and increased K-12 enrollment . . .

Agency	Title	FY 2014
Department of Medical Assistance Services	Adjust appropriation for Health Care Fund to reflect additional revenue	\$ (90,340,357)
Department of Medical Assistance Services	Fund Medicaid utilization and inflation	(73,619,164)
Direct Aid to Public Education	Update Lottery proceeds for public education	(55,205,933)
Direct Aid to Public Education	Adjust sales tax revenues for public education	(16,651,274)
Direct Aid to Public Education	Capture unclaimed appropriation from compensation supplements	(9,300,883)
Department of Medical Assistance Services	Adjust funding for Family Access to Medical Insurance Security program utilization and inflation	(8,625,261)
Direct Aid to Public Education	Update costs of incentive, categorical, and Lottery programs	(7,925,723)
Central Appropriations	Capture savings from proposed agency savings strategies	(3,787,778)
Treasury Board	Capture debt management savings	(3,567,265)
Department of Medical Assistance Services	Fund medical assistance services for low-income children utilization and inflation	(2,835,531)
	Subtotal of Top 10 Caboose Bill Budget Reductions	(271,859,169)
	Fund anticipated FY 2014 cost of child welfare services	3,406,941
	Provide funding to support per diem payments to local and regional jails	4,500,000
	Provide funding for rising student enrollment counts	11,927,227
	Subtotal of remaining Caboose Bill Amendments	2,923,658
	Total Caboose Bill Changes	\$ (\$249,101,343)

With revenue increases and reduced spending, the Caboose bill produces a \$536.5 million balance that rolls to the 2014-2016 biennium . . .

	<u>FY 2014</u>
Revised Revenue Forecast	
Prior Year Balance	\$879.7
Additions to Balance	(100.0)
Revenues - Post-GACRE Forecast	16,971.0
Transfers	522.8
Total GF Resources	<u><u>\$18,273.5</u></u>
<u>EXPENDITURES</u>	
CH 806 Base	\$17,986.1
Proposed Changes in Spending	(\$249.1)
Revised Expenditures Proposed in HB/SB 29	<u><u>\$17,737.0</u></u>
BALANCE	\$536.5

*Amounts shown in millions

HB/SB 30
The 2014-2016
Biennial Budget

Overview of Available Resources

Virginia will have modest revenue growth to address high priority spending requirements . . .

	FY 2015	FY 2016
RESOURCES		
Base Revenue Forecast - May 2013 Official forecast		
Prior Year Balance	\$0.0	\$0.0
Additions to Balance	(0.5)	(0.5)
Revenue Forecast	17,637.2	18,282.5
Transfers	551.9	566.4
Total GF Resources	\$18,188.6	\$18,848.4
Revisions to Forecast		
Changes to Prior Year Balance	\$536.5	\$0.0
Changes to Additions to Balance	95.0	0.0
Changes to Revenue - Post-GACRE Forecast	48.9	90.9
Changes to Transfers	(14.4)	(31.0)
Total Revisions	\$666.1	\$59.9
Revised Revenue Forecast		
Prior Year Balance	\$536.5	\$0.0
Additions to Balance	94.5	(0.5)
Revenues - Post-GACRE Forecast	17,686.1	18,373.4
Transfers	537.5	535.4
Total GF Resources	\$18,854.7	\$18,908.3

*Amounts shown in millions

HB/SB 30
The 2014-2016
Biennial Budget

Summary of Proposed
Operating Spending Changes

The proposed budget contains three forms of spending changes which add and subtract to overall spending for a net increase of \$1.7 billion in operating spending over the two years . . .

- 193 technical and base budget adjustments result in a net decrease in spending of \$688.9 million.
- 78 individual amendments result from either targeted or agency reduction plans for a savings of \$250.7 million.
- 985 individual amendments increase spending by a net total of \$2,676.6 million.
- The result is a net increase in operating spending of \$1,737.0 million.

The top 10 technical changes reduce general fund spending by \$730.1 million, while most of the remaining technical changes increase it by \$41.2 million – annualizing the FY 2014 salary increase dominates the increased spending . . .

Agency	Title	FY 2015	FY 2016
Department of Accounts Transfer Payments	Remove one-time funding for deposit to the Revenue Stabilization Fund	(244,645,117)	(244,645,117)
Department of Accounts Transfer Payments	Remove one-time funding for an advance deposit to the Revenue Stabilization Fund	(95,000,000)	(95,000,000)
Department of Housing and Community Development	Remove one-time funding associated with the Virginia Housing Trust Fund	(8,000,000)	(8,000,000)
Department of Housing and Community Development	Remove funding provided for the Fort Monroe Authority	(5,065,150)	(5,065,150)
Department of Juvenile Justice	Annualize savings from re-purposing juvenile facilities	(3,940,730)	(4,216,149)
Innovation and Entrepreneurship Investment Authority	Eliminate general fund appropriation for cyber accelerator program	(2,500,000)	(2,500,000)
Central Appropriations	Remove funding for one-time costs	(2,139,327)	(2,139,327)
Department of Corrections	Remove Woodrum funding	(1,786,279)	(1,786,279)
Department of Health	Remove one time funding and positions for local dental services.	(967,944)	(967,944)
Department of Medical Assistance Services	Eliminate one-time funding for health innovation support	(870,000)	(870,000)
	Subtotal of Top 10 Technical Changes	(364,914,547)	(365,189,966)
	Annualization of Previously Approved Salary and Benefit Changes	16,695,262	16,695,262
	Subtotal of All Other Technical Changes	3,916,131	3,938,916
	Total Technical Changes	\$ (344,303,154)	\$ (344,555,788)

The top 10 targeted savings amendments account for 94.9 percent of the total proposed savings . . .

Agency	Title	FY 2015	FY 2016	
Direct Aid to Public Education	Eliminate nonpersonal services inflation factor in Standards of Quality rebenchmarking	\$ (38,085,562)	\$ (38,340,071)	
Direct Aid to Public Education	Capture savings from nonparticipation in the Virginia Preschool Initiative	(24,198,595)	(24,301,740)	
Department of Medical Assistance Services	Withhold hospital inflation in FY 2015	(16,864,215)	(18,424,708)	
Direct Aid to Public Education	Eliminate Cost of Competing Adjustment (COCA) for support positions	(10,232,631)	(10,453,621)	
Department of Medical Assistance Services	Continue indigent care reductions for teaching hospitals	(14,955,994)	0	
Department of Juvenile Justice	Capture savings from repurposing Culpeper Juvenile Correctional Center	(7,587,531)	(7,279,197)	
Department of Medical Assistance Services	Continue prior year inflation reductions for teaching hospitals	(9,350,040)	0	
Department of Juvenile Justice	Capture turnover and vacancy savings	(4,452,081)	(4,452,081)	
Department of Medical Assistance Services	Match Medicare competitive bid durable medical equipment rates	(2,433,000)	(2,433,000)	
Department of Social Services	Capture anticipated surplus in the auxiliary grant program	(2,000,000)	(2,000,000)	
	Subtotal of Top 10 Targeted Savings	(130,159,649)	(107,684,418)	94.9%
	Subtotal of All Other Targeted Savings and Savings Strategies	(5,675,626)	(7,156,158)	5.1%
	Total Savings	\$(135,835,275)	\$(114,840,576)	

NOTE: These amendments reflect discrete changes and may need to be read with other amendments to obtain a comprehensive result.

The spending increases proposed in the introduced budget focus on keeping commitments across six major objectives . . .

- Provide adequate funding for core services.
- Increase liquidity to guard against future economic uncertainty and the potential impact of federal spending reductions.
- Maintain commitment to fully fund requirements of the Virginia Retirement System.
- Increase support for instructional spending in public education and continue investments in higher education.
- Maintain and improve commitments to health and human services.
- Continue support for local constitutional officers and law enforcement.

The top 10 spending amendments account for 84.8 percent of the total increased spending . . .

Agency	Title	FY 2015	FY 2016	
Department of Medical Assistance Services	Fund Medicaid utilization and inflation	\$ 255,197,886	\$ 419,208,894	
Direct Aid to Public Education	Update costs of the Standards of Quality (SOQ)	277,335,931	297,937,474	
Department of Accounts Transfer Payments	Provide general fund appropriation for mandatory deposits to the Revenue Stabilization Fund	243,170,048	59,885,846	
Treasury Board	Provide debt service for projects and equipment	75,563,079	121,094,873	
Direct Aid to Public Education	Update retirement contribution rates for Standards of Quality related positions	80,645,463	80,964,613	
Central Appropriations	Provide funding for increases in the cost of state employee retirement	48,785,415	48,785,415	
Central Appropriations	Provide additional funding for the state employee health insurance program	24,584,583	59,260,533	
Department of Medical Assistance Services	Adjust base budget to reflect previously authorized waiver slots	39,394,728	39,394,728	
Central Appropriations	Provide funding for the payback of deferred state employee retirement contributions	26,800,957	26,800,957	
Department of Medical Assistance Services	Provide funding for required waiver slots	14,883,111	30,437,862	
	Subtotal of Top 10 Spending Increases	1,086,361,201	1,183,771,195	84.8%
	Subtotal of All Other Spending Increases	216,084,991	190,341,624	15.2%
	Total Spending Increases	\$ 1,302,446,192	\$ 1,374,112,819	

NOTE: These amendments reflect discrete changes and may need to be read with other amendments to obtain a comprehensive result.

Priorities are reflected in where the new money goes to serve core state functions . . .

Providing adequate funding for core services reduces risk of service failures.

- *State employee health insurance fund requirements = \$24.3 million in FY 2015 and \$58.9 million in FY 2016.*
- *Funding provided to address salary inequities and job retention issues = \$9.0 million in FY 2015 and \$10.3 million in FY 2016.*
- *Fund required debt service for new projects and projects previously approved = \$75.6 million in FY 2015 and 121.1 million in FY 2016.*
- *Address key needs to enhance state public safety = \$50.6 million.*
- *Funds to plan projects for dredging in the Norfolk harbor and the Elizabeth River channel = \$6.5 million.*
- *Fort Monroe = \$6.7 million in FY 2015 and \$5.5 million in FY 2016 to support operation and maintenance and \$22.5 million in bond proceeds for infrastructure improvements.*

Improve the Commonwealth's financial condition. . .

Increasing liquidity to guard against future economic uncertainty and the potential impact of federal spending reductions.

- *Fully fund the deposits to the Revenue Stabilization Fund = \$243.2 million in FY 2015 and \$60 million in FY 2016.*
- *Budget for more than a \$50.0 million surplus in the unappropriated balance.*

Reducing dependence on transfers to maintain services improves structural balance.

- *Reduce general fund dependence on transfer of interest from nongeneral fund accounts = \$11.4 million.*
- *Reduce general fund dependence on transfers from the 4-for-life and the Trauma fund = \$2.0 million.*

The introduced budget maintains the commitment to increase support to the retirement system . . .

VRS Retirement Programs = \$157.5 million the first year and \$157.8 million the second year

- *Funds VRS rates for state retirement programs and teachers phased in at 80 percent of the full VRS Board certified rates.*
- *Funding is based on the June 30, 2013, Virginia Retirement System valuation for 2015 and 2016, assumes a seven percent investment rate of return, a 2.5 percent rate of inflation, and a 30-year closed amortization.*
- *Approximately \$66.6 million in each year represents the payback of deferred contributions for state programs and teachers. The deferred contributions are amortized over ten years and fiscal years 2015 and 2016 are the third and fourth years of the payback.*

Other post-employment benefit (OPEB) programs = \$15.1 million in FY 2015 and \$15.2 million in FY 2016

- *Includes \$13.9 million the first year and \$14.0 million the second year from the general fund to fund the VRS Board certified other post-employment benefit rates for state programs and teachers. Other post-employment benefit programs include group life insurance, the sickness and disability program, and the retiree health insurance credit.*
- *The budget includes \$1.2 million the first year and \$1.2 million the second year to pay for cost increases associated with the retiree health insurance credit for state-supported locals.*

Public education funding reflects state's commitment to share the costs of seeking high performance . . .

Increase support for instructional spending in public education.

- *Total funding is increased by \$582.6 million for the biennium - \$268.8 million in FY 2015 and \$313.8 million in FY 2016 (includes \$38.0 million in anticipated additional Lottery profits each year).*
- *\$233.2 million in FY 2015 and \$282.1 million in FY 2016 are dedicated to the increased costs of the Standards of Quality from rebenchmarking and related incentive and categorical education programs.*
- *\$20.0 million in general fund support is provided over the biennium to replace literary funds used for teacher retirement.*
- *Funding is continued for new programs started last year such as strategic compensation grants. Additional funding is provided to continue the Opportunity Educational Institution and math and reading specialists.*
- *Actions raise state spending dedicated to the classroom to 64.1%.*

\$183.1 million is provided to support higher education and the goals of the “Top Jobs” legislation . . .

Over \$150 million is provided directly to the higher education institutions in support of the provisions of the “Top Jobs” Act.

➤ *Base operations and financial aid = \$45 million*

- ❑ \$13.5 million (30 percent) is dedicated to base operations.
- ❑ \$31.5 million (70 percent) goes to financial aid with 10 percent applied toward graduate financial aid to attract high caliber students to Virginia’s research programs.

➤ *Funding to incentivize performance = \$105 million*

- ❑ \$21 million (20 percent) is provided for enrollment growth
- ❑ \$63 million (60 percent) for incentive funding
- ❑ \$21 million (20 percent) for research and initiatives to support the goals of the “Top Jobs” Act.
 - The incentive funding rewards performance of higher education institutions for increasing graduation and retention rates, graduating additional STEM-H students needed to keep our economy competitive, and attracting students of all socio-economic levels to higher education.
 - Included in the funding for research is \$4 million over the biennium for cancer research at Virginia Commonwealth University (VCU) and the University of Virginia (UVA); \$3.3 million for brain research at Virginia Tech; \$2 million for ultrasound research on movement disorders at UVA; \$1.95 million to support the Center for Bioelectrics at Old Dominion University (ODU); and \$1.3 million for Parkinson’s Disease research at VCU.

\$183.1 million is provided to support higher education and the goals of the “Top Jobs” legislation . . .

Approximately \$32.4 million supports a variety of higher education-related entities and programs, including:

- *Sufficient funding to raise the Tuition Assistance Grant (TAG) to Virginia residents attending private Virginia colleges and universities from \$3,100 to \$3,300.*
- *Nearly \$6.1 million in workforce development programs and initiatives through the Virginia Community College System, the Institute for Advanced Learning and Research, New College, the Southern Virginia Higher Education Center, the Roanoke Higher Education Center, and the Southwest Virginia Higher Education Center.*
- *Support for higher education consortiums such as the 4-VA Partnership, Center for Advanced Logistics, and Virtual Library of Virginia.*
- *Funding to allow the Jefferson Lab in Newport News to compete for significant new federal infrastructure investment at Virginia’s particle accelerator facility.*

Maintain and improve commitments to health and human services . . .

Mental Health Crisis Response Improvements – \$36.2 million

- *Temporary Detention Order (TDO) extension to 72 hours – \$1.3 million in FY 2015 and \$1.6 million in FY 2016.*
- *Expand availability of secure crisis intervention team (CIT) assessment centers – \$1.8 million in FY 2015 and \$3.6 million in FY 2016 (six centers in FY 2015 and 12 centers in FY2016).*
- *Maintain current adult capability at Eastern State Hospital (ESH) – \$5.0 million each year to maintain current adult capability at ESH.*
- *Expand adult bed capacity at ESH in FY 2015 – \$2.2 million each year.*
- *Ensure operational supports for new Western State Hospital (WSH) facility – \$670,000 in FY 2015 and \$690,000 in FY 2016 to provide operational supports for the new WSH facility.*

Maintain and improve commitments to health and human services . . .

Behavioral Health Treatment and Support Services

- *Expand mental health outpatient services – \$3.5 million in FY 2015 and \$4.0 million in FY 2016 for mental health services for older teens and young adults transitioning from school, college, or early in their adulthood.*
- *Expand Program Assertive Community Treatment (PACT) programs – \$950,000 in FY 2015 and \$1.9 million in FY 2016 to provide intensive clinical outreach and support to persons with serious and persistent mental illness. (Virginia currently has 19 PACT programs.)*
- *Expand telepsychiatry capacity – \$1.1 million in FY 2015 and \$620,000 in FY 2016 for new telecommunication equipment to allow community services boards to conduct clinical evaluations offsite and more rapidly.*
- *Peer Support Recovery – \$550,000 in FY 2015 and \$1.0 million in FY 2016 to provide support to people with behavioral health needs by people who are themselves in recovery from such problems and are trained as peer providers.*
- *Substance Abuse Community Recovery Program – \$300,000 each year for the community recovery program to combat substance use disorders through employment and long-term recovery.*

Maintain and improve commitments to health and human services . . .

The introduced budget includes \$98.5 million in new funding to continue implementation of the requirements of the settlement agreement with the United States Department of Justice.

- *\$78.8 million is included to continue the developmental and intellectual disability Medicaid waiver slots added over the course of the previous biennium.*
- *\$45.4 million is included to provide 750 new intellectual and developmental disability Medicaid waiver slots, including 175 slots designated for individuals discharged from state-operated training centers.*
- *\$8.4 million is provided for administration and quality management of the increased services provided pursuant to the agreement, including the upgrade of the state's licensing system.*
- *\$6.4 million is provided for a program of individual and family supports for those who are still on the wait list for waiver services.*
- *\$8.3 million is included to continue the expansion of crisis stabilization services for adults and children with developmental and/or intellectual disabilities (base = \$20.0 million).*

Maintain and improve commitments to health and human services . . .

Implementing the requirements of the settlement agreement with the United States Department of Justice = \$98.5 million

- *\$660,000 is provided for the independent reviewer designated by the agreement to provide an objective review of the Commonwealth's progress in implementing the agreement's requirements.*
- *\$2.8 million is provided for temporary funding for community supports for individuals transitioning out of the Northern Virginia Training Center, pending a study on the current waiver rates and structure.*
- *\$4.6 million is included to create support networks for those living in the community. These networks will provide access to dental, behavioral and other services as needed.*
- *\$50.3 million is provided for the costs associated with the closure of Southside Training Center and the continued downsizing of other state facilities. These costs include separation costs, minimal ongoing maintenance costs, and the cost of moving shared services from Southside to Central State Hospital.*
- *The cost of implementing the agreement is partially offset by a reduction in state facility budgets of \$104.3 million and a small balance expected at the end of FY 2014.*

Maintain and improve commitments to health and human services . . .

At \$674 million in additional funding, Medicaid is the largest growing program in the general fund budget.

- *Medicaid is projected to increase 6.6 percent in FY 2015 and 3.2 percent in FY 2016.*
- *Enrollment growth has slowed dramatically and is expected to increase about two to three percent a year.*
- *The main growth drivers are:*
 - ❑ *Continued growth in behavioral health services;*
 - ❑ *Rebasing and inflation increases for nursing homes (\$61 million GF);*
 - ❑ *Inflation increases for hospitals (\$51 million GF); and*
 - ❑ *Managed care rate increases of four percent a year.*
- *The introduced budget contains savings of about \$66 million, primarily from withholding hospital inflation and continuing prior year reductions for the teaching hospitals in FY 2015 only.*
- *The FAMIS and CHIP programs include savings of nearly \$55.7 million in FY 2016 due to the reduction in state match from 35 percent to 12 percent pursuant to the Affordable Care Act.*

Maintain and improve commitments to health and human services . . .

New adoption initiatives round out the Governor's commitment to improving programs for the less fortunate.

- ***Study impact of shifting to state administered adoption program*** - *This study will provide data necessary to determine the advantages and disadvantages of moving from a locally administered to a state run adoption program.*
- ***Negotiate adoption subsidies for local departments of social services***
 - ❑ Five state positions are provided to assume the responsibility for adoption subsidy negotiations = \$358,246 in FY 2015 and \$342,414 in FY 2016.
 - ❑ This provision will not change legal responsibilities of the local departments of social services or alter the rights of the adoptive parents.
 - ❑ This effort will increase the statewide consistency of adoption contracts and ease the burden on local departments.
- ***Provide foster care and adoption payments for young adults up to age 21***
 - ❑ \$1.9 million in FY 2016 is provided to expand foster care and adoption subsidies to age 21 per federal Fostering Connections provisions beginning in FY 2016.
 - ❑ \$100,000 in FY 2015 is also provided for the Department of Social Services to contract with a private entity to develop an implementation plan for this expansion.

Maintain and improve commitments to health and human services . . .

Increases to existing funding for child welfare services will enhance the adoption program

- *\$3.2 million in FY 2015 and \$3.2 million in FY 2016 is provided to cover the projected cost of providing foster care and adoption subsidy payments.*
- *An additional \$1.2 million in each year is provided to raise the family foster care maintenance payment amount by three percent beginning in FY 2015.*

Increased assistance to local governments round out the Governor's priorities . . .

Funding for Constitutional Officers

- *Career Development Programs - \$770,513 is provided each year to expand the programs. This funding is targeted for those individuals who have already qualified but have been waiting to participate in career development programs due to insufficient funding.*
 - ❑ Treasurers (\$12,303);
 - ❑ Deputy Treasurers (\$68,383);
 - ❑ Commissioners of the Revenue (\$132,509);
 - ❑ Deputy Commissioners of the Revenue (\$57,319);
 - ❑ Assistant Commonwealth's Attorneys (\$109,425);
 - ❑ Deputy Sheriffs (\$390,575).

- *Additional Funding for Assistant Commonwealth's Attorneys*
 - ❑ Salary increases - \$2.1 million each year to support the second phase of salary increases for Assistant Commonwealth's Attorneys to achieve a starting salary level of \$52,000 per year.

Increased assistance to local governments round out the Governor's priorities . . .

➤ *Additional funding for local sheriff's offices*

- ❑ Salary increases for deputies - Provided \$4.7 million each year for a two percent salary adjustment for entry level (grade 7 and 8) sheriff deputy positions working in a sheriff office or regional jail.
- ❑ 1:1,500 ratio - \$928,203 FY 2015 and \$2.1 million FY 2016 to support 29 law enforcement deputies in FY 2015 and 33 additional law enforcement deputies in FY 2016, for a total of 62 positions in FY 2016. These positions represent 25 percent and 50 percent of the necessary law enforcement deputies to meet the current requirement of 1:1,500 ratio.
- ❑ Jails - \$4.6 million in FY 2015 and \$7.8 million in FY 2016 to support the opening of Rappahannock/Shenandoah/Warren Regional Jail on October 1, 2014, and Southwest Virginia Regional Jail on November 1, 2014. Funding reflects a 3-month delay from those dates.
- ❑ \$1.5 million in FY 2015 and \$1.7 million FY 2016 for 48 temporary corrections officers for local and regional jails that are experiencing jail overcrowding issues.

➤ *Circuit Court Clerks Deputies*

- ❑ Salary increases are provided each year to support a four percent salary adjustment for Circuit Court Deputy Clerk I positions, and a two percent salary adjustment for Circuit Court Deputy Clerk II positions. Total \$430,789 each year.

Increased assistance to local governments round out the Governor's priorities . . .

Improve support to localities

- *HB 599 revenue sharing = \$21.3 million to provide financial assistance to localities with a qualified police department.*
- *Water Quality Improvement Fund*
 - ❑ \$19.8 million for agricultural programs;
 - ❑ \$6.6 million for local storm water and nonpoint source water projects;
 - ❑ \$800,000 will be used to support the Conservation Reserve Enhancement Program;
 - ❑ \$250,000 will be slated for implementation of forestry best management practices.
- *Water Quality Bond Projects = \$20 million for urban storm water*
- *Housing and Homelessness*
 - ❑ \$4 million in each year of the biennium for the Virginia Housing Trust Fund;
 - ❑ \$500,000 in each year of the biennium for the rapid re-housing program, which brings the total for the program to \$1 million in each year;
 - ❑ \$585,413 the first year and \$91,782 the second year to provide enhanced data collection on homelessness.

Summary of Proposed Capital

Capital Outlay – 2014 Caboose

- Covered cost adjustments for two pool projects presently funded for construction:
 - *George Mason Academic VII/Research III: \$20.0 million VCBA.*
 - *Virginia State University water distribution system: \$8.3 million VCBA.*
- Provided \$1.0 million VPBA for combined sewer/storm water overflow mitigation project in Alexandria.

Capital Outlay – 2014-16 Biennium

<p>Fund Maintenance Reserve <i>Addresses maintenance needs that are critical to continued use of buildings, systems, or equipment.</i> <i>Agency allocation equal to average of amounts derived from 1) agency's FY2014 proportionate share of total maintenance reserve funding, and 2) agency's proportionate share of total state square footage of facility space.</i></p>	<p>\$123.0 million VCBA/VPBA</p>
<p>Move critical projects to construction stage <i>Provides funding for projects primarily with life/safety and environmental issues.</i></p>	<p>\$104.5 million VPBA \$2.9 million GF</p>
<p>Fund planning from Central Capital Planning Fund <i>Funds pre-planning or detailed planning for 10 projects to refine project scope and provide better cost estimates for decision makers.</i></p>	<p>\$13.3 million NGF Dedicated Revenue</p>
<p>Fund equipment for previously authorized projects being completed in the 2014 - 2016 biennium or which are needed to maintain existing operational capability.</p>	<p>\$21.1 million VCBA/VPBA</p>
<p>Fund 13 projects at institutions of higher education with revenue bonds.</p>	<p>\$154.8 million 9(C) Bonds \$125.2 million 9(D) Bonds</p>
<p>Higher Education Equipment Trust Fund</p>	<p>\$128.4 million VCBA</p>

The introduced budget combines new revenues, savings, and spending to yield an unappropriated general fund balance of \$50.9 million . . .

General Fund Only

	FY 2015	FY 2016	Biennial Total
Revised Revenue Forecast			
Prior Year Balance	\$536.5	\$0.0	\$536.5
Additions to Balance	94.5	(0.5)	94.0
Revenues	17,686.1	18,373.4	36,059.5
Transfers	537.5	535.4	1,072.9
Total GF Resources	<u>\$18,854.7</u>	<u>\$18,908.3</u>	<u>\$37,763.0</u>
Proposed Expenditures			
Chapter 806 Base			
Operating	\$17,986.1	\$17,986.1	\$35,972.2
Capital	0.0	0.0	0.0
Total CH 806 Base	<u>\$17,986.1</u>	<u>\$17,986.1</u>	<u>\$35,972.2</u>
Proposed Amendments			
Operating	\$822.3	\$914.7	\$1,737.0
Capital	2.9	0.0	2.9
Total Proposed Amendments	<u>\$825.2</u>	<u>\$914.7</u>	<u>\$1,739.9</u>
Total of All Spending	\$18,811.3	\$18,900.8	\$37,712.1
Balance	\$43.4	\$7.5	\$50.9

*Amounts shown in millions

Summary of budget changes . . .

- All required spending has been met without tax increases.
- Savings strategies reprioritize discretionary spending to take advantage of continued government reform efforts.
- Key spending items include:
 - *Provide adequate funding for core services.*
 - *Increase liquidity to guard against future economic uncertainty and the potential impact of federal spending reductions.*
 - *Maintain commitment to fully fund requirements of the Virginia Retirement System.*
 - *Increase support for instructional spending in public education and continue investments in higher education.*
 - *Maintain and improve commitments to health and human services.*
 - *Continue support for local constitutional officers and law enforcement.*
- HB/SB 30 leaves a budgeted surplus in excess of \$50 million as an unappropriated balance.

Agency-level Enhancement: Executive Progress Reports

COMMONWEALTH OF VIRGINIA
TRANSPORTATION
EXECUTIVE PROGRESS REPORT
September 2013

Department
of Motor Vehicles

AT A GLANCE

Virginia's Department of Motor Vehicles promotes security, safety, and service through the administration of motor vehicle and tax-related laws.

Staffing: 1,787 Salaried Employees, 213 Wage Employees, 39 Contracted Employees, 2,038 Authorized

Financials: Budget FY 2014: \$228.5 million; 0.0% from the state's General Fund

Trends

- ◆ Number of Customers
- ➔ Revenue
- ◆ Information Technology Costs

Legend:

◆ Increase ◆ Decrease ◆ Steady

Key Performance Areas

- ◆ Percentage of safety belt usage
- ➔ Average wait time for customers conducting business in Customer Service Centers
- ➔ Number of traffic fatalities

Productivity

- ➔ Average cost per vehicle registration renewal

Legend:

- ◆ Improving ◆ Worsening
- ◆ Maintaining

For more information on agency plans and performance measures, go to www.vaperforms.virginia.gov

Background & History

The Department of Motor Vehicles (DMV) issues a wide variety of transportation and tax-related credentials and products for individuals, government agencies, and businesses. The agency collects state transportation revenues and enforces motor vehicle laws. Additionally, DMV actively works with localities, state agencies, higher education institutions, and non-profit organizations to address Virginia's most pressing highway safety issues through the use of federal transportation safety grants.

Primary Products & Services

DMV's most visible and widely used products and services include driver, vehicle, and motor carrier credentialing, and revenue collection. During fiscal year (FY) 2013, the agency:

- ◆ Conducted 9.9 million vehicle transactions,
- ◆ Conducted 3.1 million driver's transactions, and
- ◆ Collected \$2.2 billion in revenue.

DMV provides its services through a network of 75 customer service centers, five mobile customer service centers, 13 motor carrier service centers (i.e., weigh stations), 12 mobile and one satellite weigh stations, the agency website, and three customer contact centers located throughout Virginia. This includes DMV's innovative partnership with Fort Lee to open a customer service center on post, at no cost to the Commonwealth, to serve military members, families, and retirees. The agency also uses 57 DMV Select Agents who process specific vehicle transactions on behalf of DMV for a percentage of the transaction fee.

The agency anticipates providing the same types of products and services in the future, but will continue to make changes in how it delivers its products and services for several reasons including: changing requirements related to national security, customer demands for easier access to services, reduced funding levels, increased complexity in DMV's work, and technology advances that allow greater access to data coupled with a need for increased data security. DMV anticipates that an increasing number of products will be delivered by Preferred Service (primarily electronic) delivery channels.

Customer Base

The agency expects to see modest, but steady growth in its customer base as Virginia's population grows. Long term, the agency anticipates an increased reliance on technology to facilitate the completion of transactions with the public, especially as the public becomes more comfortable with technology. In addition, as the population of Virginia undergoes demographic changes, DMV must adapt and ensure its products and services meet our customers' needs.

CUSTOMERS	# OF CUSTOMERS	PROJECTED TREND IN # OF CUSTOMERS
Customers	8,021,074	Stable
- Government Agencies	674	Stable
- Grant Recipients	217	Stable
- Licensed Drivers	5,514,480	Increase
- Vehicle Owners (# of registered vehicles)	7,641,968	Stable
- Motor Carriers (Intrastate and Interstate)	45,817	Stable
- Tax Licensees	1,511	Stable
- Bill and Holders	135,988	Increase

➤ A concise, accessible document that more clearly communicates what an agency does, what it spends, its performance in key areas, and the most important issues and opportunities facing the agency.

- Key components include:
- *“At a Glance” information on finances, key trends, and performance*
 - *Background information on the agency's mission, customers, services, and finances*
 - *Key risk factors*
 - *A Management Discussion and Analysis section focusing on key initiatives and important operating issues*

➤ These short summaries (4 to 5 pages) are designed to enhance transparency and accountability and to help introduce new state leaders to important elements of state operations.

For More Details About Governor McDonnell's Introduced Budget

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

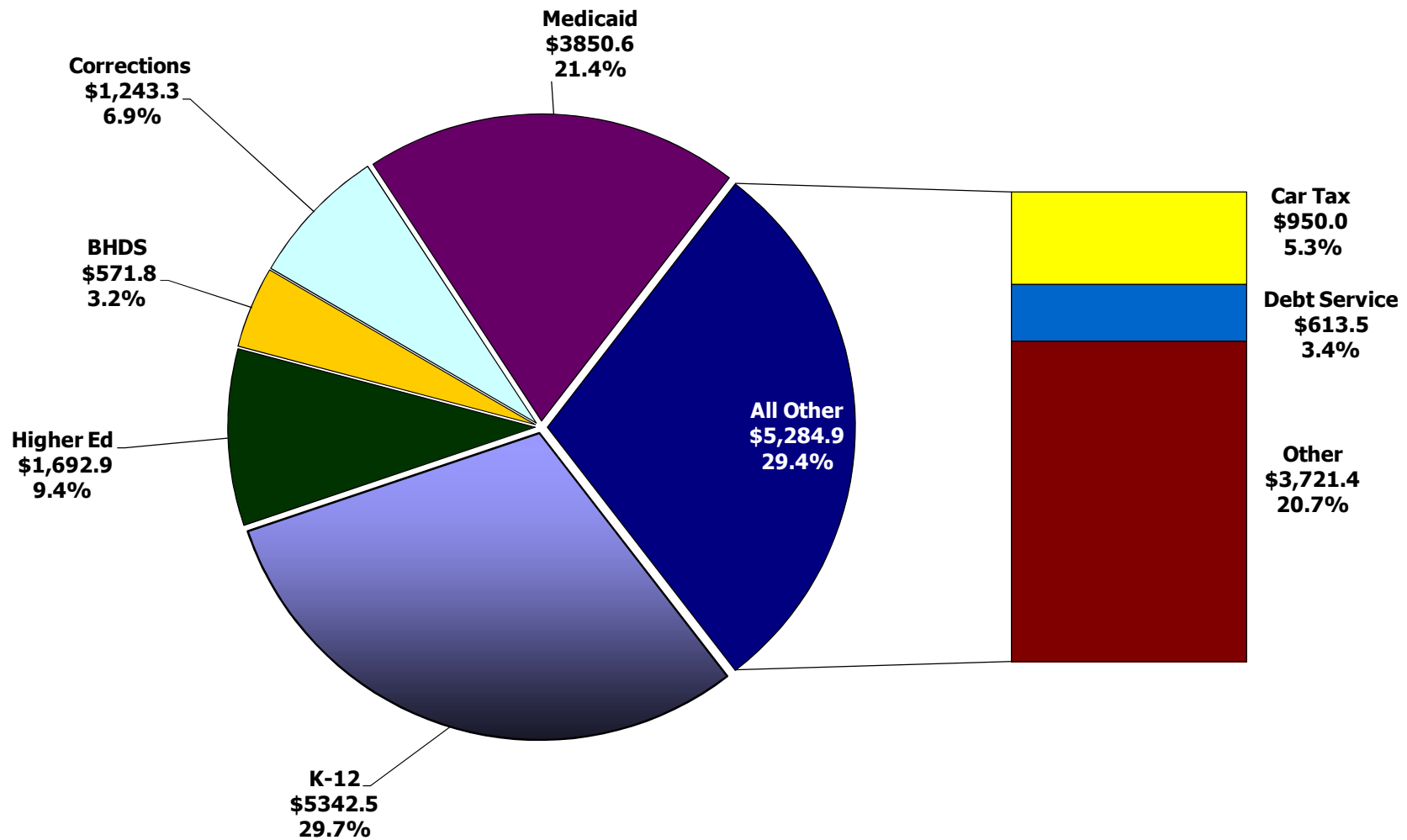
<http://dpb.virginia.gov/>

Appendix

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

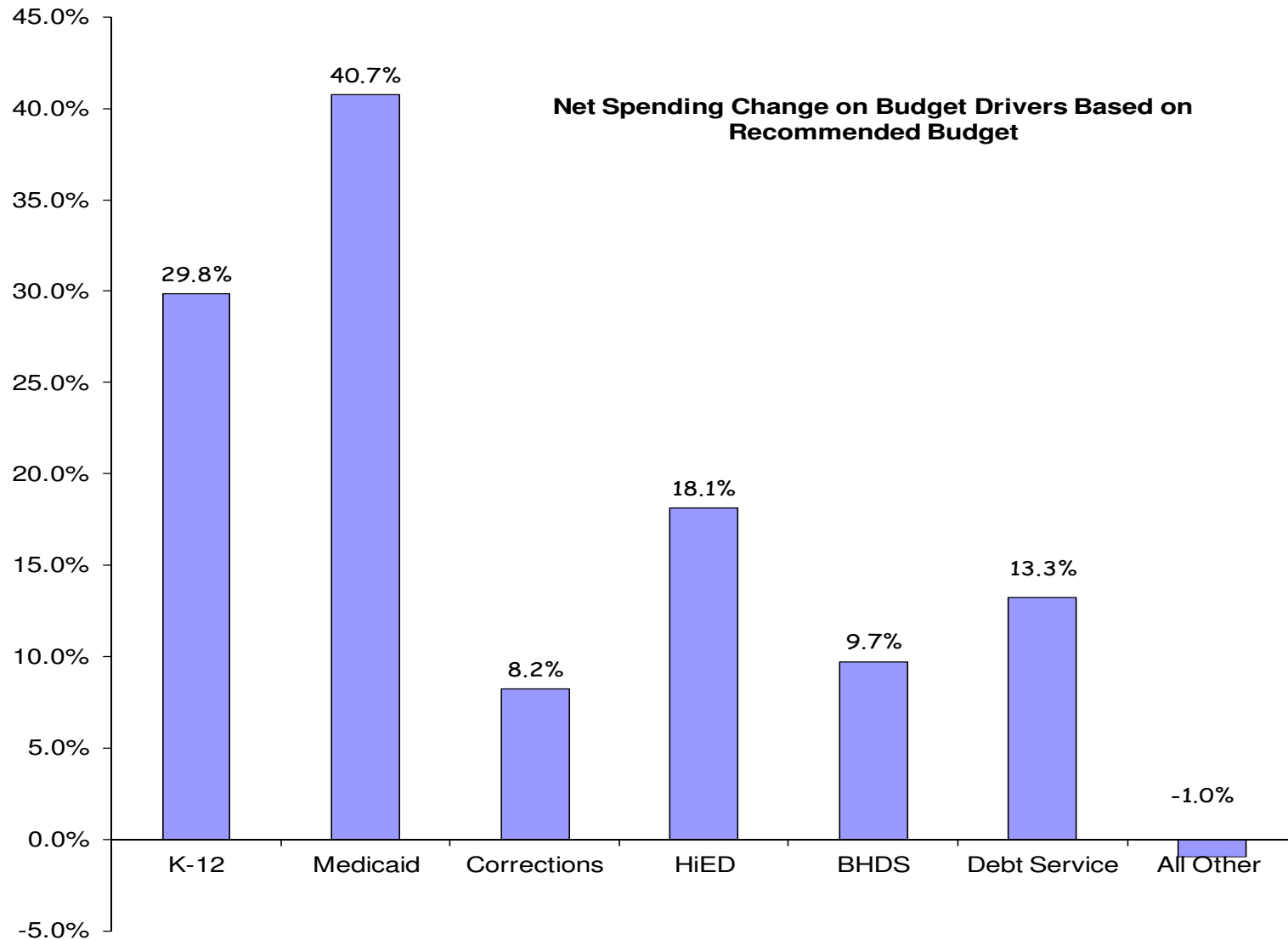
Summary of Changes in Budget Drivers

Five budget drivers make up 70.6 percent of the FY 2014 general fund budget in Chapter 806 . . .

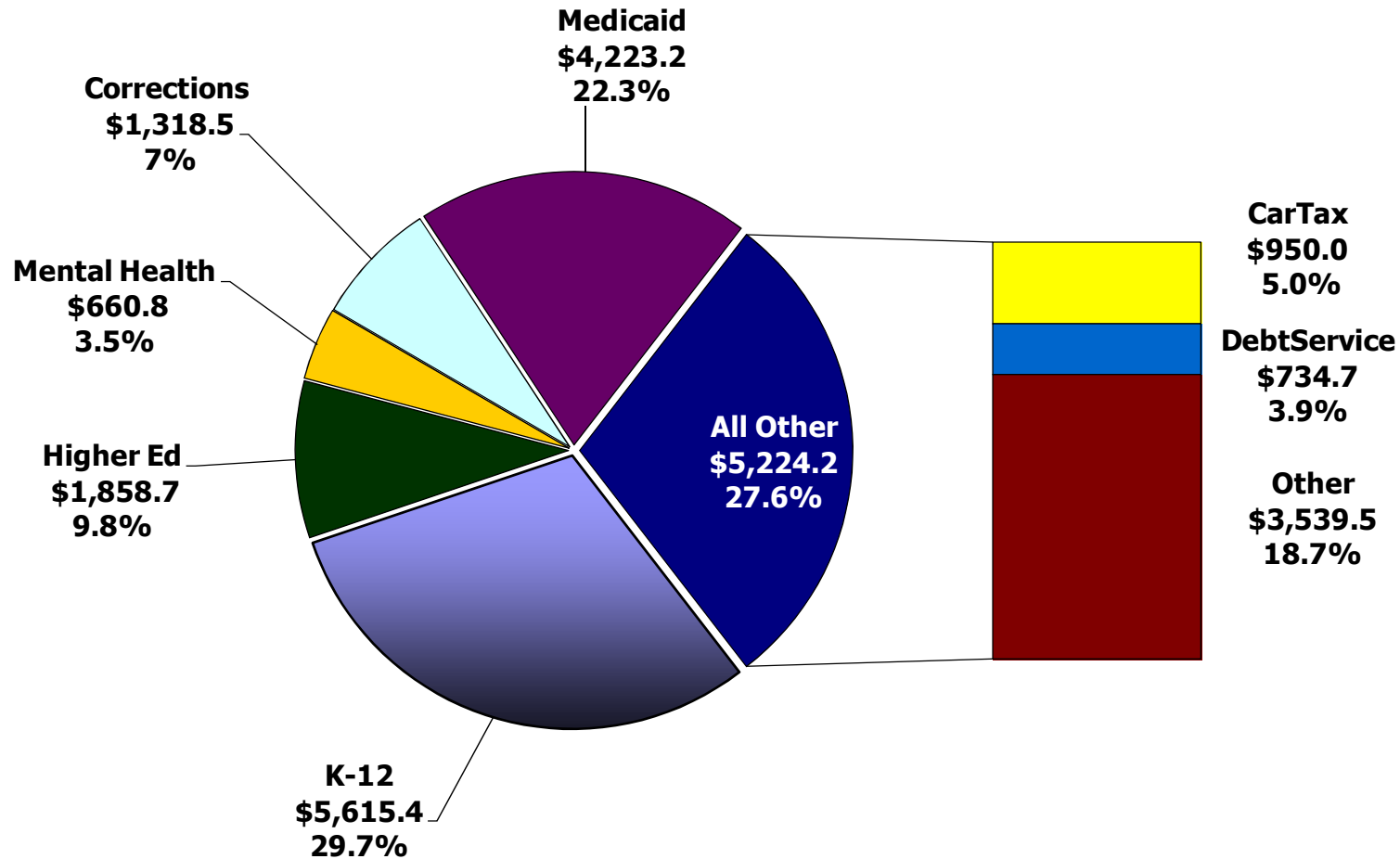


*Amounts shown in millions

Medicaid is the fastest growing general fund program in state government in the proposed budget . . .



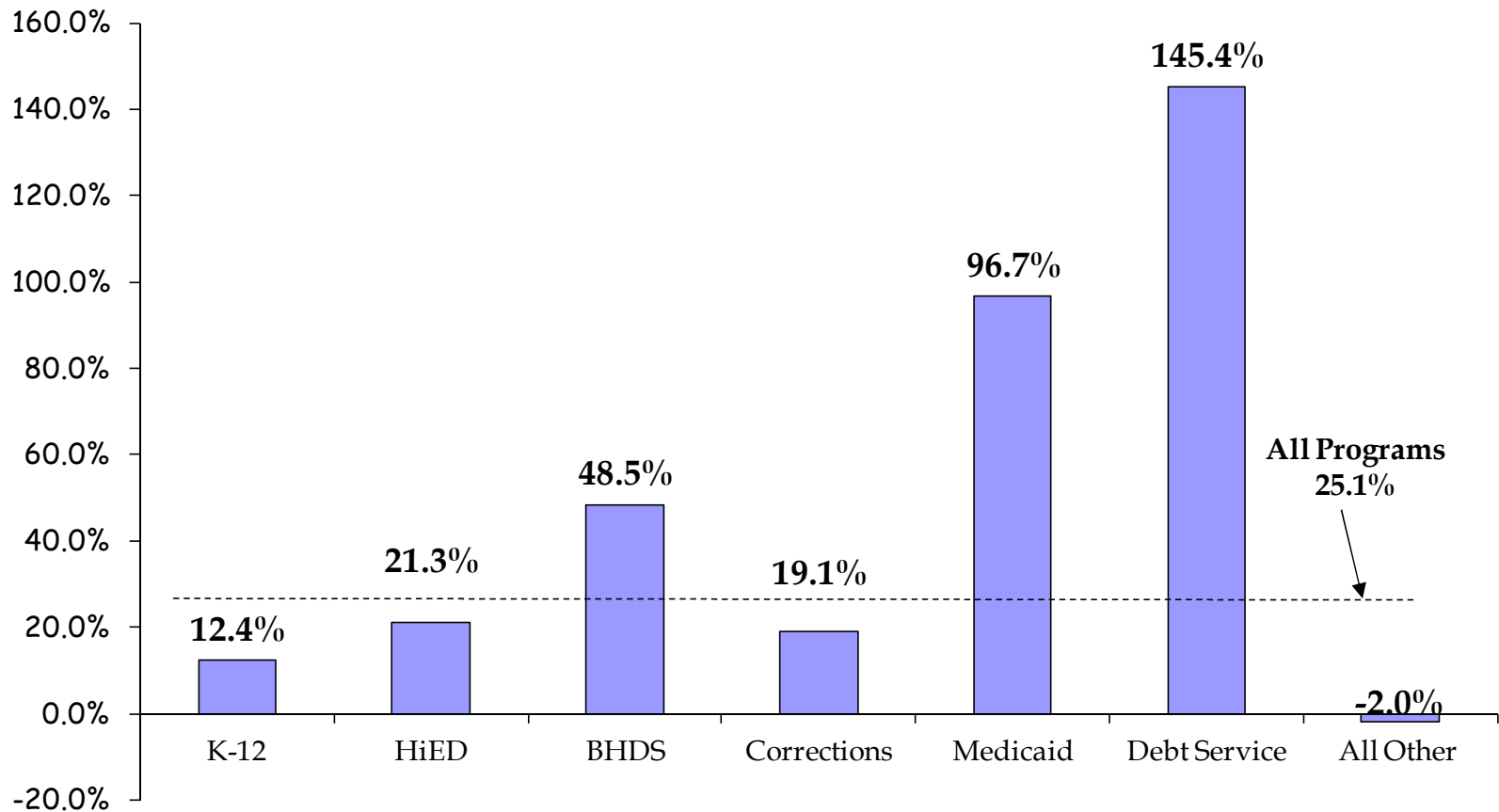
The same budget drivers account for 72.4 percent of the FY 2016 general fund in the introduced budget . . .



*Amounts shown in millions

The net change in general fund spending on budget drivers from FY 2006 to FY 2016 ranges from over 12 percent to more than 145 percent ...

Major Budget Drivers FY2006 - FY 2016



Summary of Changes by Secretarial Area

Most secretarial areas will experience a net increase in general fund operating appropriations . . .

	Base Budgets (Equivalent to Chapter 806, FY 2014)			Governor's Introduced Budget			Proposed General Fund Change					
	FY 2015	FY 2016	Biennial Total	FY 2015	FY 2016	Biennial Total	FY 2015		FY 2016		Biennial Total	
Legislative Department	\$ 72.1	\$ 72.1	\$ 144.1	\$ 75.6	\$ 73.7	\$ 149.3	\$ 3.56	4.9%	\$ 1.67	2.3%	\$ 5.23	3.6%
Judicial Department	\$ 424.2	\$ 424.2	\$ 848.3	\$ 445.4	\$ 446.0	\$ 891.3	\$ 21.20	5.0%	\$ 21.79	5.1%	\$ 42.99	5.1%
Executive Offices	\$ 31.1	\$ 31.1	\$ 62.2	\$ 32.8	\$ 32.9	\$ 65.7	\$ 1.71	5.5%	\$ 1.77	5.7%	\$ 3.48	5.6%
Office of Administration	\$ 644.7	\$ 644.7	\$ 1,289.4	\$ 682.6	\$ 687.1	\$ 1,369.7	\$ 37.87	5.9%	\$ 42.43	6.6%	\$ 80.30	6.2%
Office of Agriculture and Forestry	\$ 46.5	\$ 46.5	\$ 93.0	\$ 51.2	\$ 51.8	\$ 103.0	\$ 4.71	10.1%	\$ 5.35	11.5%	\$ 10.06	10.8%
Office of Commerce and Trade	\$ 182.7	\$ 182.7	\$ 365.5	\$ 185.3	\$ 199.3	\$ 384.6	\$ 2.57	1.4%	\$ 16.56	9.1%	\$ 19.13	5.2%
Office of Education	\$ 7,176.9	\$ 7,176.9	\$ 14,353.9	\$ 7,575.5	\$ 7,621.8	\$ 15,197.4	\$ 398.59	5.6%	\$ 444.90	6.2%	\$ 843.49	5.9%
Office of Finance	\$ 2,063.8	\$ 2,063.8	\$ 4,127.7	\$ 2,050.9	\$ 1,914.8	\$ 3,965.7	\$ (12.97)	-0.6%	\$ (149.00)	-7.2%	\$ (161.97)	-3.9%
Office of Health & Human Resources	\$ 5,239.4	\$ 5,239.4	\$ 10,478.8	\$ 5,576.5	\$ 5,726.1	\$ 11,302.6	\$ 337.08	6.4%	\$ 486.73	9.3%	\$ 823.81	7.9%
Office of Natural Resources	\$ 97.5	\$ 97.5	\$ 195.0	\$ 134.9	\$ 103.7	\$ 238.5	\$ 37.34	38.3%	\$ 6.14	6.3%	\$ 43.47	22.3%
Office of Public Safety	\$ 1,691.2	\$ 1,691.2	\$ 3,382.5	\$ 1,789.9	\$ 1,804.4	\$ 3,594.3	\$ 98.69	5.8%	\$ 113.14	6.7%	\$ 211.83	6.3%
Office of Technology	\$ 10.8	\$ 10.8	\$ 21.7	\$ 13.9	\$ 13.9	\$ 27.8	\$ 3.07	28.3%	\$ 3.08	28.4%	\$ 6.15	28.3%
Office of Transportation	\$ 42.0	\$ 42.0	\$ 84.0	\$ 42.7	\$ 49.6	\$ 92.3	\$ 0.67	1.6%	\$ 7.64	18.2%	\$ 8.32	9.9%
Office of Veterans Affairs and Homeland Security	\$ 10.9	\$ 10.9	\$ 21.8	\$ 12.3	\$ 12.1	\$ 24.5	\$ 1.43	13.1%	\$ 1.25	11.5%	\$ 2.68	12.3%
Central Appropriations	\$ 251.0	\$ 251.0	\$ 502.0	\$ 137.8	\$ 162.3	\$ 300.1	\$ (113.21)	-45.1%	\$ (88.72)	-35.3%	\$ (201.93)	-40.2%
Independent Agencies	\$ 1.2	\$ 1.2	\$ 2.4	\$ 1.2	\$ 1.2	\$ 2.4	\$ 0.00	0.0%	\$ 0.00	0.0%	\$ 0.00	0.0%
Total Operating Appropriations	\$17,986.1	\$17,986.1	\$ 35,972.2	\$18,808.4	\$18,900.8	\$ 37,709.2	\$ 822.31	4.6%	\$ 914.72	5.1%	\$1,737.02	4.8%

*Amounts shown in millions

Education Secretariat accounts for the majority of the increase in position levels in the proposed budget for FY 2016 . . .

Secretarial Area	FY 2014 FTE (Chapter 806)	FY 2016 FTE (HB/SB Introduced)	Proposed Net Changes FY 2016
Legislative Department	608.0	608.0	0.0
Judicial Department	3,362.7	3,362.7	0.0
Executive Offices	507.0	510.0	3.0
Office of Administration	859.5	835.5	-24.0
Office of Agriculture and Forestry	794.0	817.0	23.0
Office of Commerce and Trade	1,669.0	1,693.5	24.5
Office of Education	56,911.4	57,490.8	579.4
Office of Finance	1,279.0	1,298.0	19.0
Office of Health & Human Resources	16,647.3	15,762.3	-885.0
Office of Natural Resources	2,180.0	2,180.0	0.0
Office of Public Safety	20,213.5	20,128.0	-85.5
Office of Technology	299.0	282.0	-17.0
Office of Transportation	9,784.0	9,784.0	0.0
Homeland Security	682.0	690.0	8.0
Central Appropriations	0.0	0.0	0.0
Independent Agencies	1,687.1	1,691.0	3.9
Grand Total	117,483.5	117,132.8	-350.7

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