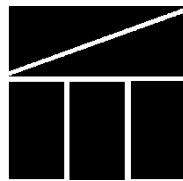


**Governor McAuliffe's Proposed Biennial Budget
for the 2014-2016 Biennium
HB/SB 5003**

March 24, 2014



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Director

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Overview of Available Resources

The starting point for HB/SB 5003 is HB/SB 30 as introduced to the 2014 General Assembly . . .

HB/SB 30 as Introduced by Governor McDonnell General Fund Only

	FY 2015	FY 2016	Biennial Total
Revised Revenue Forecast			
FY 2014 Year-End 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

General fund balances must be adjusted for changes anticipated in the ending balance of the prior year and for proposed changes in the next biennium . . .

Beginning Balance

HB/SB 30 Beginning Balance	\$ 536,534,680
Adjust for change in HB 5001 Ending Balance	(57,891,302)
HB/SB 5003 Revised Beginning Balance	<u><u>\$ 478,643,378</u></u>

Adjustments to Balances

	FY 2015	FY 2016
Judicial balances	\$ 750,000	\$ 750,000
Indigent Defense Commission	300,000	300,000
	<u><u>\$ 1,050,000</u></u>	<u><u>\$ 1,050,000</u></u>

Revenues are adjusted for the revised forecast and for legislation that was passed during the 2014 regular session . . .

<u>Adjustments to Revenue</u>	FY 2015	FY 2016
February Revenue Reforecast	\$ (15,000,000)	\$ -
Use of mobile applications by TAX	1,700,000	3,500,000
Accelerate due date for employer withholding	234,000	468,000
Motion Picture Tax Credit (HB 460)	(10,000,000)	(10,000,000)
R&D Tax Credit (HB 1220, SB 623)	(1,000,000)	(1,000,000)
Zapper Bill - Visual Audits (SB 611)	300,000	600,000
Sales Tax on Satellite TV (SB 100)	9,560,000	9,560,000
Revenue Compliance Initiative	2,400,000	3,000,000
Education Scholarship Credits	5,000,000	5,000,000
Circuit Court Fee Policy	939,000	939,000
Adjust Amazon Sales Tax	5,300,000	7,300,000
APA in-house Collection Recommendation	-	1,000,000
Firearms Transaction fee	935,821	935,821
Total Additional Revenues	\$ 368,821	\$ 21,302,821

Additional transfers add \$19.4 million to the available resources . . .

Adjustments to Transfers	FY 2015	FY 2016
Additional ABC Profits	\$ 3,500,000	\$ 6,600,000
SCC Transfer	3,000,000	3,000,000
Sales Tax (SB 100 & Amazon)	1,560,000	1,760,000
Total Additional Transfers	\$ 8,060,000	\$ 11,360,000

After all adjustments are made, total available general fund resources equal \$37,748.3 million . . .

	General Fund Only		
	FY 2015	FY 2016	Biennial Total
	<hr/>	<hr/>	<hr/>
Revised Revenue Forecast			
FY 2014 Year-End Balance	\$478.6	\$0.0	\$478.6
Additions to Balance	95.6	0.6	96.1
Revenues	17,686.5	18,394.7	36,081.2
Transfers	545.6	546.8	1,092.4
Total GF Resources	<u>\$18,806.3</u>	<u>\$18,942.0</u>	<u>\$37,748.3</u>

Summary of Proposed Operating Spending Changes

Proposed Savings

HB/SB 5003 includes a variety of proposed savings measures taken against the spending levels in HB/SB 30 as introduced . . .

Executive Amendment Savings

197: Direct Aid to Public Education	Provide Literary Fund loans for school construction	(\$35,000,000)	\$5,000,000
995: Central Appropriations	Adjust Agency VITA estimates	(\$1,738,071)	(\$3,562,457)
	Subtotal of Executive Amendment Savings	(\$36,738,071)	\$1,437,543

Savings Amendments to Meet Revenue Reduction

312: Economic Development Incentive Payments	Delay funding for certain project grant payments	\$0	(\$5,500,000)
185: Secretary of Education	Take uncommitted funding for laboratory schools	(\$600,000)	\$0
162: Department of Accounts Transfer Payments	Update Revenue Stabilization Fund Required Deposit for mid-session revenue reforecast	\$0	(\$59,885,846)
	Subtotal of Savings to Meet Revenue Reduction	(\$600,000)	(\$65,385,846)

Total non-Medicaid savings amendments provide \$204 million in additional resources for spending . . .

New Proposed Savings Amendments

197: Direct Aid to Public Education	Reduce strategic compensation funding	(\$5,000,000)	(\$7,500,000)
197: Direct Aid to Public Education	Account for additional lottery revenues	(\$10,000,000)	(\$10,000,000)
201: Department of Education, Central Office Operations	Account for reduced Standards of Learning testing	(\$2,900,000)	(\$2,900,000)
920: Opportunity Educational Institution	Reduce funding for the Opportunity Educational Institution	(\$450,000)	(\$450,000)
155: Treasury Board	Capture debt service savings	(\$5,300,000)	(\$8,000,000)
602: Department of Medical Assistance Services	Adjust funding for Involuntary Mental Commitment fund	(\$347,626)	(\$46,234)
602: Department of Medical Assistance Services	Adjust revenues to the Virginia Health Care Fund	(\$311,066)	(\$5,137,349)
602: Department of Medical Assistance Services	Eliminate funding for prepayment of a federal disallowance	(\$24,445,885)	\$0
602: Department of Medical Assistance Services	Adjust forecast for indigent care changes	(\$4,503,329)	(\$4,842,909)
407: Virginia Port Authority	Remove general fund support related to dredging	\$0	(\$6,500,000)
995: Central Appropriations	Delay salary increase for high turnover job roles for 6 months	(\$3,868,838)	\$0
	Subtotal for New Proposed Savings Amendments	(\$57,126,744)	(\$45,376,492)
	TOTAL FOR NON-MEDICAID SAVINGS AMENDMENTS	(\$94,464,815)	(\$109,324,795)

Net savings from Medicaid pilot provide \$225 million in resources . . .

Medicaid Pilot Amendments

790: Grants to Localities	Reflect Medicaid expansion savings at Community Services Boards	(\$8,500,410)	(\$29,144,262)
602: Department of Medical Assistance Services	Reflect savings for the involuntary mental commitment fund from Medicaid Expansion	(\$526,112)	(\$1,302,286)
602: Department of Medical Assistance Services	Reflect additional woodwork costs for FAMIS from Medicaid expansion	\$483,307	\$776,121
602: Department of Medical Assistance Services	Reflects savings for indigent care and other public coverage programs resulting from Medicaid Expansion	(\$53,125,686)	(\$121,618,603)
602: Department of Medical Assistance Services	Fund additional woodwork costs for the Medicaid children's health insurance program from Medicaid expansion	\$135,019	\$216,337
602: Department of Medical Assistance Services	Fund administrative costs related to the expansion of Medicaid	\$15,539,457	\$13,163,607
765: Department of Social Services	Fund administrative costs of expanding Medicaid	\$2,934,706	\$708,125
799: Department of Corrections	Capture savings resulting from Medicaid expansion	(\$14,576,472)	(\$30,435,674)
	TOTAL FOR MEDICAID PILOT AMENDMENTS	(\$57,636,191)	(\$167,636,635)

Proposed Spending

Spending in HB/SB 5003 includes the Executive Amendments requested by Governor McAuliffe during the 2014 regular session . . .

Executive Amendments

Agency	Title	FY 2015	FY 2016
260: Virginia Community College System	Provide funding to reflect rent plan changes at the seat of government	\$214,115	\$443,420
197: Direct Aid to Public Education	Double funding for Jobs for Virginia Graduates initiative	\$373,776	\$373,776
197: Direct Aid to Public Education	Provide partial hold harmless funding for school divisions	\$3,252,557	\$0
197: Direct Aid to Public Education	Adjust funding to account for revised retirement rates	\$2,315,431	\$2,233,331
197: Direct Aid to Public Education	Provide partial Cost of Competing Adjustment (COCA) for support positions	\$5,389,054	\$0
720: Department of Behavioral Health and Developmental Services	Fund full year of Supports Intensity Scale assessments for ID/DD Medicaid waiver recipients	\$663,750	\$0
765: Department of Social Services	Plan for the replacement of child welfare and adult services information technology systems	\$850,000	\$0

Executive amendments total \$18 million . . .

Executive Amendments - continued

Agency	Title	FY 2015	FY 2016
440: Department of Environmental Quality	Provide appropriation for membership dues to the Interstate Commission on the Potomac River Basin	\$151,500	\$151,500
123: Department of Military Affairs	Additional funding for STARS radio equipment	\$240,000	\$0
140: Department of Criminal Justice Services	Additional funding for Court Appointed Special Advocates	\$100,000	\$100,000
156: Department of State Police	Provide additional funding for gasoline purchases to meet operational needs of the Department.	\$500,000	\$500,000
995: Central Appropriations	Remove proposed savings strategies for Jamestown-Yorktown Foundation	\$61,000	\$61,000
	Subtotal for Executive Amendments	\$14,111,183	\$3,863,027

The new spending increases proposed in HB/SB 5003 focus on four major objectives . . .

- From Medicaid Pilot savings:
 - *Provide \$100 million reserve for future costs associated with Medicaid expansion.*
 - *Provide \$76 million revenue reserve which, if not needed, will be used for payment to the Virginia Retirement System. This amount is equivalent to the difference between the funded retirement rates in FY 2016 (80 percent of the actuarial recommended rate) and 100 percent of the actuarial recommended rate.*
- From the remaining savings:
 - *Provide two percent pay increase for state supported positions effective Spring of 2015. Includes all state employees, state supported local law enforcement, Constitutional Officers, all state-supported local school employees, and state supported local health and social service employees.*
 - *Provide \$17 million to assist localities with Line of Duty payments.*

These four objectives lead total new spending . . .

New Spending Amendments

Agency	Title	FY 2015	FY 2016
995: Central Appropriations	Provide two percent employee salary increase	\$36,435,253	\$163,070,361
995: Central Appropriations	Fund Medicaid reserve account	\$50,000,000	\$50,000,000
995: Central Appropriations	Provide revenue reserve for employer retirement contributions	\$0	\$76,316,125
995: Central Appropriations	Review Line of Duty Act funding	\$0	\$17,000,000
107: Division of Legislative Services	Provide funding for the Virginia Conflict of Interest Advisory Council	\$300,000	\$300,000
132: Department of Elections	Fund advertising of a Constitutional amendment related to real property tax exemption for spouses of soldiers killed in action	\$131,150	\$0
312: Economic Development Incentive Payments	Provide support to host an international athletic competition in 2015	\$1,000,000	\$0
312: Economic Development Incentive Payments	Re-establish Biofuels Production Fund	\$1,500,000	\$1,500,000
320: Virginia Tourism Authority	Provide funding to support tourism with China	\$400,000	\$400,000
409: Department of Mines, Minerals and Energy	Provide funding to include carbon dioxide emissions regulation analysis in the Virginia Energy Plan	\$200,000	\$0

In addition to salary increases for all state supported school employees, public schools receive additional new funding . . .

New Spending Amendments - continued

Agency	Title	FY 2015	FY 2016
197: Direct Aid to Public Education	Increase funding for extended school year program	\$2,400,000	\$2,400,000
197: Direct Aid to Public Education	Account for anticipated sales tax increase	\$1,963,925	\$2,256,126
197: Direct Aid to Public Education	Adjust SOQ funding for formula update related to Radford student transportation	\$278,570	\$285,029
197: Direct Aid to Public Education	Update composite index based on revised data	\$81,436	\$49,789
197: Direct Aid to Public Education	Adjust pre-K funding to hold harmless available local slots	\$3,631,045	\$3,778,908
202: The Library Of Virginia	Increase aid to local libraries	\$500,000	\$500,000
161: Department of Taxation	Additional tax compliance audit position	\$145,000	\$145,000

Health and human services programs also receive additional new funding . . .

New Spending Amendments - continued

Agency	Title	FY 2015	FY 2016
720: Department of Behavioral Health and Developmental Services	Add positions at central office for temporary detention bed search	\$245,865	\$264,416
720: Department of Behavioral Health and Developmental Services	Fund acute psychiatric bed registry	\$111,715	\$121,871
790: Grants to Localities	Increase number of crisis intervention drop-off centers	\$1,200,000	\$1,500,000
792: Mental Health Treatment Centers	Increase number of temporary detention beds at state facilities	\$4,445,663	\$4,070,663
262: Department for Aging and Rehabilitative Services	Increase funding for brain injury services	\$350,000	\$350,000
262: Department for Aging and Rehabilitative Services	Restore funding for centers for independent living	\$306,866	\$306,866
262: Department for Aging and Rehabilitative Services	Add funding for long-term employment support services	\$500,000	\$500,000
765: Department of Social Services	Increase funding for domestic violence grants	\$500,000	\$500,000
765: Department of Social Services	Increase funding for community action agencies	\$0	\$500,000
765: Department of Social Services	Increase funding for Northern Virginia Family Services	\$750,000	\$0

Executive and new spending amendments total \$460 million for the biennium . . .

New Spending Amendments - continued

Agency	Title	FY 2015	FY 2016
423: Department of Historic Resources	Provide additional funding for Civil War Battlefield Preservation	\$1,000,000	\$0
140: Department of Criminal Justice Services	Increase funding for sexual violence prevention and services	\$500,000	\$500,000
156: Department of State Police	Add eight positions to the Firearms Transaction Program	\$540,210	\$540,210
777: Department of Juvenile Justice	Provide mental health professionals to selected juvenile court service units	\$800,000	\$800,000
184: Secretary of Technology	Fund autonomous systems development and testing	\$1,000,000	\$0
454: Secretary of Veterans Affairs and Homeland Security	Mitigate adverse impacts on military operations	\$1,000,000	\$0
912: Department of Veterans Services	Increase support for the Virginia Wounded Warrior Program	\$350,000	\$350,000
995: Central Appropriations	Provide funding for cabinet operations	\$600,000	\$600,000
995: Central Appropriations	Restore Planning District Commission Reduction	\$70,000	\$70,000
	Subtotal for New Spending Amendments	\$113,236,698	\$328,975,364
	TOTAL SPENDING AMENDMENTS	\$127,347,881	\$332,838,391

Summary of Proposed Capital

HB/SB 5003 adds minimal new capital outlay to the 2014-16 Biennium projects included in HB/SB 30 as introduced . . .

<p>Move critical projects to construction stage <i>Provides bond funding to address combined sewer overflow issues in Alexandria (\$1 million) and to offset nongeneral fund shortfall in George Mason project (\$20 million).</i></p>	<p>\$1.0 million VPBA \$20 million VCBA</p>
<p>Equip Culpeper Correctional Facility <i>Language to transfer uncommitted and unneeded funding from existing capital projects to address equipping and retrofitting the Culpeper facility being transferred from DJJ to DOC.</i></p>	

HB/SB 5003 combines changes in revenues, savings, and spending leaving an unappropriated general fund balance of \$5.1 million . . .

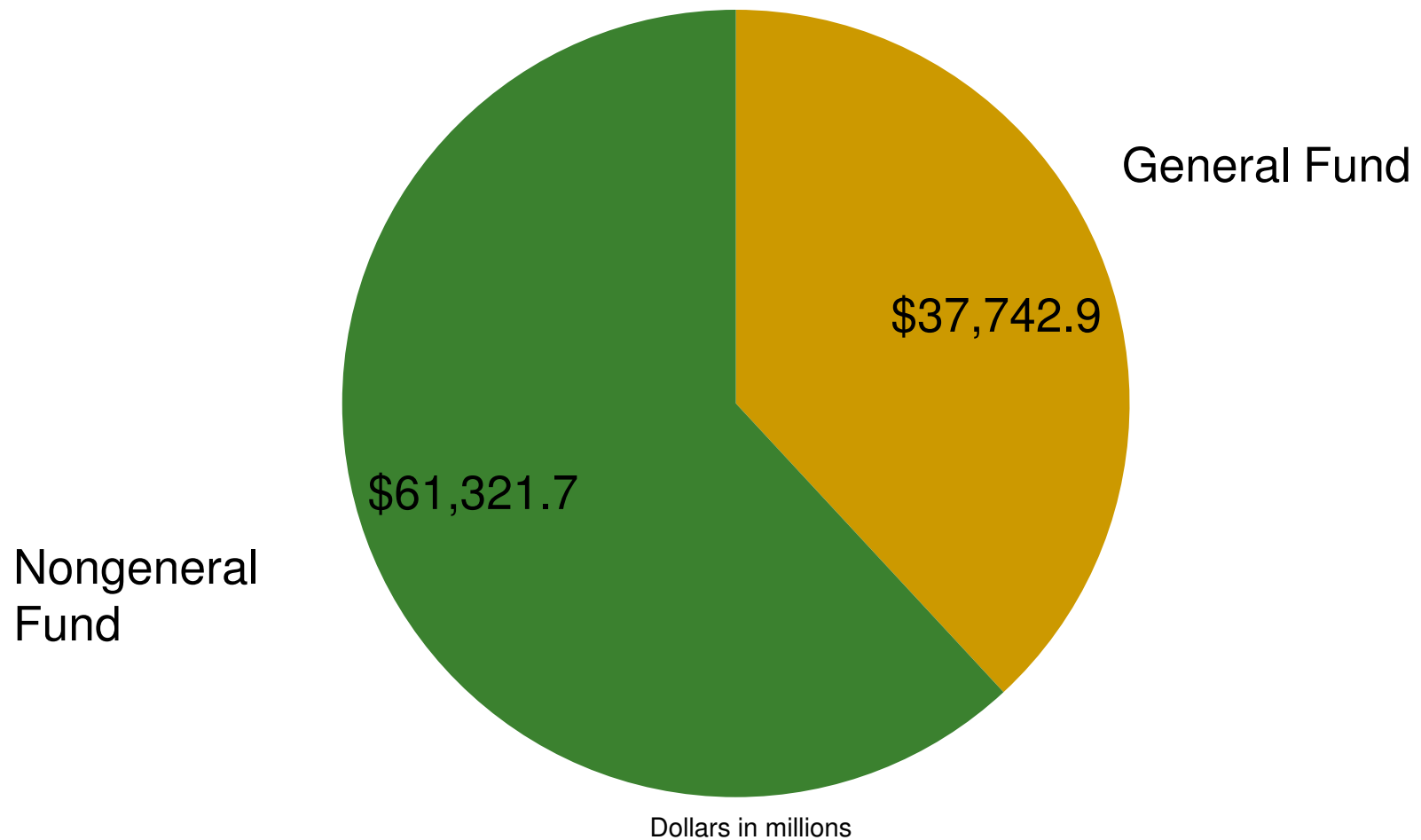
General Fund Only			
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Revised Revenue Forecast			
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Additions to Balance	95.6	0.6	96.1
Revenues	17,686.5	18,394.7	36,081.2
Transfers	545.6	546.8	1,092.4
Total GF Resources	<u>\$18,806.3</u>	<u>\$18,942.0</u>	<u>\$37,748.3</u>
Proposed Expenditures			
<u>HB/SB 30 as introduced - base</u>			
Operating	\$18,808.4	\$18,900.8	\$37,709.2
Capital	2.9	0.0	2.9
Total CH 806 Base	<u>\$18,811.3</u>	<u>\$18,900.8</u>	<u>\$37,712.1</u>
<u>Proposed Amendments</u>			
Operating	(\$24.8)	\$55.9	\$31.1
Capital	0.0	0.0	0.0
Total Proposed Amendments	<u>(\$24.8)</u>	<u>\$55.9</u>	<u>\$31.1</u>
Total of All Spending	\$18,786.5	\$18,956.7	\$37,743.2
Balance	\$19.7	(\$14.7)	\$5.1

*Amounts shown in millions

Summary of budget changes . . .

- All required spending has been met without tax increases.
- Savings strategies reprioritize discretionary spending.
- The impact of legislation with significant fiscal impact passed during the 2014 regular session has been included.
- Key spending items include:
 - *Provide two percent pay increase for state supported positions effective Spring of 2015.*
 - *Provide \$100 million reserve for future costs associated with Medicaid expansion.*
 - *Provide \$76 million reserve for payment to the Virginia Retirement System.*
 - *Provide \$17 million to assist localities with Line of Duty payments.*
- HB/SB 5003 leaves an unappropriated balance of \$5.1 million.

The total biennial appropriations in HB/SB 5003 reach \$99.1 billion . . .



For More Details About Governor McAuliffe's Introduced Budget HB/SB 5003

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

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