



Proposed Amendments to the 2018-2020 Biennial Budget: House Bill 1700

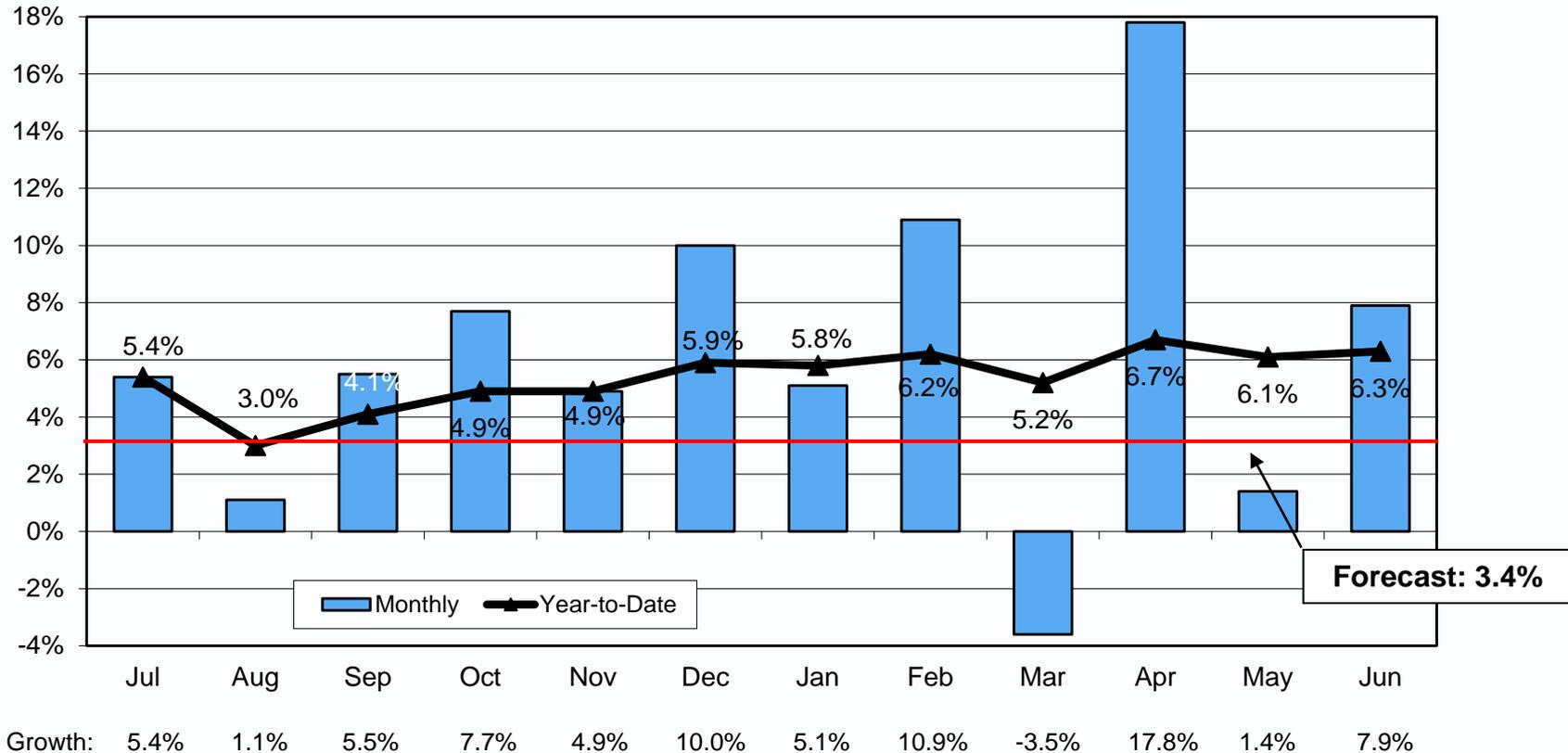
House Appropriations Committee

January 9, 2019



Fiscal Year 2018 General Fund Revenue Grew 6.3% Compared to Forecast of 3.4% Growth

Growth in Total General Fund Revenue Collections FY18 Monthly and Year-to-Date



- Total general fund revenue collections exceeded the forecast by \$552.6 million, excluding transfers in fiscal year 2018, a forecast variance of 2.9 percent

Including Transfers, Fiscal Year 2018 General Fund Resources Grew 6.0% and Finished \$555.5 Million Above Forecast

Summary of Fiscal Year 2018 Revenue Collections (millions of dollars)

Major Sources	As a % of Total General Fund				% Growth Over FY 17	
		Official	Actual	Change	Official	Actual
Withholding	61.5%	\$12,313.3	\$12,540.5	\$227.2	3.5 %	5.4 %
Nonwithholding	15.6	3,147.3	3,472.9	325.6	4.3	15.1
Refunds	(9.6)	(1,968.7)	(1,907.6)	61.1	5.8	2.5
Net Individual	67.5%	\$13,491.9	\$14,105.8	\$613.9	3.4 %	8.1 %
Sales	17.4%	\$3,458.2	\$3,461.8	\$3.6	3.0 %	3.1 %
Corporate	4.3	874.0	861.9	(12.1)	5.7	4.2
Wills (Recordation)	2.0	407.2	394.9	(12.3)	3.3	0.1
Insurance	1.8	362.1	337.9	(24.2)	6.2	(0.9)
All Other Revenue	3.7	734.8	718.5	(16.3)	1.6	(0.6)
Total Revenue	96.6%	\$19,328.2	\$19,880.8	\$552.6	3.4 %	6.3 %
A.B.C. Profits	0.6	\$104.1	\$109.5	\$5.4	(5.8) %	(0.9) %
Sales Tax (0.375%)	1.9	379.1	376.6	(2.5)	3.6	2.9
Transfers	0.9	142.1	142.2	0.1	(19.7)	(19.6)
Total Transfers	3.4%	\$625.3	\$628.3	\$3.0	(4.3) %	(3.8) %
TOTAL GENERAL FUND	100.0%	\$19,953.5	\$20,509.0	\$555.5	3.1 %	6.0 %

Fall Reforecasting Process

- Joint Advisory Board of Economists (JABE) met October 11th
 - The September standard forecast was a bit stronger than the standard outlook adopted last year
 - 10 members voted for the standard, 4 members thought that Virginia would do better than the standard in the short-term, no members voted for the pessimistic forecast
- Governor's Advisory Council on Revenue Estimates (GACRE) met November 19 and members evaluated JABE recommendations, revenue collections through October, and the associated revenue forecasts for the FY18-20 biennium
- Revisions to the Official forecast were submitted with the Governor's proposed amendments to Chapter 2 on December 18
 - Compared to the Official forecast, the revised economic forecast added an additional \$548.2 million in GF revenues over the biennium based on updated economic forecasts and year-to-date collections
 - This includes the GACRE forecast as well as a subsequent increase of \$70.0 million each year in withholding tax collections

December Revenue Forecast

- The final December revenue forecast reflects updates to the economic forecast and actual FY 2018 revenues, and also assumes almost \$1.3 billion in additional revenues from tax policy changes
 - Limited Time provisions which expire after 2025 total \$950.9 million over biennium
 - Permanent Provisions total \$254.4 million over biennium
- The assumed tax policy revenues – and spending thereof – are included in the Governor’s amendments
 - Governor reports that the funding associated with limited time provisions are used only for limited time, not ongoing spending proposals
- The tax policy assumptions are summarized on the following slide and described in detail thereafter

Impact of Tax Policy Adjustments on Revenues Assumed in HB 1700

Proposed Tax Policy Changes (\$ in millions)	FY 2019	FY 2020	Biennial
Assume Conformity with federal TCJA – Permanent Provisions	\$76.9	\$177.5	\$254.4
Assume Conformity with federal TCJA – Provisions which expire after 2025	517.3	433.6	950.9
Adopt legislation authorizing collection of sales tax from remote sellers – GF unrestricted	0.0	55.3	55.3
Adopt legislation authorizing collection of sales tax from remote sellers – GF restricted for K-12	0.0	27.2	27.2
Total Increased Revenue from Tax Policy Changes	\$594.2	\$693.6	\$1,287.8
Make Earned Income Tax Credit Refundable	(10.3)	(206.0)	(216.3)
Increase Accelerated Sales Tax Threshold from \$4.0 million in FY 2019 to \$10.0 million in FY 2020	0.0	(27.2)	(27.2)
Miscellaneous/Technical Actions	(3.4)	0.6	(2.8)
Total Revenue Reductions from Tax Policy Changes	(\$13.7)	(\$232.6)	(\$246.3)
Net Assumed Change: All Tax Policy Actions	\$580.5	\$461.0	\$1,041.5

Revenue Impact: Tax Cuts and Jobs Act (TCJA) of 2017

- On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (TCJA) was signed into law
- TCJA includes significant changes for individual taxpayers, most of which take effect for 2018 and expire after 2025 as listed below:
 - Seven (generally lower) brackets: 10%, 15%, 22%, 25%, 32%, 35%, and 37%
 - Standard deduction increased from \$6,350 to \$12,000 for single filers, and from \$12,700 to \$24,000 for married/joint filers; personal exemptions eliminated
 - Certain itemized deductions suspended or limited
 - State and local tax (SALT) deduction capped at \$10,000
 - Cap on mortgage interest deduction reduced from \$1 million in mortgage debt to \$750,000 prospectively; no longer available for home equity lines
 - Threshold for medical expenses deduction reduced from 10 percent of adjusted gross income to 7.5 percent
 - Repeal of overall limitation on itemized deductions
 - 529 education savings account expanded to include K-12 tuition
 - **Most individual provisions expire after taxable year 2025**

Revenue Impact: TCJA

- Under current law, many taxpayers who save on federal taxes may owe more on their state returns
- This is primarily because limitations on itemized deductions and the increase in the standard deduction at the federal level will induce more taxpayers to claim the standard deduction on their state returns
 - Under Virginia law, taxpayers are required to claim the same type of deduction (standard or itemized) on their Virginia returns as they do on their federal return
- The Department of Taxation estimates that 26 percent of Virginians will see an increase in their state tax liability as a result of the TCJA
 - The largest number of returns with increases come in the \$25,000-\$50,000 income range
 - The largest percentage increases come from those with incomes between \$50,000-\$125,000

Estimated Virginia General Fund Revenue Impact FY 2019 to 2024

(\$ in millions)	FY19	FY20	FY21	FY22	FY23	FY24
Limited Time Provisions	\$517.3	\$433.6	\$455.7	\$480.4	\$506.8	\$532.5
Permanent Provisions	76.9	177.5	198.0	318.3	436.4	418.1
Total, All Provisions	\$594.2	\$611.1	\$653.7	\$798.7	\$943.2	\$950.6

Revenue Impact: Collection of Sales Tax Generated from Internet Sales

- Federal law governing states' ability to collect sales taxes has been driven by physical-presence nexus
- Supreme Court had previously held that states could only collect sales taxes from a seller with an in-state physical presence
 - Otherwise, collection would impose an undue burden on interstate commerce, a decision reaffirmed in *North Dakota v. Quill* (1992)
- Existing Virginia sales tax statutes are constructed around this physical-presence requirement
- On June 21, 2018, the U.S. Supreme Court's issued a decision in *South Dakota v. Wayfair, Inc.* that overturned the physical-presence rule that had applied to collecting sales tax on interstate sales
 - Established nexus based on economic presence

Revenue Impact: Collection of Sales Tax Generated from Internet Sales

- The decision enables states to require online and out-of-state sellers—even those with no physical presence—to collect sales tax, so long as the state can demonstrate a connection based on something else, such as volume of in-state sales
- The South Dakota law prompting the Supreme Court decision includes a number of important provisions, including:
 - Minimum thresholds and volumes (\$100,000 in sales or 200 transactions);
 - Simplified collection process; and
 - No retroactivity
- The *Wayfair* decision does not necessarily require these specific actions
 - However, any legislation that does not address these parameters might not pass a court challenge
- HB 1700 as introduced includes enactment clauses establishing remote seller sales tax nexus, and authorizing marketplace facilitator sales tax nexus to aid in the collection and remittance of sales tax revenue for smaller sellers
 - Stand-alone legislation is anticipated to be introduced as well
- The revenues generated by these actions are assumed in the budget amendments and spent in FY 2020

Internet Sales (*Wayfair*)

Estimated Revenue Impact by Fund

(\$ in millions)

State Sales and Use Tax (5.3% Net of Dealer Discount)		
GF Unrestricted	2.015%	\$55.3
GF – Restricted 1% Education	0.990%	27.2
Education – 1/8% distributed on school age population	0.125%	3.4
Education – 1/4% distributed based on SOQ	0.250%	6.9
Transportation (0.5% 1986, 0.3% 2013)	0.800%	22.0
HMOF – Transfer from GF	0.100%	2.7
Local Option	1.000%	27.4
Total State	5.280%	\$144.9
Regional Transportation Funds (0.7%)		
Hampton Roads	0.127%	\$3.5
Northern Virginia	0.240%	6.6
Total Regional Funds	0.367%	\$10.1
Total Sales and Use Tax	5.647%	\$155.0

Revenue Impact: Adjusting Accelerated Sales Tax (AST) Threshold

- Language in Part 3 of HB 1700 proposes to increase the AST filing threshold to \$10.0 million in FY 2020
- Current sales threshold for those required to participate in AST included in Chapter 2 is \$4.0 million
 - Dealers with sales at or above this threshold are required to make an accelerated payment in June
- Increasing the sales threshold creates a one-time GF revenue reduction
 - Increasing from \$4.0 million to \$10.0 million results in a one-time GF reduction of \$31.0 million
- Eliminating the AST entirely would reduce GF revenues \$222.5 million

Threshold (Annual Sales)	FY19 GF Rev (\$ millions)	Dealers Affected
\$4 million or more	\$222.5	3,135
\$5 million or more	\$215.5	2,545
\$10 million or more	\$191.5	1,332
\$20 million or more	\$167.5	669
\$30 million or more	\$153.2	440
\$40 million or more	\$140.8	306
\$50 million or more	\$133.1	240
\$100 million or more	\$111.8	117
\$500 million or more	\$63.8	17
\$1 billion or more	\$47.3	8

Source: Virginia Department of Taxation.

FY 2019 & 2020 GF Forecast Changes

Revenue Forecast	FY 2019 Forecast	FY 2019 % Growth	FY 2020 Forecast	FY 2020 % Growth	Biennial Revenues
Chapter 2 Base Forecast	\$20,173.7	1.5%	\$20,984.6	4.0%	\$41,158.3
December Economic Updates (GACRE and Post-GACRE)	20,470.1	3.0%	21,228.0	3.7%	41,698.1
Additional Revenue – Economics	296.4		243.4		539.8
Internet Sales Tax (GF share)	0.0		82.5		82.5
Additional Revenue – Economics and Wayfair	296.4		325.9		622.3
TCJA Permanent Provisions	76.9		177.5		254.4
TCJA Provisions Expiring after 2025	517.3		433.6		950.9
Assumed Revenue - TCJA	594.2		611.1		1,205.3
Offsets for Assumed Tax Policy Reductions (EITC, AST)	(10.3)		(233.2)		(243.5)
Net Revenue – TCJA & Adjustments	\$583.9		\$377.9		\$961.8
HB 1700 Total – Including Economic and Tax Policy Assumptions	\$21,050.6	5.9%	\$21,689.0	3.0%	\$42,739.6

Next Steps – The Path Ahead

- The December forecast, exclusive of tax policy proposals, produced a revised economic forecast of 3.0% growth in the FY 2019 and 3.7% in FY 2020
- Through the first five months of the fiscal year, revenues have increased 3.4%
 - On an economic basis, year-to-date strengths are in withholding, nonwithholding and sales tax
 - Greatest weaknesses have been corporate income taxes and recordation
 - Revenues resulting from tax policy changes would not be seen until the tax filing season
- January is a key month for revenue collections
 - Sales taxes for Christmas season are remitted in January
 - January 15: Due date for the fourth quarter individual estimated income tax payments
- The vast majority of forecast adjustments assume adoption of tax policy legislation. Given that the net revenue impact of tax policy changes assumed in the budget is \$1.04 billion, these decisions will have to be finalized before a budget can be crafted



Overview: Spending in HB 1700



Proposed Changes in Operating Spending Total \$2.1 Billion for the Biennium

- HB 1700 includes a total of \$2.4 billion in increased spending
 - Major spending items are outlined on following slide
- These amounts are offset by \$313.6 million of savings, all of which are technical in nature and/or reflect forecast adjustments
 - Savings from revised forecasts of employee health insurance and debt service
 - Use of nongeneral fund revenue (largely Lottery proceeds and health care fund) to supplant general fund appropriations
 - Updates in public school enrollment and program participation
- The total of \$2.1 billion in net new spending includes both adjustments to the base revenue forecast as well as revenues assumed from proposed tax policy changes relating to the Tax Cuts and Jobs Act and expanding collection of sales tax from internet retailers
 - Of the \$2.1 billion in net new spending, the Governor has characterized \$1.1 billion as “limited time” spending

New Spending Proposed in HB 1700

13 Amendments Account for Almost 85% of Spending

	(\$ in Millions)	Biennial
Additional Revenue Reserve Fund Deposits		\$554.1
Mandatory Revenue Stabilization Fund Deposit		262.9
Mandatory Deposit to Revenue Reserve Fund		235.2
Medicaid Utilization and Inflation		462.5
K-12 – Additional 2% salary increase for SOQ-funded positions		87.6
K-12 – Literary Fund supplement		80.0
K-12 – Increase Funding for School Counselors		36.0
GF for Virginia Transportation Infrastructure Bank		75.0
Mandatory WQIF Deposit based on FY 2018 Surplus		73.8
Supplemental WQIF Deposit		35.0
Stormwater Local Assistance Fund		50.0
Expand Virginia Telecommunications Initiative (VATI)		46.0
Provide 1% bonus to state and state-supported local employees		40.2
Remaining Spending Items (196 amendments)		387.2
Total Spending:		\$2,425.5

Revenue Stabilization Fund and Revenue Reserve Fund

- Revenue Stabilization Fund balance will be \$551.9 million after mandatory deposit based on FY 2018 revenues
 - HB 1700 reflects the mandatory deposit of \$262.9 million in FY 2020 based on the FY 2018 year-end surplus
- HB 1700 also includes the mandatory deposit of \$235.2 million into the Revenue Reserve Fund based on FY 2018 year-end and will be \$482.6 million after prior deposits and deposit from FY 2018 surplus are included
- HB 1700 also proposes additional deposits of \$554.1 million to the Revenue Reserve Fund; however, a large portion of this “deposit” is actually reserved for other activities
 - Assumes \$70.0 million will be used for the Micron economic development incentive
 - \$194.1 million assumed to be transferred to the Rainy Day Fund in FY 2021 based on projected FY 2019 revenue growth
 - Language also authorizes use of the fund balances for any required payments to the federal government relating to deferrals, disallowances and repayments, including those affecting Piedmont and Catawba hospitals
 - Potential cost of more than \$120 million

“Limited Time” Spending in HB 1700

Assumed Revenues (\$ in millions)	FY 2019	FY 2020	Biennial
Temporary Provisions of TCJA (expiring after 2025)	\$517.3	\$433.6	\$950.9
Spending Proposals (\$ in millions)			
Earned Income Tax Credit Refundability	\$10.3	\$206.0	\$226.3
Revenue Reserve Fund Deposits	479.1	50.0	529.1
Virginia Transportation Infrastructure Bank	75.0	0.0	75.0
Accelerated Sales Tax Threshold Change	0.0	27.2	27.2
Capital Funded from Cash	33.5	0.0	33.5
Stormwater Local Assistance Fund (SLAF)	0.0	50.0	50.0
WQIF Supplemental Deposits	20.0	15.0	35.0
Broadband/VATI Supplemental Funding	0.0	46.0	46.0
VEDP Business Ready Sites	20.0	0.0	20.0
Housing Trust Fund Increase	14.5	4.5	19.0
Land Conservation (VLCF)	5.5	5.5	11.0
Renewable Energy Financing	10.0	0.0	10.0
Total: Limited Time Spending Proposals	\$667.9	\$404.2	\$1,082.1
Difference:	\$150.6	(\$29.4)	\$131.2



Details by Secretarial Area





Public Education



Public Education

Within the \$16.5 billion proposed biennial budget for Direct Aid to Public Education, the changes in the amendments include:

- Technical updates save a total of \$145.8 million GF and reflect an increase of \$70.3 million NGF in Lottery Proceeds Fund revenues
- Number of Policy changes total \$300.7 million GF in new spending and decrease the Literary Fund and Tuition revenue by \$80.8 million NGF

All Revenue Fund Sources FY 2018-2020	Current Adopted (Chapter 2)		Introduced Budget (HB 1700)		Proposed Changes		
	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	Biennium
General Fund (GF)	\$6,273.1	\$6,451.3	\$6,320.1	\$6,559.2	\$47.0	\$107.9	\$154.9
Lottery Fund	592.5	598.4	632.4	628.8	39.9	30.4	70.3
Literary Fund	146.4	136.3	66.4	136.3	(80.0)	(0.0)	(80.0)
LEA Tuition-Virtual VA	0.4	0.4	0.0	0.0	(0.4)	(0.4)	(0.8)
Comm. Transp. (DMV)	2.1	2.1	2.1	2.1	0.0	0.0	0.0
Special Fund	<u>0.9</u>	<u>0.9</u>	<u>0.9</u>	<u>0.9</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
All NGF Sources	\$742.3	\$738.1	\$701.8	\$768.1	(\$40.5)	\$30.0	(\$10.5)
Federal Fund	<u>\$1,066.5</u>	<u>\$1,066.5</u>	<u>\$1,066.5</u>	<u>\$1,066.5</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total All Funds	\$8,081.9	\$8,255.9	\$8,088.4	\$8,393.9	\$6.4	\$138.0	\$144.4

Technical Updates for Student Membership and Program Participation

- Annual update to student membership projections over the biennium reflect a decline in student growth rates & saves \$55.2 million GF
 - FY 2019: \$20.4 million decrease from 6,863 fewer students than projected in current budget for a revised statewide ADM estimate of 1,245,571
 - FY 2020: \$34.8 million decrease from 9,607 fewer students than projected in current budget for a revised statewide ADM estimate of 1,248,166
- In addition, the lower membership projections result in lower student participation levels across programs and generate additional savings of \$31.3 million over the biennium
 - SPED Regional Tuition Reimbursement Program - \$12.5 million savings
 - Remedial Summer School and ESL - \$6.1 million savings
 - Incentive & Categorical Program accounts - \$1.0 million savings
 - Lottery-Funded Program accounts - \$11.7 million savings

Technical Updates for Sales Tax

- Proposed actions reflect sales tax forecast updates along with changes to the sales tax revenue distributions, which changes the state's share of Basic Aid costs based on updated school-aged population census data from July 1, 2017, and collectively result in a net increase of \$11.2 million GF over the biennium
 - Total forecast estimates reflect a net increase of \$10.9 million
 - Updates from the most current census data available result in a \$0.3 million GF increase in the second year

Sales Tax Revenue	FY 2019	FY 2020	Biennium
Chapter 2 - Sales Tax Estimate	\$1,410.8	\$1,441.8	\$2,852.6
Routine Sales Tax Forecast Changes	10.8	13.9	24.7
SOQ Basic Aid Offset Adjustment	<u>(6.0)</u>	<u>(7.8)</u>	<u>(13.8)</u>
Net Total Funding Impact	\$4.8	\$6.1	\$10.9
Technical Update - Sales Tax Estimate	\$1,421.6	\$1,486.3	\$2,907.9

Additional Lottery Revenues

- Routine update to the Lottery Proceeds Fund estimates increase the revenues by \$39.9 million in the first year and \$30.4 million in the second year and offsets a like amount of GF revenues to save \$70.3 million

Proposed Revisions to Lottery Fund	FY2019	FY2020	Biennium
	(\$ in millions)		
Total Lottery Proceeds in Ch. 2	\$592.5	\$598.4	\$1,190.9
Residual FY 2018 Profit Not Budgeted	9.6	0.0	9.6
Adjustment for the \$1.6B Mega Jackpot	16.6	0.0	16.6
Annual Lottery Revenue Forecast Update	<u>13.7</u>	<u>30.4</u>	<u>44.1</u>
Proposed Lottery Proceed Fund Totals	\$632.4	\$628.8	\$1,261.2
Net Increases to Lottery Proceeds Fund	\$39.9	\$30.4	\$70.3

Use of Lottery Revenues

- Amendment adds \$35.6 million to increase the At-Risk Add-On Supplemental percentage top-end of the payment range
 - FY 2019, the range is increased from 13% to 16%, at a cost of \$21.3 million
 - FY 2020, the range is increased from 14% to 16%, at a cost of \$14.3 million
- Adds a total of \$34.7 million to increase the Supplemental Lottery Per Pupil Amount (PPA) funding and maintains the 40% portion of total Lottery dollars going to school divisions without any spending or local match requirements
 - FY 2019, an additional \$18.5 million for the state's share to increase the Lottery PPA from \$336.05 to \$364.15
 - FY 2020, an additional \$16.2 million for the state's share to increase the Lottery PPA from \$341.96 to \$367.44
 - Total Supplemental Lottery PPA equals \$253.2 million in the first year and \$255.5 million in the second year

Additional 2% Salary Increase

- The introduced budget adds \$87.6 million GF in the second year for the state's share of a 2% salary incentive increase for SOQ funded instructional and support positions, and for the Academic Year Governor's School and Regional Alternative Education program for the same types of staffing positions – no change in the effective date of July 1, 2019
 - This increase is in addition to the 3% increase provided in current adopted budget
 - Total cost of the net 5% salary incentive equals \$218.9 million
 - Participation is optional and requires at least an average of 5.0% salary increase be given during the FY 2018-2020 biennium – either in the first year or second year or through a combination of the two years
 - New language changes the date for divisions to certify that they will provide a 5% average salary increase from April 1 to June 1, 2019

Additional Policy Changes

- Proposes allocating \$80.0 million GF in the first year to supplant an equal amount of Literary Fund revenue to pay a portion of the VRS payment for teacher retirement costs – the freed up Literary money has been budgeted for new school construction loans
 - Total cost set out in the introduced budget for VRS payments equal \$441.1 million in the first year and \$444.5 million in the second year
 - Literary Fund revenue allocated for VRS cost totals \$66.4 million and \$136.4 million
- Adds \$36.0 million in FY 2020 to start funding a 3-year phase-in of additional state money for school counselors for all elementary, middle, and high schools
- Proposed funding is based on lowering the current Code ratios (§ 22.1-253.13:2, H.4) - No new language is included to require the divisions to hire any additional counselors
 - Elementary school ratio in current statute of 1:500 lowered in budget funding to 1:375
 - Middle schools ratio in current statute of 1:400 lowered in budget funding to 1:325
 - High school ratio in current statute of 1:350 lowered in budget funding 1:300

Additional Policy Changes

- Proposes a net increase of \$13.5 million in the second year from additional Sales Tax revenues collected on internet sales from proposed ‘Wayfair’ legislation
 - Additional sales tax revenues are estimated at \$30.6 million and the offsetting SOQ Basic Aid adjustment equals (\$17.1) million
- Adds \$9.7 million the second year to backfill the VPI+ federal grant that expires September 30, 2019 (end of the four-year grant)
 - Funding is allocated to the 13 school divisions that have been participating in the federal grant
 - Total of 1,530 student slots at a cost of \$6,326 per slot
 - State is proposed to pay 100% of the cost for all slots in FY 2020, then beginning in FY 2021, the selected divisions would begin to pay 10% of their cost per year until their share of costs reach the lower of their LCI or the 0.5000 LCI cap amount after ten years in FY 2030
 - The VPI+ program is identical to the existing state VPI program – with the exception of requirement for local match costs

Additional Policy Changes - VPI

- Updates to the state's VPI program reflect a savings of \$2.4 million in FY 2019 due to lower enrollments -- new proposed language uses that funding for start-up and expansion grants rather than following the adopted budget's language which directs DOE to carry all of the money forward into FY 2020 and allocate to requesting divisions that have reported at least two years of VPI 'Waiting List' need for additional preschool slots
 - If any of the \$2.4 million is left over after cash grants have been given out, then any remaining money would be carried forward into FY 2020 for 'Waiting Listing' VPI slots
- Updates to the VPI – Provisional Teacher Licensure initiative reflect a savings of \$2.0 million out of the budgeted \$2.3 million in FY 2019 due to much lower utilization than estimated – new proposed language uses the savings for VPI start-up and expansion grants
 - If any of the estimated \$2.0 million is left over after cash grants have been given out, then any remaining money would be carried forward into FY 2020 for 'Waiting Listing' VPI slots
- Additional proposed amendment decreases the second year of the VPI – Provisional Teacher Licensure initiative by \$2.0 million, leaving a budget of \$306,100

Additional Policy Changes - VPI

- Proposes using \$900,000 Lottery funds in the second year for DOE to award competitive grants to school divisions and localities to purchase and implement locally selected evidence-based curriculum in their VPI classrooms
- Proposes using \$800,000 Lottery funds in the second year for DOE to award competitive grants to school divisions and localities to conduct Classroom Assessment Scoring System (CLASS) observations by locally hired certified CLASS observers in their preschool classrooms
- Transfers the \$1.0 million for UVA's Center for Advanced Study of Teaching and Learning (CASTL) team to provide VPI Teacher Professional Development from Direct Aid to the DOE Central Office budget
- Transfers the \$700,000 for UVA's CASTL team to provide VPI Classroom Observations from Direct Aid to the DOE Central Office budget
- Also, in the DOE budget, an amendment adds \$300,320 and 2 positions in the second year that would provide VPI professional development training for teachers and support for VPI classroom observations

Supplemental Education Programs \$3.3 M

- \$2.0 million in FY 2019 for new Norfolk Botanical Garden's 'Garden of Tomorrow'
- \$400,000 the second year for new Virginia Arts Festival World Class Education Program to support arts education and develop partnerships with schools
- \$250,000 the second year for a new Robots4Autism Pilot Program – competitive grants to schools to encourage the use of robots to aid in the education of students with autism
- \$250,000 the second year for a new PreK-2 Active Learning Pilot Program – competitive grants to schools to encourage learning using motion-based activities for preschool through second grade students
- \$200,000 the second year for a new Grow Your Own Teacher Pilot Program – DOE would award \$7,500 tuition grants for high school graduates that commit to teach at a high-needs school within three years of graduating from college
- \$200,000 the second year to expand Great Aspirations Scholarship Program (GRASP), revised budget \$600,000

Proposed Language Changes

- Increases the school division grant award cap for School Security Equipment grants from \$100,000 to \$250,000 each year – no change in the annual \$6.0 million budget for total grant awards
- Removes existing language that excludes the Achievable Dream program from receiving funding from Neighborhood Assistance Program (NAP) Tax Credit donations –now would continue to receive the annual \$500,000 GF payment and be eligible to receive NAP funding

DOE Central Office

- Adds \$600,000 in the second year to begin the replacement of the Online Management of Education Grant Awards (OMEGA) system used by school divisions, higher education institutions, and non-profit organizations to submit grant applications and reimbursement claims
- Requests \$553,000 in the second year for DOE to support the Board of Education's Computer Science SOL and computer science training for teachers
 - Currently, there is \$550,000 in the adopted budget for computer science teacher training
- Proposes \$552,500 in the second year to create an online teacher licensure application system
- Includes \$549,573 and 4 positions in the second year to address materials weaknesses reported in recent APA audit for information technology security protocols, finance and risk management

DOE Central Office

- Adds \$500,000 in the second year to update the Virginia Studies and the Civics and Economics SOL tests to align with the History standards adopted by the BOE in 2015
- Proposes \$492,755 in the second year for statewide training and assistance to school divisions to implement the BOE's regulations governing the Use of Seclusion and Restraint in public schools which are expected to be effective in FY 2020
- In addition to the \$1.7 million transferred from Direct Aid for VPI teacher professional development training and classroom observations, the introduced budget also transfers \$400,000 each year from Direct Aid to Central Office from the tuition revenues collected for student enrollments in the Virtual Virginia program



Health & Human Resources



HB 1700: Health & Human Resources

- Net increase of \$477.9 million GF and \$2.1 billion NGF over the 2018-20 biennium
 - 77% of new funding driven by mandated programs, primarily Medicaid
- Official Nov. 1 Medicaid forecast totals \$462.5 million GF
 - Revised growth of 6.2% growth in FY 2019 and 2.6% in FY 2020
- Medicaid spending is driven by:
 - Managed Care Changes
 - Rate increases above last year's forecast
 - Savings assumptions have not materialized
 - Hospital and nursing home reimbursement increases (also has effect on fee-for-service program)
 - Enrollment and Utilization
 - Enrollment of low-income children is growing faster than anticipated
 - Aggressive utilization savings in Medicaid's fee-for-service program have not materialized
 - Growth in hospital claims and expenditures
 - Federal disallowances and deferrals (FY 2019)
 - Payments Catawba and Piedmont Geriatric Hospitals
 - Cost allocation payments

HHR Proposed Mandatory Spending: \$541.9 million

(GF \$ in millions)

Agency / Item	FY 2019	FY 2020
Department of Medical Assistance Services		
Medicaid Forecast - caseload and utilization	\$202.2	\$260.3
Backfill anticipated loss of Medicaid funding for Piedmont Geriatric and Catawba hospitals (DMAS and DBHDS)	19.0	27.3
FAMIS and SCHIP Forecast - caseload and utilization	4.3	8.5
Administrative costs of Medicaid expansion waiver (DMAS and DSS)	1.7	11.3
Adjust Virginia Health Care Fund revenues	0.0	1.7
Backfill lower federal match rate for CHIP administration	0.0	1.7
Department of Behavioral Health & Developmental Services		
Caseload growth in Part C early intervention services	0.4	0.7
Department of Social Services		
Foster Care and Adoption Subsidy Forecast	0.4	0.0
Mandatory cost of living increase for foster care and adoption payments	0.3	1.3
Department of Health		
Provide rent increases at local health departments and one field office	<u>0.1</u>	<u>0.4</u>
Total	\$228.4	\$313.2

HHR Proposed Savings Items: \$118.2 Million

(GF \$ in millions)

Agency / Savings	FY 2019	FY 2020
Department of Medical Assistance Services		
Adjust Virginia Health Care Fund	(\$38.9)	\$0.0
Adjust administrative appropriation for Medicaid expansion to reflect updated costs and provider assessment fund source	(14.8)	(17.4)
Eliminate Medicaid for Piedmont Geriatric and Catawba hospitals	0.0	(14.5)
Transition contract costs for Medicaid personal care attendant service facilitation to managed care organizations	(3.6)	(7.1)
Adjust CCC Plus savings from long-term care case mix of nursing home and community care usage	0.0	(3.9)
Children's Services Act		
Projected caseload and utilization of services	(5.9)	(5.9)
Department of Social Services		
Adjust administrative appropriation for Medicaid expansion to reflect updated costs and provider assessment fund source	(2.3)	(3.6)
Foster Care and Adoption Subsidy Forecast	<u>0.0</u>	<u>(0.3)</u>
Total	\$65.5	\$52.7

Discretionary DMAS / Medicaid Spending

(GF \$ in millions)

Targeted Spending Items	2018-20
Extend preventive services & vaccines to currently eligible Medicaid adults	\$3.5
Cost increases for managed care enrollment broker	1.6
Training for consumer-directed attendants	1.0
Increases funds to simplify hospice room and board payments for dually diagnosed nursing home residents	0.4
Cost increases of Cover Virginia Call Center	0.4
Fund federal compliance activities (cost allocation, reports)	<u>0.4</u>
Total	\$7.3

DMAS – Language

- Forecasting and Expenditure Reporting Requirements
 - Quarterly meetings to explain any material differences in expenditures compared to the official Medicaid forecast with:
 - Secretaries of Finance, Health and Human Resources, and Administration
 - Staff from the Department of Planning and Budget, the House Appropriations and Senate Finance Committees, the Joint Legislative Audit and Review Commission, and the Joint Commission on Health Care
 - Directs the agency to provide options to bring expenditures in line with available resources if necessary
- Modify Payment Methodology for Capital Rates for New and Renovated Nursing Homes
 - Reflect prospective fair rental value rates and fully describe the methodology applied to determining rates for these facilities

Discretionary DBHDS Spending (GF \$ in millions)

Major Spending Items (GF \$ in millions)	FY 2019	FY 2020
Community Behavioral Health Services		
STEP VA - Crisis Response System Expansion	\$0.0	\$9.0
Discharge assistance plans for 100 individuals on extra-ordinary barrier list at state hospitals	0.0	5.2
Permanent supportive housing for 150 individuals with SMI	0.0	2.1
State Behavioral Health Hospitals		
Add 254 direct care nursing staff and psychiatrists at state facilities due to census growth	0.0	7.9
Transition high-risk children from CCCA to community beds	0.0	0.9
Central Office Behavioral Health Items		
Purchase Additional Opiate Overdose Reversal Kits	1.6	1.6
Provide funds for Virginia Mental Health Access Program	<u>0.0</u>	<u>1.2</u>
Total	\$1.6	\$27.9

DBHDS Language

- Address Community Services Board (CSB) General Fund Reductions
 - Authorizes the DBHDS Commissioner to allocate up to \$7.0 million from available special fund revenue balances to address funding shortfalls at CSBs, if the general fund reductions included in Chapter 2 for CSBs exceeds the anticipated additional revenue from Medicaid expansion by more than 10% at the end of the fiscal year
 - Would be applied to each CSB based on their allocated reductions and receipt of additional revenue
 - Requires DBHDS in consultation with DMAS to monitor monthly the fiscal impact of Medicaid expansion on community services boards (CSBs)
 - Requires CSBs to submit monthly expenditure reports documenting additional federal revenues received as a result of Medicaid expansion
 - Language provides for notification to the chairmen of the money committees and Secretary of Finance

Discretionary DSS Spending

- Discretionary spending increases total \$7.0 million GF over the biennium
 - \$4.3 million GF in FY 2020 to purchase supplies to stockpile for future disasters
 - \$2.4 million GF and \$90,000 NGF each year to purchase software licenses for mobile devices to determine eligibility for services
 - \$0.3 million GF in FY 2020 to fund six positions to implement the new federal Family First Prevention Services Act
- Temporary Assistance to Needy Families (TANF) Block Grant
 - Adjusts funding in the TANF block grant to balance spending with resources leaving a balance of \$112.4 million NGF by the end of FY 2020
 - \$1.9 million NGF increase in spending on cash assistance in FY 2020
 - \$3.0 million NGF in FY 2020 for the Federation of Virginia Food Banks
 - \$47,400 NGF to fund proposed legislation to extend TANF eligibility to age 21 for young adults who are in secondary school or equivalent career or technical education

Discretionary Health Department Spending

(GF \$ in millions)

Health Department Spending Items	FY 2019	FY 2020
Proton Beam research and therapy	\$5.0	\$0.0
Meningococcal conjugate (MCV4), Hepatitis A and Human Papillomavirus vaccines for children	0.0	1.5
Riverside Shore Memorial Hospital costs to add Obstetrical Services	0.0	1.2
Construction of pediatric dept. at Eastville Community Health Center	0.0	0.8
Increased rents at local health departments and field office	0.3	0.2
Create Overdose Fatality Review Team in the Office of the Chief Medical Examiner (OCME) and 3 positions	0.0	0.3
Positions for COPN State Facilities Plan	0.2	NGF
Fund OAG charges to defend lawsuit challenging abortion services	<u>0.2</u>	<u>0.0</u>
Total	\$5.7	\$4.0



Commerce and Trade



HB 1700: Commerce and Trade Agencies

- Proposed spending increases for agencies in the Secretariat total \$45.8 million GF in FY 2019 and \$54.5 million GF in FY 2020. Overall spending in the Secretariat increases 19.4% in the first year and 23.6% in the second year
- The increased GF spending is partially offset by net reductions in the economic development incentives payments holding account of \$2.1 million GF the first year and \$200,000 GF the second year

Economic Development Incentive Payments

- Incentive Payments for Semiconductor Manufacturing Grant program (Micron)
 - Authorizing language and \$70 million GF increase would facilitate withdrawals from the Revenue Reserve Fund to accommodate incentive payments in FY 2020
- Proposed reduction \$1.8 million GF in first year for Major Eligible Employers Grants due to an adjustment to the schedule of anticipated payments
- Virginia Investment Partnership grants program reductions of \$270,000 GF in the first year and \$210,000 GF in the second year to align with anticipated grant payments

“Limited Time” Spending in HB 1700

Limited-Time Spending Proposal (\$ in millions)	FY 2019	FY 2020	Biennial
Broadband/VATI Supplemental Funding	\$0.0	\$46.0	\$46.0
VEDP Business Ready Sites	\$20.0	\$0.0	\$20.0
Housing Trust Fund Increase	\$14.5	\$4.5	\$19.0
Renewable Energy Financing	\$10.0	\$0.0	\$10.0
Total: Limited Time Spending Proposals	\$44.5	\$50.5	\$95.0

HB 1700: Commerce and Trade Agencies

- Virginia Economic Development Partnership
 - Proposes a “limited time” increase of \$20.0 million GF in FY 2019 for the Business Ready Sites Program (Virginia SCAN) for grants used to characterize, inventory and develop sites in the Commonwealth in order to increase Virginia’s competitiveness with other states
 - There is no language directing the funds must be used for this activity, instead the \$20.0 million increase is simply added to VEDP’s 2019 total budget
- Department of Housing and Community Development
 - Proposes “limited time” increase in funding for Virginia Telecommunication Initiative (VATI) of \$46 million in FY 2020
 - New language amendment makes the VATI fund non-reverting
 - Proposes \$100,000 GF increase and one FTE in the second year to develop an eviction diversion program for public housing to mitigate and reduce the tenant eviction rate

HB 1700: Commerce and Trade Agencies

- Department of Mines, Minerals and Energy (DMME)
 - Proposes new spending in funding \$250,000 GF in second year to establish an office of offshore wind within DMME's division of energy to support 1.5 positions
 - Proposes new spending of \$137,000 GF in the second year to support one position in DMME's energy division to oversee renewable energy procurement and reduce energy consumption in state buildings
- Virginia Tourism Authority
 - Includes an increase of \$250,000 for the Heart of Appalachia Tourism Authority in FY 2019 increasing the total to \$350,000
 - Proposes \$300,000 in additional funding for the Spearheads Trail in FY 2019, bringing total funding to \$850,000
- Department of Labor and Industry
 - Proposes new spending of \$1.4 million GF and 12 positions in the second year for the Virginia Occupational Safety and Health (VOSH) program to conduct safety and health inspections and issue citations where VOSH violations occur.

HB 1700: Commerce and Trade Agencies

- Fort Monroe Authority
 - Recommends \$500,000 GF in FY 2019 to be used for planning, design, construction and other costs associated with a permanent monument commemorating the 400-year anniversary of the first landing of Africans at Point Comfort in 1619
 - Proposes additional operating support of \$157,000 GF each year to offset the reduction in funding from the National Park Service (NPS) resulting from a delay in land transfer of the 35-acre Wherry Parcel to NPS
- Virginia Employment Commission
 - Proposes new spending of \$125,000 GF and 3.0 FTEs in FY 2019 and \$1.9 million GF and 6.0 FTEs in FY 2020 to develop and implement a strategic workforce dashboard pursuant to Chapter 225 (HB 1006) of the 2018 Acts of Assembly (HB 1006)
 - Currently, there is no GF support for the VEC, so this would be policy departure



Technology



Secretary of Administration / Technology

Virginia Information Technologies Agency

- Disentanglement costs associated with Settlement of legal dispute between Virginia and Northrup Grumman is \$35.8 million.
 - This amount will be drawn from VITA's line of credit, which was increased over recent fiscal years to accommodate transition and disentanglement costs, and will be repaid in NGF through agency ISF rates
- Proposes a reduction of \$62.0 million NGF in FY20 for vendor pass-through payments to reflect the most recent forecast of state agencies' utilization in service areas after transitioning to the new IT services model
- Proposes utilization of \$28.1 million GF revenue across biennium to mitigate unanticipated increase in disentanglement costs to agencies, as they transition from the old service model to the new model
- Proposes an increase in ISF rates paid by agencies for IT services in FY20 in order to pay down VITA line of credit which has been utilized for transition and disentanglement costs, as well as an error in agency forecasting for FY18 primarily related to disentanglement.
 - It is anticipated that this rate increase is temporary and future rates are expected to decline



Compensation & Retirement



Additional FY 2020 Salary Actions

- Includes \$30.4 million in FY 2020 for a 1% bonus for state employees, including university faculty, on December 1, 2019
 - Chapter 2 included funding for a 2% across the board salary increase for state employees and an additional 2% merit increase in FY 2020
- Includes \$9.8 million in FY 2020 for a 1% bonus for state-supported local employees on December 1, 2019
 - Chapter 2 included funding for a 2% salary increase for state-supported local employees in FY 2020
- Includes \$87.6 million GF in FY 2020 to increase the state share for a salary increase for funded Standards of Quality instructional and support positions by an additional 2%, from 3% to 5%
 - Language changes the certification date for the FY 2020 compensation supplement from April 1, 2019, to June 1, 2019

Proposes to Increase Retiree Health Credit for Public Safety Personnel

- Recommends \$8.1 million GF the second year to increase the retiree health insurance credit for public safety personnel
 - Would increase the credit by \$2.00 per year (from \$4.00 to \$6.00) for each creditable year of service for members of the State Police Officers' Retirement System (SPORS), and the Virginia Law Officers' Retirement System (VaLORS)
 - Would increase the retiree health insurance credit for sheriffs and deputies by \$3.50 (from \$1.50 to \$5.00) per year for each creditable year of service
 - Language increases the maximum monthly credit for sheriffs and deputies who retire under disability retirement to the greater of \$150 or \$5 per year of creditable service at the time of disability retirement
 - Budget language is proposed to authorize the increase
 - Historically VRS benefit changes have been authorized through legislation, as opposed to through budget language, because they are long-term in nature
 - Increase would apply to current retirees as well as future retirees
- Proposal would increase the unfunded liability for the retiree health credit by approximately \$75 million

Adjust Funding for State Employee Health Care

- Captures savings of \$51.3 million GF in FY 2020 in the state's share of employee health plan premiums, based on the most recent estimates of cost which assumes the premiums for FY 2020 will be unchanged
 - Chapter 2 included funding based on an expected increase of approximately 8.5 percent in FY 2020 compared to the FY 2019 premiums
 - Due to lower than projected expenses, the cash balances in the health insurance fund have increased from \$205 million at the end of August 2017 to \$344 million at the end of August 2018
- Proposes \$808,692 GF each year to fund the state's share of employee premium increases for state employees who participate in the University of Virginia's Health Insurance Program

Other Funding Actions

- Includes \$98,981 GF the first year and \$159,792 GF the second year in additional funding for Line of Duty premiums paid by state agencies
- Captures savings of \$145,641 GF in FY 2020 based on a projected decrease in worker's compensation premium contributions
- Proposes \$1.1 million GF the second year to provide a salary adjustment of \$2,675 for all security positions at Augusta Correctional Center
 - This salary increase was effective October 10, 2018
 - Action was proposed as a method for the Department to address consistently high turnover/vacancy rates at the prison
 - Increase was provided in addition to the increase authorized in Chapter 2 which provided a \$2,016 increase in starting pay for all DOC correctional officers effective January 10, 2019

VRS Language Amendment

- Language amendment adds Secretary of Finance, and staff directors for the House Appropriations and Senate Finance Committees, or their designees, as ex-officio members of the VRS Board of Trustees



General Government



Central Agency Systems Amendments

- Proposes language to direct the Department of Accounts, in coordination with the Department of Human Resource Management, to replace the Commonwealth Integrated Payroll/Personnel System (CIPPS), the Personnel Management Information System (PMIS), and the Benefits Eligibility System (BES) with an integrated Human Capital Management (HCM) system, and proposes that the integrated system be based on HCM modules within the Cardinal system
 - Proposes a working capital advance of \$82.4 million for the initial costs of replacing CIPPS, PMIS and BES
- Includes under Central Appropriations a net decrease in funding for agencies of \$2.3 million GF the first year and \$7.0 the second year to adjust funding for internal service fund charges for the Cardinal system due to the revised implementation schedule for Cardinal

Significant General Government Spending

- Proposes \$1.4 million GF the first year for the Secretary of Administration to initiate efforts to conduct a statewide data inventory
 - Work the first year shall include identifying data elements, documenting user access patterns, and developing a data dictionary and catalog, and implementing a cloud-based data catalog platform
 - The data inventory activities are intended to be conducted in FY 2020
- Recommends \$723,420 GF the second year to fund 10 additional Assistant Commonwealth's Attorneys and six additional administrative support positions to assist select offices experiencing increased workloads as a result of local law enforcement's use of body-worn cameras
 - Funding of \$637,000 GF is also included under Judicial for the Indigent Defense Commission pursuant to the impact of body cameras
- Recommends \$1.5 million GF the first year in the Secretary of the Commonwealth to support education, outreach and preparation for community participation in the 2020 Census

Other General Government Spending

	FY 2019	FY 2020
DGS - Funding and 3 FTEs for Positions for Disease Testing (DCLS)	\$0	\$478,095
DGS - Funding for “On the Square VA”	\$0	\$100,000
DHRM - Restore Funding for Time, Attendance and Leave System	\$303,220	\$606,439
DHRM - Supplement Existing Funding to Establish Director of Equity, Diversity, and Inclusion	\$0	\$72,826
DHRM - Maintenance Service Charge for Shared Services Center	\$0	\$75,638
DHRM - Recruitment Management System Contract Extension	\$0	\$25,000
Elections - Advertise Voter Referendum for Equal Rights Amendment	\$0	\$160,000
Elections - Funding and 3 FTEs to Expand Local Election Official Training	\$0	\$607,500

Other General Government Spending

	FY 2019	FY 2020
Elections –Fund 2 FTEs for Voter List Maintenance	\$0	\$297,433
Elections - Fund 1 New Fiscal Administrative FTE	\$0	\$106,651
Secretary of Finance - Study Gaming Governance and Expansion	\$0	\$175,000
Tax - Fund 2 FTEs for Additional Tobacco Auditors*	\$0	\$173,492
Tax - Funding and 1 FTE for Software Patch Analyst Position	\$0	\$138,396
Central Appropriations - Provide Funding for Presidential Primary Expenses	\$0	\$5,898,631
Central Appropriations - Study of Paid Parental Leave in the Commonwealth	<u>\$0</u>	<u>\$250,000</u>
Total	\$303,220	\$9,165,101

*Additional Tax Auditors are expected to generate \$617,000 in additional GF revenue in FY 2020.

General Government NGF Amendments

- Office of Attorney General
 - Proposes a \$500,000 NGF appropriation increase each year for the Regulatory, Consumer Advocacy, Litigation, and Enforcement Revolving Trust Fund
 - Reduces GF resources by \$500,000 each year from a decrease in transfers to the general fund
- Department of Elections
 - Includes \$3.0 million NGF in FY 2020 to draw down a portion of a new federal Help America Vote Act (HAVA) security grant
 - The new HAVA grant was awarded in 2018 and totals \$9.0 million
 - Will be drawn down over a four-year period, and be used to enhance the security of the state's election infrastructure, including the Virginia Election and Registration Information System (VERIS)
- Department of Accounts Transfer Payments
 - Appropriates \$28.0 million NGF in FY 2020 for the distribution of additional sales tax collected in the Historic Triangle pursuant to Chapter 850, 2018 Acts of Assembly



Natural Resources and Agriculture and Forestry



Natural Resources

- Proposed actions in Natural Resources include a number of major initiatives. The majority are financed with “limited time” revenues, resulting in proposed GF increases of \$25.7 million (16.4%) in the first year and \$148.6 million (126.8%) in the second year
 - Largest item is the FY 2020 deposit to the Water Quality Improvement Fund (WQIF) from the FY 2018 revenue surplus and agency year-end balances which total \$73.8 million
 - Majority of remaining spending is “limited time” funding proposals dependent on usage of revenues generated by the TCJA

Limited-Time Spending Proposal (\$ in millions)	FY 2019	FY 2020	Biennial
Supplemental WQIF Deposit	\$20.0	\$15.0	\$35.0
Virginia Land Conservation Fund Increase	\$5.5	\$5.5	\$11.0
Stormwater Local Assistance Fund (SLAF)	\$0.0	\$50.0	\$50.0
Alexandria CSO (Capital – bonds)	\$0.0	\$25.0	\$25.0
Total	\$25.5	\$95.5	\$121.0

Water Quality Improvement Fund (WQIF)

Activity (\$ in millions)	FY 20 Mandatory		FY 19 Supplement	FY 20 Supplement
WQIF Reserve	\$8.3		\$0.0	\$0.0
Natural Resources Commitment Fund (NRCF) – Bay Watershed	37.3		9.6	8.8
NRCF – Outside Bay	16.0		0.0	3.8
SWCD Technical Assistance	8.0		1.4	1.9
Special Uses	4.3		9.0	0.5
Forestry Water Grants	0.5		0.0	0.5
Conservation Reserve Enhancement Program	2.0		1.5	0.0
Resource Management Plans/Poultry Waste	0.8		0.5	0.0
Livestock Exclusion (SL-6)	0.0		7.0	0.0
Virginia Conservation Assistance Program	1.0		0.0	0.0
Grand Total	\$73.8		\$20.0	\$15.0

Other Department of Conservation and Recreation Proposals

Limited Time Funding

- Proposes \$5.5 million in the first year and \$10.0 million the second year for the Virginia Land Conservation Fund (VLCF)
 - Chapter 2 provided no funding for the VLCF in FY 2019 based on the availability of substantial settlement funds for land purchases, and provided \$4.5 million – the FY 2018 base amount – for the Fund in FY 2020

Other Proposals

- Proposes an increase of \$267,853 in FY 2020 for the Dam Safety, Flood Prevention and Protection Assistance Fund bringing the appropriation to \$732,147 in the second year
- Proposes a reduction of \$133,400 in the transfer to the GF from the amounts generated by Land Preservation Fund and a corresponding increase of nongeneral funds for DCR in the second year to hire one FTE position to increase its oversight of the land preservation tax credit

Other Department of Conservation and Recreation Proposals

- Includes \$257,187 GF and one FTE position in FY 2020 to support the operations of the Daniel Boone Wilderness Interpretive Center
 - Existing language in Chapter 2 provides for a transfer of the Center to DCR. A companion Capital Outlay amendment authorizes DCR to accept the Center and surrounding acreage
- Proposes \$534,159 GF and 2 FTE positions in FY 2020 to support the limited opening of the Clinch River State Park, to include hiking trails, picnic and parking areas and water access points for visitors
- Proposes \$125,000 GF and one FTE position in FY 2020 for development of the Virginia Great Valley Lewis and Clark Eastern Legacy Trail project
 - The National Park Service previously rejected an application for the Virginia portion of the trail

Department of Environmental Quality (DEQ)

Limited Time Funding

- Proposes \$50.0 million GF in FY 2020 for the Stormwater Local Assistance Fund from “limited time” revenues assumed to be generated from the federal Tax Cut and Jobs Act
 - Chapter 2 included \$20.0 million in FY 2019 for this purpose

Other Proposals

- Includes \$150,000 GF the first year and \$1.4 million GF and 11.0 FTE positions the second year to support regulatory review and permit writing in DEQ’s air and water protection programs
- Proposes \$859,075 GF and 5.0 FTE positions the second year to support web site redesign and the development and maintenance of an online portal at DEQ
- Proposes \$100,000 GF in FY 2020 to study the agency’s community engagement capacity and develop a plan for improving and increasing outreach to underserved and lower income communities (environmental justice)

Other Natural Resources Actions

Marine Resources Commission

- Proposes an additional \$1.0 million GF in FY 2020 to support oyster replenishment and restoration activities
 - This would bring total funding to \$2.5 million for replenishment and \$1.5 million for restoration in FY 2020

Department of Game and Inland Fisheries

- Proposes a nongeneral fund appropriation increase of \$1.35 million each year for the department to help absorb costs associated with the pay raise contained in Chapter 2 and other increases associated with agency operations

Museum of Natural History

- Provides \$45,671 from the general fund in FY 2020 to replace the telephone and voice mail systems at the Museum of Natural History

Agriculture & Forestry

- Very few amendments are proposed in Agriculture and Forestry. Total proposals would increase agency spending by \$1.0 million GF in the second year, an increase of 1.8%

Department of Forestry

- Proposes \$500,000 GF in FY 2020 to fund 3 existing positions which would include a land conservation easement coordinator, a watershed program manager and a hardwood management coordinator
- Also proposed is \$200,000 GF in FY 2020 to provide broadband coverage to five agency field offices
- Included in Capital Outlay is \$4.3 million NGF for the construction of a new vehicle service center for the Department near its Charlottesville headquarters. Funding for the construction would be provided by UVA as part of a parcel swap

VDACS

- Recommends \$138,237 GF and one FTE the second year for an emergency preparedness coordinator for livestock, companion animals, crops and food products.
- Also recommends an increase of \$150,000 GF the second year to establish a MELP program for equipment at the state's four regional animal health and food safety laboratories



Transportation



Transportation

- Proposed actions within the transportation secretariat provide for an increase of \$608.9 million NGF (8.2%) in the first year and an increase of \$621.3 million NGF (8.9%) in the second year
- Proposed adjustments to VDOT revenues are primarily technical in nature
 - The largest shift increases VDOT's NGF appropriation by \$504.7 million in FY 2019 and \$411.1 million in FY 2020 to implement a revision to federal receipts processing at the request of DOA and does not result in additional revenues for the Department
 - An additional \$104.25 million NGF the first year is appropriated to reflect the CTB's Six Year Program adopted last June and \$210.7 million the second year is added to reflect the November 2018 CTF revenue forecast
- Also includes a proposed appropriation of \$75.0 million general fund from the "limited time" funding for the Virginia Transportation Infrastructure Bank in the first year
 - The accompanying language states that the Funds may be used for start-up costs associated with the proposed I-81 toll road expansion



Public Safety



Department of Corrections

- Proposes \$12.9 million GF over the biennium in additional medical services spending at the Fluvanna Women's Correctional Center
 - Department has ended medical services contract at facility, and will provide medical services using DOC staff
 - \$363,000 GF each year is the cost of bringing services in-house
 - \$6.0 million GF each year is proposed to increase staffing and level of medical service provided in facility as part of Department's response to ongoing court mandates regarding care in the facility
- Includes \$3.5 million GF and \$3.1 million NGF in FY 2020 to implement electronic health records in all women's correctional centers
- Adds \$1.2 million GF in FY 2019 and \$4.2 million GF in FY 2020 for increased medical costs at the Department's other facilities
- Proposes \$1.2 million GF in FY 2020 to increase capacity of the Community Corrections Alternative Program (CCAP)
 - Provides alternative to incarceration for opiate-addicted offenders who have violated the conditions of their release
- Proposes \$521,000 GF over biennium and five positions to implement the Military Medics and Corpsmen program

DCJS

- Proposes \$3.0 million GF in FY 2020 and nine positions to implement recommendations of Governor's Children's Cabinet Student Safety Workgroup
 - \$1.3 million to provide school safety training to all Virginia public schools through online and live trainings, and provision of technical assistance
 - \$721,000 to develop a case management tool for threat assessment teams, and to expand threat assessment team training
 - \$576,000 to continue administration of School Climate Survey
 - \$428,000 to provide basic training to all school resource officers
 - \$280,000 for active shooter training
- Notably, the introduced budget does not extend the additional \$1.3 million GF in SRO grant funding added in FY 2019
- Includes \$2.5 million GF in FY 2020 to extend jail mental health pilot programs for an additional 12 months
 - Proposed language amendment would authorize DCJS to expand the number of pilot sites beyond the six sites approved by the General Assembly

State Police

- Proposes several items related to the proposed upgrade of the Statewide Agencies Radio System (STARS):
 - \$500,000 GF for project management related to STARS system equipment replacement
 - \$205,000 GF and four positions for additional garage technicians
 - \$175,000 GF for training related to STARS system replacement
- Includes \$628,000 GF in FY 2020 for training localities on using COMLINC system, and to hire four positions for COMLINC operations and support
- Adds \$471,000 GF in FY 2020 for technology improvements required to implement proposed legislation prohibiting certain individuals from purchasing firearms
- Includes \$392,000 GF in FY 2020 and seven positions for proposed legislation requiring criminal background checks for all firearms purchases

Other Public Safety

Department of Forensic Science

- Adds \$3.3 million GF in FY 2020 to continue Governor's opioid crisis emergency response plan
 - Administratively transferred \$1.7 million from FY 2020 to FY 2019 to increase the number of forensic science positions, purchase equipment, and contract with vendors
 - Intent to address testing backlog in controlled substances section
- Includes \$500,000 GF in FY 2020 for increased costs and use of laboratory supplies in biology and toxicology sections

VDEM

- Proposes \$750,000 GF in FY 2020 in additional support for Virginia Emergency Support Team and Special Operations response team
- Includes \$556,000 GF in FY 2020 for search and rescue training provided to local public safety personnel

ABC

- Includes \$3.7 million NGF and nine positions for new store openings in FY 2019
- Part 3 amendment increases the net profit transfer by \$3.1 million in FY 2019 and \$1.7 million in FY 2020

Other Public Safety

Compensation Board

- Proposes reversion of \$3 million GF in FY 2019 and \$3.7 million GF in FY 2020 due to lower than projected jail per-diem costs
- Reverts \$847,000 GF in FY 2020 due to delayed opening of jail expansion at Prince William/Manassas Adult Detention Center

Department of Military Affairs

- Proposes \$1.5 million GF in FY 2020 for additional tuition assistance grants for members of the Virginia National Guard
 - Existing budget for program is \$3.0 million GF each year
- Includes \$150,000 GF each year for the agency to conduct cybersecurity assessment for local governments and state agencies

Department of Veterans Services

- Virginia Veterans and Family Support (VVFS) Program
 - \$638,000 for eight new resource specialist positions
 - 3 positions in East Region, two positions in Big Stone Gap, one position each in Richmond, Fredericksburg, and Roanoke
- Adds \$500,000 GF in FY 2020 for five positions to support the Veterans Benefits section
- Proposes \$461,000 GF and four positions in FY 2020 to support workforce initiatives in the VTAP, VETE, V3, and VMSDEP programs
- Includes \$140,000 GF in FY 2020 for a new deputy director position
 - Proposed to ease increased workload of existing deputy director
 - With new positions proposed by Governor, the Department's general fund workforce more than doubled between FY 2015 and FY 2020 (113 to 234)

Judicial Department

Supreme Court

- Includes \$288,000 GF in FY 2020 for the ongoing cost of relocating the judicial branch data center to a vendor-operated facility in eastern Henrico County

Indigent Defense Commission

- Proposes \$637,000 GF in FY 2020 for 20 paralegal positions to address workload issues in public defenders offices related to the increase use of bodyworn cameras

Virginia State Bar

- Proposes \$2.6 million GF in FY 2020 to hire up to 35 additional attorneys to provide legal services to assist low income tenants in housing eviction cases
 - Currently contract with the Legal Services Corporation of Virginia to provide civil indigent defense to low-income Virginians



Higher Education



HB 1700: Higher Education Institutions

- The introduced budget proposes \$28.0 million in additional general fund support for colleges & universities, extension and VIMS in the 2018-20 biennium as follows:
 - \$15.5 million is proposed for increased undergraduate financial aid in FY 2020
 - \$1.7 million in FY 2020 is proposed for the Radford – Jefferson College of Health Sciences merger
 - \$2.0 million in FY 2020 is a technical adjustment for UVA-Wise
 - \$8.1 million in FY 2020 is proposed for new or expanded institution-specific initiatives including:
 - \$5.5 million for expanded advising at the VCCS
 - \$1.0 million at UVA for focused ultrasound
 - \$0.6 million to support planning for a new cybersecurity program at UVA-Wise and accreditation
 - \$0.2 million for the Foundation for Humanities at UVA
 - \$0.3 million at VSU for graduate engineering
 - \$0.1 million at the VCCS to develop online apprenticeship programs
 - \$0.4 million at VIMS to monitor bay water quality
 - \$129,557 in the first year and \$548,924 in the second year is a technical fund split adjustment at VT Extension

HB 1700: State Council of Higher Education Initiatives

- \$4.0 million GF increase to the workforce credential grant program to \$13.5 million in FY 2020
 - Proposed new language would now limit the program to students with family incomes below \$50,000 and also limit the amount of grants allocated to an occupational field
- \$5.2 million GF for TAG with goal of increasing the annual award by \$50 from \$3,350 to \$3,400 in FY 2020
- Proposed new language would require higher education institutions to submit a tuition and fee transparency and predictability plan for in-state undergraduate students as part of the six-year plan process
 - The predictability plan would be for a three-year period and include:
 - Percentage and dollar increases or decreases of tuition during the plan's duration
 - A range of tuitions based upon available state resources and contain a scenario that includes the assumption of no new state general fund support

HB 1700: Other Higher Education Actions

- \$0.5 million GF to support Jefferson Labs creation of a new nuclear femtology center and continue efforts to secure federal funding
 - Nearly \$8.0 million provided for this purpose since FY 2016
- Central accounts includes:
 - \$8.3 million GF in FY 2020 to increase the number of computer science degrees
 - \$0.7 million GF each year to increase interest earnings and credit card rebate financial incentive (Central Accounts)
 - \$0.8 million GF each year for UVA health insurance
 - Approximately \$12.6 million in FY 20 for a 1% classified and faculty bonus in December 2019



Capital Outlay



Treasury Board

- Proposes \$23.9 million GF net savings in FY 2019 and \$31.2 million GF savings in FY 2020 due primarily to slower issuances than previously assumed

HB 1700: Capital Outlay

- Introduced budget proposes \$806.3 million in new capital outlay spending including:
 - \$568.4 million in VCBA / VPBA tax-supported bonds
 - \$33.5 million in general fund primarily for planning eight projects with an estimated value in excess of \$725 million
 - \$153.6 million in nongeneral funds
 - \$17.9 million in 9 (c) NGF revenue bonds
 - \$33.0 million in 9 (d) NGF revenue bonds

Proposed New Tax-Supported Bonds

- The introduced budget for capital outlay includes \$568.4 million in tax-supported bonds through the VCBA & VPBA
 - \$138.0 million for State Police STARS / COMLINC
 - \$248.0 million for VT Innovation Campus & unspecified workforce projects
 - \$64.8 for 12 projects that address life safety, infrastructure and major system replacements & maintenance
 - \$75.0 million for three new projects the VIMS Oyster Hatchery, VMI Aquatic Center, and Alexandria CSO
 - \$13.9 million to supplement current projects
 - \$46.0 million for equipment in new buildings coming on-line
- \$17.1 million of the cost of the projects listed above is offset by proposed bond savings from previously-approved projects

HB 1700: Nongeneral Fund Supported Capital Projects

- Projects funded through nongeneral funds (e.g. gifts, federal funds, auxiliary enterprise revenues, and port revenues)
 - \$153.6 million NGF revenue projects primarily in higher education
 - Includes \$10.8 million for additional DCR property acquisition
 - \$17.9 million in 9(c) revenue bonds for higher education projects
 - \$33.0 million in 9(d) revenue bonds for higher education projects

Project Planning

- HB 1700 proposes \$29.6 million from limited-time revenues to plan seven new projects with an estimated project value of \$725 million
- At November HAC Retreat, staff noted that 25 projects previously approved for planning already are in the capital project queue under the systematic approach to address capital needs adopted by the General Assembly in the 2008 Session
 - These projects already have an estimated project cost of about \$1.5 billion
- In addition, project cost overruns on existing projects may require \$80 to \$100 million