

# Proposed Amendments to the 2018-20 Budget

The proposed amendments to the 2018-20 budget (HB/SB 29) include \$461.4 million in general fund resources above those assumed in Chapter 854 of the 2019 Acts of Assembly. These resources include: (1) a \$147.8 million upward revision to the general fund revenue forecast; (2) increases in general fund transfers totaling \$30.9 million; and, (3) a positive net balance adjustment of \$282.7 million. With these adjustments, general fund resources and transfers in FY 2020 total \$23.0 billion, when you include the assumed FY 2019 carryforward contained in Chapter 854, this brings total resources to \$23.2 billion

The net balance available for carry-forward into the next biennium, totals \$563.0 million. This includes the \$7.6 million unappropriated balance contained in Chapter 854, the change in general fund resources outlined above, and proposed net spending reductions contained in HB/SB 29, which total \$94.0 million.\*

| General Fund Resources Available for Appropriation<br>(\$ in millions)                                                                                                               |                    |                   |                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|-------------------|
| Total Resources Available                                                                                                                                                            | <u>Chapter 854</u> | <u>HB/SB 29</u>   | <u>Difference</u> |
| Adjustments to Balance Forward                                                                                                                                                       |                    | \$1,930.6         | \$1,930.6         |
| Additions to Balance*                                                                                                                                                                | 336.2              | (1,311.7)         | (1,647.9)         |
| Revenue Forecast                                                                                                                                                                     | 21,556.7           | 21,704.5          | 147.8             |
| Transfers                                                                                                                                                                            | <u>635.8</u>       | <u>666.7</u>      | <u>30.9</u>       |
| <b>Total GF Resources</b>                                                                                                                                                            | <b>\$22,528.7</b>  | <b>\$22,990.1</b> | <b>\$461.4</b>    |
| Ch. 854 Carryforward to FY 20                                                                                                                                                        |                    | <u>\$229.9</u>    |                   |
| <b>Total FY 20 Resources</b>                                                                                                                                                         |                    | <b>\$23,220.0</b> |                   |
| Unappropriated Balance (Ch. 854)                                                                                                                                                     |                    |                   | \$7.6             |
| HB/SB 29 Difference in Available Resources                                                                                                                                           |                    |                   | 461.4             |
| HB/SB 29 Net Reduction in Spending*                                                                                                                                                  |                    |                   | <u>94.0</u>       |
| <b>HB/SB 29 Carry Forward Balance to FY 21</b>                                                                                                                                       |                    |                   | <b>\$563.0</b>    |
| *Note: Totals do not reflect HB/SB 29 as introduced but have been adjusted to reflect a technical correction submitted by the Administration detailed in the balances section below. |                    |                   |                   |

## Changes in Revenue

FY 2019 general fund revenue collections exceeded the estimate by \$778.8 million (excluding transfers). The gain was driven primarily by better than expected individual nonwithholding payments and lower than expected individual tax refunds. Corporate income tax collections missed the forecast by 7.9 percentage points and sales tax collections fell short of the forecast by 0.3 percentage points. As a result, FY 2020 general fund revenues have to increase only 1.2 percent to meet the budget forecast in Chapter 854, compared to the original assumption of 5.0 percent growth.

The fall revenue reforecasting process resulted in an estimated GF growth rate of 1.9 percent, an increase of \$147.8 million above the Chapter 854 revenue base. This figure included adjustments made subsequent to the Governor's Advisory Council on Revenue Estimates (GACRE) based on the recommendations of the legislators and business leaders who make up that group.

Year-to-date through November, general fund revenue growth is 8.5 percent, well ahead of the revised forecast. However, while all general fund revenue sources are growing faster than revised growth rates, HB/SB 29 incorporates a conservative forecast and intentionally accounts for a potentially large year-over-year decline in individual nonwithholding collections resulting from the unknowns associated with changing taxpayer behavior in response to tax policy changes related to the federal Tax Cuts and Jobs Act (TCJA).

| <b>FY 2020 Estimate of GF Taxes by Source</b><br>(\$ in millions) |                                      |                                      |                                                  |
|-------------------------------------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------------------|
|                                                                   | <b><u>Dec. 2019<br/>Forecast</u></b> | <b><u>Estimated<br/>% Growth</u></b> | <b><u>% Growth<br/>through<br/>Nov. 2019</u></b> |
| Net Individual                                                    | \$15,284.9                           | 0.4%                                 | 6.7%                                             |
| Corporate                                                         | 964.5                                | 2.2%                                 | 28.3%                                            |
| Sales                                                             | 3,794.5                              | 6.0%                                 | 8.8%                                             |
| Insurance                                                         | 409.1                                | 7.1%                                 | n/a                                              |
| Wills (Recordation)                                               | 437.6                                | 13.2%                                | 29.6%                                            |
| All Other                                                         | <u>813.9</u>                         | <u>3.2%</u>                          | <u>13.4%</u>                                     |
| <b>Total GF Revenues</b>                                          | <b>\$21,704.5</b>                    | <b>1.9%</b>                          | <b>8.5%</b>                                      |

## **Changes in Transfers**

Proposed net transfer adjustments in HB/SB 29 increase total GF transfers by \$30.9 million. Included is a proposed transfer of \$23.0 million, the anticipated year-end balance of the Taxpayer Relief Fund. The Fund was established in 2019 (Chapters 17 and 18 of the 2019 Acts of Assembly) to capture and designate for future tax reform, incremental revenues generated by the individual reform provisions of the TCJA. Also included are reimbursement amounts for Hurricane Florence which total \$14.9 million, and a \$6.8 million increase in the estimated sales tax transfer for K-12 education based on an overall increase in the sales tax forecast. Offsetting proposals include a reduction in transfers from the Trauma Center Fund of \$13.0 million and a \$1.7 million reduction in transfers from the Game Protection Fund, which increases the amount retained by the Department of Game and Inland Fisheries from watercraft sales tax collections.

## **Changes in Net Balance**

The unrestricted cash balance reported by the State Comptroller represents the cash after accounting for liabilities and setting aside balances for restricted funds. The balance reported by the State Comptroller at the close of FY 2019 was \$2.2 billion and includes revenues in excess of the of the forecast totaling \$778.8 million (including \$455.0 million transferred to the Taxpayer Relief Fund); the \$229.9 million carry-forward balance assumed in Chapter 854; unexpended GF operating appropriations of \$131.8 million; unexpended GF capital appropriations of \$6.2 million; and other nongeneral fund cash on deposit in the Treasury that is counted as general fund according to the Government Accounting Standards Board (GASB).

Mandatory restrictions against this amount total \$638.8 million. The majority relates to balances in the Revenue Stabilization Fund and Revenue Stabilization Fund Reserve totaling \$289.3 million and \$336.6 million, respectively. It also include balances in the Lottery Proceeds Fund of \$10.8 million and \$2.2 million of Water Supply Assistance Grant Funds. After adjusting the balance for these liabilities, and for payments awaiting disbursement, the unrestricted general fund cash balance totaled \$2.2 billion, approximately \$1.9 billion more than assumed in Chapter 854.

Adjustments to the unrestricted balances are committed under statutory requirements, and distributions include the reappropriation of \$6.7 million in FY 2017 GF capital and capital planning funds, and \$240.0 million in mandatory and discretionary GF agency balances. Also included is \$87.0 million from the Local Communications Sales and Use Tax and the Virginia Health Care Fund. Under language included in Chapter 854, remaining unencumbered amounts totaling \$197.1 million are set aside for the Revenue Reserve Fund to provide additional liquidity to address potential revenue shortfalls.

A summary of balance adjustments and transfer amendments is provided below.

| <b>Changes to Transfers and Balances Since 2019 Session</b><br>(\$ in millions) |                       |
|---------------------------------------------------------------------------------|-----------------------|
|                                                                                 | <b><u>2018-20</u></b> |
| <b>Unrestricted Balance:</b>                                                    |                       |
| Unrestricted Fund Balance, Comptroller's August Report                          | \$2,160.5             |
| Amount Anticipated in Chapter 854                                               | <u>(229.9)</u>        |
| <b>Additional Unreserved Balance</b>                                            | <b>\$1,930.6</b>      |
| <b>Balance Adjustments:</b>                                                     |                       |
| Reappropriation - FY19 Unexpended Balances for Capital                          | (6.7)                 |
| Virginia Health Care Fund                                                       | (53.1)                |
| Communication Sales and Use Tax                                                 | (33.9)                |
| Natural Disaster Sum Sufficient                                                 | (21.3)                |
| Amount Required for Mandatory Reappropriations                                  | (108.2)               |
| WQIF - Balances and Deposits                                                    | (81.5)                |
| Revenue Reserve Fund                                                            | (502.6)               |
| Taxpayer Relief Fund                                                            | (455.0)               |
| Other NGF Assigned or Committed                                                 | (265.8)               |
| Amount for Voluntary Revenue Reserve Deposit                                    | (270.8)               |
| Amount Required for Discretionary Reappropriations                              | (131.8)               |
| Amounts Required for FY 2020 WQIF Based on FY 18 Surplus                        | (73.8)                |
| Adjust Balance for Veto of Item 292 – 2019 GA Session                           | (0.8)                 |
| Revert FY 2019 Unexpended Discretionary Balances                                | 86.4                  |
| Appropriate Voluntary Revenue Reserve Deposit                                   | <u>270.8</u>          |
| <b>Total Balance Adjustments</b>                                                | <b>(\$1,648.0)</b>    |
| <b>Transfer Amendments:</b>                                                     |                       |
| Transfer Balance of Taxpayer Relief Fund                                        | \$23.0                |
| Reimbursement Amounts for Hurricane Florence                                    | 14.9                  |
| Sales Tax Reforecast – K-12 Education                                           | 6.8                   |
| ABC Profits                                                                     | 1.5                   |
| Miscellaneous Other Transfers                                                   | < 0.1                 |
| Reduction in Court Debt Collections                                             | (0.6)                 |
| Increase Sales Tax to Game Protection Fund                                      | (1.7)                 |
| Increase Transfer to Trauma Center Fund                                         | <u>(13.0)</u>         |
| <b>Total Transfer Adjustments</b>                                               | <b>\$30.9</b>         |

\* Due to a technical correction needed to the year-end balance in the introduced budget, the remaining unencumbered amount set aside for the Revenue Reserve Fund totals \$197.1 million, rather than \$270.0 million as originally introduced. This results in a net reduction in spending totaling \$94.0 million, compared to the 20.3 million reduction reported when HB/SB 29 was introduced.

## Major Spending and Savings Proposed in HB/SB29 as Introduced

(GF \$ in millions)

|                                                                | <u>FY 2020</u>    |
|----------------------------------------------------------------|-------------------|
| <b>Major Spending Proposed</b>                                 |                   |
| Revenue Cash Reserve*                                          | \$ 197.1          |
| K-12 Updates (Enrollment, Lottery Proceeds, Sales Tax, ESL)    | 46.1              |
| Legal Costs and Settlements (Depts. of Corrections and Health) | 15.0              |
| Inmate Health Care (Medical Costs and Hepatitis C Treatment)   | 11.6              |
| Housing Trust Fund                                             | 7.0               |
| Children's Services Act                                        | 6.6               |
| Presidential Primary Expenses                                  | 5.9               |
| Criminal Fund (Indigent Legal Defense)                         | 4.6               |
| Children's Health Insurance Program (FAMIS)                    | 2.2               |
| DBHDS Licensing, Quality Improvement, Assessments              | 2.1               |
| Other Spending Adjustments                                     | <u>4.3</u>        |
| <b>Total Spending:</b>                                         | <b>\$ 302.5</b>   |
| <b>Major Savings Proposed</b>                                  |                   |
| Medicaid Utilization and Inflation                             | \$ (211.7)        |
| Revenue Stabilization Fund Deposit                             | (97.5)            |
| Health Care Fund                                               | (44.4)            |
| K-12 Updates (Incentive Programs, Summer School, etc.)         | (15.4)            |
| Debt Service Savings                                           | (11.5)            |
| VA Center for Behavioral Rehabilitation (Expansion Delay)      | (6.5)             |
| Other Savings Adjustments                                      | <u>(9.5)</u>      |
| <b>Total Savings:</b>                                          | <b>\$ (396.5)</b> |
| <b>Net Spending Adjustments</b>                                | <b>\$ (94.0)</b>  |

\*Note: Totals do not reflect HB/SB 29 as introduced but have been adjusted to reflect a technical correction submitted by the Administration detailed in the balances section below.

## Judicial

- **General District Courts**
  - *Increase Criminal Fund Appropriation.* Recommends an additional \$2.3 million GF be provided to the Criminal Fund due to increased utilization of the Fund. This brings the total appropriation for the Criminal Fund for the General District Courts to \$17.3 million GF.
- **Juvenile and Domestic Relations Courts**
  - *Increase Criminal Fund Appropriation.* Recommends an additional \$2.3 million GF be provided to the Criminal Fund due to increased utilization of the Fund. This brings the total appropriation for the Criminal Fund for the Juvenile and Domestic Relations District Courts to \$34.1 million GF.

## Administration

- **Department of Human Resource Management**
  - *Initiative to Evaluate Pay Equity.* Proposes \$250,000 GF the second year for DHRM to contract with a third party to conduct a study on state employee pay equity.
- **Department of Elections**
  - *Transfer Appropriation for 2020 Presidential Primary Expenses.* Recommends transferring \$147,308 GF to Central Appropriations. The appropriation represents the amount allocated for reimbursement to the Department of Elections in Chapter 854 of the 2019 Acts of Assembly for expenses incurred related to the 2020 presidential primary. The proposed amendment would allow the agency to be reimbursed from Central Appropriations, consistent with the reimbursements made for localities for presidential primary expenses. A proposed companion amendment in Central Appropriations reflects this transfer, as well as funding to reimburse localities for 2020 presidential primary costs.

## Commerce and Trade

- **Economic Development Incentive Payments**
  - *Virginia Economic Development Incentive Grant Program.* Appropriates \$1.0 million NGF from funds previously appropriated from the general fund and deposited into the Virginia Economic Development Incentive Grant Fund. Funding will be used to pay previously authorized incentive grants subject to the terms of a performance agreement.
  - *Transfer Funding from Sale of CIT Building to Commonwealth's Opportunity Fund.* Includes a \$10.0 million NGF transfer to the Commonwealth's Development Opportunity Fund (CDOF) from the Virginia Research Investment Fund. This amount represents a portion of the proceeds from the sale of the CIT building. The transfer, authorized in § 3-1.01 (Interfund Transfers), brings the total CDOF appropriation to \$29.8 million in FY 2020.
  - *Major Headquarters Workforce Grant Fund.* Recommends removal of language in Part 4 directing that the first \$40.0 million of sales and use taxes remitted by online retailers with a physical presence in Virginia since 2012 be deposited to the Major Headquarters Workforce Grant Fund to support anticipated grant payments to Amazon.
- **Department of Housing and Community Development**
  - *Increase Deposit to the Housing Trust Fund.* Proposes an additional \$7.0 million GF deposit to the Housing Trust Fund in the second year, increasing the annual appropriation to \$14.0 million GF for FY 2020.

## Public Education

The Governor's proposed amendments to Direct Aid to Public Education increase the general fund amount by a net of \$30.8 million while decreasing nongeneral funds by \$15.4 million in FY 2020, primarily reflecting increases in projected enrollments and decreases in the Lottery Proceeds Fund.

- **Direct Aid to Public Education**

*GF Increases*

- Adds \$21.1 million GF for updated fall membership and average daily membership based on a projected increase of 3,502 students compared to the projected 1,248,166 Average Daily Membership reflected in Chapter 854 of the 2019 Acts of Assembly due to the updates for the actual March 31, 2019 ADM and fall membership counts for September 30, 2019.
- Adjusts funding to reflect a decrease of \$15.4 million NGF in the revised forecast estimate of Lottery Proceeds for FY 2020. General fund revenue is increased by a like amount to offset the loss.
  - In total, the revised estimate of expected funds available to the Lottery Proceeds Funds is \$613.5 million in FY 2020. This reflects a revised proceeds forecast of \$586.6 million in FY 2020, a decrease of \$42.2 million from the anticipated Chapter 854 FY 2020 transfer of \$628.8 million, offset by the transfer of residual FY 2019 profits of \$26.9 million to FY 2020. The decrease of \$15.4 million in Lottery Proceeds Fund over the Chapter 854 appropriation requires an equal amount of general fund revenue in FY 2020 as noted above.
- Increases funding by a net \$5.7 million GF based on the latest sales tax revenue projection, which increased the estimated sales tax for public education by \$12.9 million, and the corresponding decrease of \$7.2 million in Basic Aid funding to offset the state's share of about 55 percent of the savings.
- Adds \$2.8 million GF for the actual English as Second Language student membership count.
- Adds \$1.1 million GF for updates to Lottery supported programs.



### *GF Decreases*

- Captures \$10.7 million GF from updating Incentive Program accounts, primarily from Special Education Regional Tuition, a decrease of \$7.4 million, and VPI Plus, a decrease of \$3.7 million based on participation rates.
- Captures \$2.8 million GF to reflect actual enrollment in Remedial Summer School.
- Captures \$1.3 million GF to reflect actual compensation supplement activities by divisions. This reflects the savings from nine divisions not utilizing the full five percent compensation supplement provided in FY 2020.
- Also captures a decrease of \$302,823 GF from Categorical accounts and decrease of \$358,514 based on the actual number of National Board Certified teachers.

## **Finance**

- **Department of Accounts Transfer Payments**

- ***Voluntary Revenue Reserve Deposit.*** HB/SB 29, as introduced, included a proposed \$270.8 million voluntary deposit to the Revenue Reserve Fund. However, subsequent to the introduction of the budget, an error related to the carryforward of a portion of the FY 2018 year-end balance, which is required for deposit into the Water Quality Improvement Fund (WQIF) in FY 2020, was found. This results in a reduction in the FY 2019 uncommitted balance, and thus a reduction in the voluntary Revenue Reserve Fund of \$73.8 million, making the actual amount available for deposit \$197.1 million. The Administration, through the Secretary of Finance, has submitted a technical amendment to the respective money committee Chairs to rectify the error.
- ***Removal of Prepayment to Revenue Stabilization Fund Deposit for FY 2022.*** Proposes removing \$97.5 million GF the second year for prepayment of an anticipated mandatory deposit to the Revenue Stabilization Fund in FY 2022. The prepayment included in FY 2020 in Chapter 854 of the 2019 Acts of Assembly assumed that revenue growth in FY 2020 would trigger a mandatory Revenue Stabilization Fund deposit. However, because general fund revenue growth in FY 2019 was so robust, it is now anticipated that revenue growth will not trigger a deposit based on current year growth. Revenues would have to grow 4.1 percent to trigger a deposit. The correct forecast assumes 1.9 percent GF revenue growth in FY 2020.

- **Treasury Board**

- *Recognize Debt Service Savings.* Recommends removing \$11.5 million GF and \$1.4 million NGF the second year, which reflects debt service savings on bonds issued by the Virginia Public Building Authority and the Virginia College Building authority compared to previous expectations. This brings total projected GF debt service to \$764.9 million in FY 2020.

| <b>Debt Service Savings</b><br>(GF in \$ millions) |                            |                             |                                |
|----------------------------------------------------|----------------------------|-----------------------------|--------------------------------|
| <u>Debt Type</u>                                   | <u>FY 2020<br/>Ch. 845</u> | <u>Caboose<br/>HB/SB 29</u> | <u>\$ Change<br/>(Amended)</u> |
| General Obligation Bonds                           | \$64.4                     | \$ 61.5                     | \$ (2.9)                       |
| Public Building Authority Bonds                    | 272.7                      | 269.3                       | (3.4)                          |
| College Building Authority Bonds                   | 433.9                      | 428.6                       | <u>(5.3)</u>                   |
| <b>Total GF Debt Service Savings (projected)</b>   |                            |                             | <b>(\$11.5)</b>                |

## Health and Human Resources

- **Secretary of Health and Human Resources**

- *Establish a Workgroup to Evaluate Doula Medicaid Coverage for Pregnant Women.* Proposes budget language to create a workgroup to review and make recommendations related to creating a community doula benefit for pregnant women in Medicaid. The workgroup would include the appropriate state agencies and other stakeholders and evaluate federal requirements, state regulations, and the estimated costs of a Medicaid doula benefit. The workgroup would report its findings and recommendations to the Governor and the Chairs of the House Appropriations and Senate Finance Committees by June 30, 2020.

- **Children's Services Act (CSA)**
  - ***Mandatory Caseload and Cost Increases.*** Adds \$6.6 million GF in FY 2020 to reflect the latest forecast of expenditures for the CSA program. Overall, the program continues to grow due to increasing caseload and costs for special education private day placements and a recent increase in treatment foster care spending. Factoring in these adjustment to program spending, expenditures are projected to increase by 7.4 percent in FY 2020. Expenditure growth in FY 2019 was 6.2 percent.
- **Department of Health**
  - ***Modify Abortion Limitations on Expenditures.*** Proposes language in Part 4 of the introduced budget bill for FY 2020 that allows the expenditure of funds from the state budget for abortions as permitted by state statute. Beyond federal restrictions, Virginia law allows abortions in the case of gross fetal abnormality.
- **Department of Medical Assistance Services (DMAS)**

***Forecast Changes***

- ***Medicaid Utilization and Inflation.*** Reduces \$211.7 million GF and \$356.4 million in federal Medicaid matching funds in FY 2020 to reflect a lower forecast of expenditures for the base Medicaid program (excluding Medicaid expansion). Base Medicaid spending is expected to increase by 1 percent in FY 2020, well below the 2.6 percent growth projected in the November 2018 Official Medicaid Forecast. Spending growth in the program is lower due to higher than expected savings from the impact of Medicaid Expansion. More enrollees have shifted from base Medicaid (50 percent state share of costs) to the Medicaid expansion group (10 percent state share of costs), which results in larger state savings than previously projected. In addition, savings from pharmacy rebates are also higher than projected in the previous expenditure forecast.
- ***Adjust Appropriation for the Virginia Health Care Fund.*** Proposes to reduce the appropriation by \$44.4 million GF in FY 2020 and add a like amount of nongeneral funds each year to reflect changes in revenues to the Virginia Health Care Fund. Revenues from the Fund are used as a portion of the state's match for the Medicaid program; therefore, higher revenues result in a reduction of the general fund appropriation needed to maintain currently-funded Medicaid services. Conversely, lower revenues require additional general fund support. Revenues in the fund are derived from tobacco taxes, Medicaid recoveries and revenue maximization initiatives, and a portion of the Master Tobacco Settlement Agreement (41.5 percent of tobacco settlement revenues). Changes to the fund include:

- A decrease of \$2.1 million in Tobacco Master Settlement Agreement payments,
  - A decrease of \$6.8 million in expected pharmacy rebates,
  - An increase of \$0.2 million projected tax collections from cigarettes and other tobacco products, and
  - An increase of \$53.1 million to reflect the cash balance carried over from FY 2019.
- ***Family Access to Medical Insurance Security (FAMIS) Utilization and Inflation.*** Increases spending by \$2.2 million GF and \$4.6 million NGF from federal matching funds in FY 2020 to reflect the forecast of expenditures for the FAMIS program. The higher forecast is mainly due to increasing caseload. FAMIS enrollment of children increased by 4.9 percent in FY 2019 and through November 1, 2019, average monthly enrollment for FY 2020 is up 3.1 percent for children. The federal match rate for FAMIS is 88 percent for the first quarter of FY 2020 and is at 76.5 percent for the remaining three quarters. The FAMIS program serves pregnant women and children under the age of 19 in families with income between 143 and 205 percent of poverty.
  - ***Medicaid Children's Health Insurance Program (CHIP) Utilization and Inflation.*** The proposed budget reduces \$1.0 million GF and \$4.2 million NGF in FY 2020 to reflect the forecast of expenditures in the Medicaid CHIP program. Enrollment in the Medicaid CHIP program increased by 6.4 percent in FY 2019 and through November 1, 2019, average monthly enrollment for FY 2020 is up 3.4 percent. The federal match rate for the Medicaid CHIP program is 88 percent for the first quarter of FY 2020 and is at 76.5 percent for the remaining three quarters. The Medicaid CHIP program provides services for Medicaid-eligible low-income children, aged 6 – 18, living in families with incomes between 109 and 143 percent of the federal poverty level.

#### ***Other Amendments***

- ***Provide Authority to Offset Lost Federal Revenue for Children's Hospital of the King's Daughters.*** Adds language authorizing the department to make indirect medical education payments to offset the potential loss of Disproportionate Share Hospital (DSH) payments that may be reduced as a result of a federal court case. This language allows other federal funding sources to offset the loss of DSH payments and therefore has no state funding impact.

- **Department of Behavioral Health and Developmental Services**
  - *Funding for Provider Licensing, Compliance, Quality Improvements and Individual Assessments.* Proposes \$2.1 million GF and 28.0 positions in FY 2020 for quality improvement and risk management for individuals with developmental disabilities. Funding will support additional 28.0 additional staff for licensing, quality assurance, behavioral analysis, human rights, and for the Individual and Family Support Program.
  - *Fund Increasing Caseload for Part C Early Intervention Services.* Proposes \$1.2 million GF in FY 2020 to cover the costs of the increasing caseload for the program. The program has been growing on average by 5.4 percent a year over the past six years. The program provides early intervention services to children from birth to 2 years old with a developmental delay or at-risk of a developmental delay. This program is part of the federal Individuals with Disabilities Education Act.
  - *Capture Excess Funding for New Beds at the Virginia Center for Behavioral Rehabilitation (VCBR).* Proposes to reduce by \$6.5 million GF and 119.0 positions in FY 2020 the funding provided for the operating costs of the expansion of VCBR. Due to delays in construction and lower census growth the funding for the additional beds will not be needed until FY 2021. In the 2019 Session, \$7.8 million GF and 147.0 positions were provided in FY 2020 for the expansion, which at that time was estimated to begin operation in August 2019.
  - *Reduce Funds to Reflect Downsizing and Closure of Training Centers.* Proposes reducing general fund spending of \$4.5 million GF in FY 2020 to reflect savings from the quicker downsizing of Central Virginia Training Center than anticipated. Central Virginia Training Center is slated to close by June 30, 2020.
  - *Provide Nongeneral Funds for Electronic Health Records.* Proposes \$14.5 million NGF in FY 2020 to fund the remaining costs of implementing electronic health records in state facilities. Funding is provided from existing nongeneral fund balances.
- **Department of Social Services**
  - *Provide Funds for a Cost of Living Adjustment for Foster Care and Adoption Subsidy Payments.* Proposes \$565,544 GF and \$446,059 NGF in FY 2020 to adjust foster family home rates and adoption assistance maintenance payments by five percent. The Appropriation Act requires that these rates be increased in the year following a salary increase provided for state employees. State employees received up to a 5 percent raise in June 2019, therefore a similar percentage increase is

proposed for these rates. Federal Title IV-E grant funds provide the nongeneral portion of the amount.

- ***Foster Care and Adoption Forecast.*** Proposes \$722,339 GF and \$4.1 million NGF in FY 2020 for forecast changes to the foster care and adoption subsidy programs. Adoption subsidies are projected to increase by \$6.0 million GF and \$6.0 million in federal Title IV-E funds, however the general fund increase is partially offset by a projected decline in state adoption subsidies of \$3.4 million GF. Title IV-E foster care expenditures are expected to decrease by \$1.9 million GF and \$1.9 million NGF.
- ***Add Funds to Replace Legacy IT Systems with An Enterprise Platform Solution.*** The introduced budget proposes \$264,375 GF and \$323,125 NGF in FY 2020 to replace the Virginia case management system (VA-CMS) and other legacy systems with a modular enterprise platform solution. The VA-CMS system was developed beginning in FY 2013 after the 2012 General Assembly authorized funds to modernize the Department of Social Services eligibility processing information system for benefit programs.
- ***Capture Savings in TANF Unemployed Parents Program.*** Proposes to reduce \$3.5 million GF in FY 2020 to reflect a lower forecast of costs in the unemployed parents' cash assistance program mainly due to declining caseloads.
- ***Technical Adjustment to Appropriation for Local Staff Salary Increase.*** Proposes \$8.1 million NGF in FY 2020 to reflect a projected increase in federal appropriation related to the salary increase provided in the 2019 Session for state supported local social services staff.
- ***Technical Adjustment to Federal Appropriation for the Low Income Heating and Energy Assistance Program (LIHEAP).*** Proposes increasing by \$4.5 million NGF in FY 2020 to reflect a larger federal grant award for the LIHEAP program.
- ***Create a New Summer Food Pilot Program.*** Proposes \$2.7 million NGF from the Temporary Assistance to Needy Families (TANF) block grant in FY 2020 to create a summer feeding pilot program to provide \$50 on a family's electronic benefit card each month during the summer for meal purchases.
- ***Adjust TANF Funding to Account for Providing Mandated Benefits.*** Proposes a net reduction in TANF spending of \$9.3 million NGF due to the continued decline in the TANF caseload. The table at the end of the Health and Human Resources section details the changes from Chapter 854 of the 2019 Acts of Assembly.

- **Virginia Board for People with Disabilities**
  - *Reflect Increase in Federal Grant.* Provides \$495,000 NGF in FY 2020 for the agency to expend available federal grants funds that will expire within two years. These funds will be used to make one-time grants to community partners.
- **Department for the Blind and Vision Impaired**
  - *Provide Nongeneral Fund Appropriation to Reflect Agency Operations.* The introduced budget adds \$453,109 NGF in FY 2020 to reflect anticipated revenues and will reduce the need for administrative appropriation adjustments.

| TANF Block Grant Funding<br>FY 2020 Introduced Budget (HB/SB 29) |                        |                              |
|------------------------------------------------------------------|------------------------|------------------------------|
|                                                                  | Chapter 854<br>FY 2020 | HB/SB 29 Proposed<br>FY 2020 |
| <b>TANF Resources</b>                                            |                        |                              |
| Annual TANF Block Grant Award                                    | \$157,762,831          | \$157,762,831                |
| Carry-Forward From Prior Fiscal Year                             | <u>124,901,366</u>     | <u>151,404,869</u>           |
| <b>Total TANF Resources Available</b>                            | <b>\$282,664,197</b>   | <b>\$309,167,700</b>         |
| <b>TANF Expenditures</b>                                         |                        |                              |
| <i>VIP/VIEW Core Benefits and Services</i>                       |                        |                              |
| TANF Income Benefits                                             | \$27,456,362           | \$21,163,680                 |
| <i>Expand TANF Eligibility (Drug Felonies)</i>                   | <b>0</b>               | <b>49,296</b>                |
| VIEW Employment Services                                         | 13,612,144             | 13,612,144                   |
| VIEW Child Care Services                                         | 2,276,526              | 2,119,005                    |
| TANF Caseload Reserve                                            | <u>2,000,000</u>       | <u>2,000,000</u>             |
| <b>Subtotal VIP/VIEW Benefits and Services</b>                   | <b>\$45,495,032</b>    | <b>\$38,944,125</b>          |
| <i>Administration</i>                                            |                        |                              |
| TANF State / Local Operations                                    | \$53,568,212           | \$53,568,212                 |
| <i>NGF Match for Local Staff Salary Increases</i>                | <u>0</u>               | <u>1,622,707</u>             |
| <b>Subtotal Administration</b>                                   | <b>\$53,568,212</b>    | <b>\$55,348,440</b>          |
| <i>TANF Programming</i>                                          |                        |                              |
| Community Employment & Training Grants                           | \$10,500,000           | \$10,500,000                 |
| <i>Healthy Families/Healthy Start</i>                            | <b>9,035,501</b>       | <b>8,617,679</b>             |
| Community Action Agencies                                        | 7,375,000              | 7,375,000                    |
| Local Domestic Violence Prevention Grants                        | 3,846,792              | 3,846,792                    |
| Federation of Virginia Food Banks                                | 3,000,000              | 3,000,000                    |
| <i>Long-Acting Reversible Contraceptives (VDH)</i>               | <b>3,000,000</b>       | <b>5,245,316</b>             |
| CHIP of Virginia (VDH)                                           | 2,400,000              | 2,400,000                    |
| Boys and Girls Clubs                                             | 1,500,000              | 1,500,000                    |
| Virginia Early Childhood Foundation                              | 1,250,000              | 1,250,000                    |
| Child Advocacy Centers                                           | 1,136,500              | 1,136,500                    |
| Resource Mothers                                                 | 1,000,000              | 1,000,000                    |
| Northern Virginia Family Services                                | 1,000,000              | 1,000,000                    |
| Early Impact Virginia (Home Visiting)                            | 600,000                | 600,000                      |
| Laurel Center                                                    | 500,000                | 500,000                      |
| EITC Grants                                                      | 185,725                | 185,725                      |
| FACETS                                                           | 100,000                | 100,000                      |
| Visions of Truth STRIVE Program                                  | 75,000                 | 75,000                       |
| <i>Summer Feeding Program Pilot</i>                              | <u>0</u>               | <u>2,720,349</u>             |
| <b>Subtotal TANF Programming</b>                                 | <b>\$46,504,518</b>    | <b>\$51,202,361</b>          |
| <b>Transfers to Other Block Grants</b>                           |                        |                              |
| CCDF for At-Risk Child Care/ Head Start                          | \$15,357,212           | \$15,357,212                 |
| SSBG for Children's Services Act/Local Staff                     | <u>15,645,500</u>      | <u>15,645,500</u>            |
| <b>Total TANF Transfers</b>                                      | <b>\$31,182,712</b>    | <b>\$31,182,712</b>          |
| <b>Total TANF Expenditures &amp; Transfers</b>                   | <b>\$176,750,474</b>   | <b>\$176,677,638</b>         |



## Public Safety and Homeland Security

- **Department of Alcoholic Beverage Control**
  - *Estimated New Profit Transfers.* Proposes a language amendment in Part 3 to increase the FY 2020 net profit transfer by \$1.5 million over the amount assumed in Chapter 854 of the 2019 Acts of Assembly.
- **Department of Corrections**
  - *Hepatitis C Testing and Treatment Costs.* Proposes \$10.3 million GF for the increased costs of testing and treating inmates held in state correctional institutions for Hepatitis C.
  - *Medical Costs.* Recommends an additional \$1.2 million GF in FY 2020 for increased inmate medical costs.
  - *Contract Costs for Lawrenceville.* Includes \$994,000 GF for increased contractual costs for continued vendor operation of Lawrenceville Correctional Center.

## Transportation

- **Department of Motor Vehicles**
  - *Increase Staffing Level for REAL ID Implementation.* Authorizes an increase of 100.00 FTE positions to increase the agency's ability to issue federally compliant driver's licenses. The additional positions are funded by an existing line of credit of \$10.5 million which is anticipated to be repaid by a previously authorized one-time additional charge of \$10.00 for each federally-compliant credential issued.
- **Department of Transportation**
  - *Align Appropriations with Revenue Forecast.* Proposes an additional \$883.3 million NGF in the current year to align expenditures with the revised revenue forecast approved by the Commonwealth Transportation Board. The major appropriation changes are additional allocations to highway construction totaling \$759.3 million and increases in funding for highway maintenance of \$104.7 million. From these amounts, an additional \$18.5 million is allocated to the Northern Virginia and Hampton Roads regional transportation entities to reflect increases in

dedicated regional tax revenues. The majority of the additional highway construction revenue is comprised of \$441.0 million transferred from the Hampton Roads Transportation Accountability Commission for construction of the Hampton Roads Bridge Tunnel, and \$50.0 million which reflects a concession payment for the “I-66 Outside the Beltway”.

| <u>Program</u>           | <u>Proposed<br/>Increase/(Decrease)</u> |
|--------------------------|-----------------------------------------|
| Environmental Monitoring | \$3,000,000                             |
| Planning & Research      | 1,027,292                               |
| Highway Construction     | 759,342,720                             |
| Highway Maintenance      | 104,712,253                             |
| Toll Facilities          | (5,816,873)                             |
| Local Assistance         | 21,009,628                              |
| Debt Service             | (3,532,015)                             |
| Administrative           | <u>3,538,821</u>                        |
| <b>Total</b>             | <b>\$883,281,826</b>                    |

## Central Appropriations

- **Central Appropriations**
  - *Provide Support for Legal Expenses.* Proposes \$15.0 million GF the second year to support anticipated legal expenses related to the Department of Health and the Department of Corrections.
  - *Provide Funding for Reimbursement of 2020 Presidential Primary Expenses.* Recommends \$5.9 million GF the second year for reimbursement to the Department of Elections and localities for 2020 presidential primary expenses. Included in this amount is \$147,308 GF, which is part of a net-zero transfer from the Department of Elections included as a companion amendment.
  - *Adjust Funding for Personnel Management Information System (PMIS) Internal Service Fund Charges.* Proposes removing \$346,941 GF the second year to reflect

the general fund savings resulting from the actual usage of PMIS by agency customers being lower than was previously projected.

## Capital Outlay

| Proposed Capital Outlay Funding |                              |                             |
|---------------------------------|------------------------------|-----------------------------|
| <u>Fund Type</u>                | <u>2018-20<br/>(HB/SB29)</u> | <u>2018-20<br/>Biennium</u> |
| General Fund                    | \$0.1                        | \$4.8                       |
| VPBA/VCBA Tax-Supported Bonds   | 95.2                         | 2,188.2                     |
| 9(c) Revenue Bonds              | 0                            | 38.5                        |
| 9(d) NGF Revenue Bonds          | 13.7                         | 238.4                       |
| Nongeneral Fund Cash            | <u>0</u>                     | <u>442.1</u>                |
| <b>Total</b>                    | <b>\$109.1</b>               | <b>\$2,912.0</b>            |

The Governor's proposed capital outlay budget for the FY 2018-20 biennium totals approximately \$2.9 billion from all fund sources with proposed amendments totaling to \$109.1 million from all fund sources.

- **Projects Proposed to be Supported with General Fund Cash**
  - *Roanoke Higher Education Authority*
    - **Create Oliver Hill Courtyard.** Proposes an additional \$120,000 in general fund for supplemental design work to complete the Oliver Hill courtyard. The additional general fund support would bring the total general fund appropriated to the project up to \$448,000 over the 2018-20 biennium.

- **Capital Outlay Projects to be Supported with Tax-Supported Debt**
  - *Department of Military Affairs*
    - **Acquire Land for Readiness Centers.** Recommends an additional \$3.3 million in tax-supported debt to fund the acquisition of additional property.
  - **2016 VCBA Construction Pool.** Recommends \$28.9 million in tax-supported debt to supplement the existing construction pool. The additional capital would go to three education projects and bring the total pool capitalization to \$72.4 million for the 2018–20 biennium.
  - ***The College of William and Mary: Construct Fine and Performing Arts Facility.*** Recommends providing an additional \$15.0 million in tax supported debt to cover unanticipated cost overages in the project.
  - ***Virginia Community College: Construct Academic Building, Lord Fairfax Community College.*** Expands the scope of the project to include laboratory space for chemistry, biology and nursing.
  - ***University of Mary Washington: Renovate Seacobeck Hall.*** Proposes a project supplement of \$2.7 million to cover unanticipated project costs.
- **2016 VPBA Capital Construction Pool.** Proposes an additional \$12.0 million in tax supported debt, bringing the total pool capitalization to \$25.5 million for the 2018-20 biennium. The funds would go to support the capital project listed below.
  - ***Department of Juvenile Justice: Construction of New Juvenile Justice Center.*** Recommends the authorization of design and construction of a 60 bed Juvenile Justice Center. Language requires the project to be constructed on state owned land, and eliminates the requirement to place the facility in Isle of Wight County.
- **2019 Capital Construction Pool.** Proposes an additional \$51.1 million in tax supported debt, bringing the total pool capitalization to \$804.7 million for the 2018-20 biennium. The funds would go to support the capital project listed below.
  - ***Department of Behavioral Health and Developmental Services: Replace Central State Hospital.*** Recommends increasing the number of civil beds included in the hospital to 189 from 141 initially authorized.

- **Capital Outlay Projects Supported with Institution Debt**
  - *Alderman Library Renewal.* Recommends the authorization of \$13.7 million in additional 9 (d) NGF debt to supplement the project. This brings total 9 (d) NGF debt for this project to \$55.3 million. In addition, the project has previously received \$132.5 million in 21<sup>st</sup> Century tax-supported bonds and \$20.0 million NGF cash from university fund sources. Total project cost is estimated at \$207.8 million from all fund sources.
- **Language Changes**
  - *Roanoke Readiness Center.* Proposes to change the title and scope of the project from “Renovate Roanoke Readiness Center” to “Construct Roanoke Readiness Center and Combined Support Maintenance Shop”, the scope of the project is expanded to include planning, renovation, demolition and construction.
  - *Western State Hospital.* Changes the scope of the project from replacement to “Expand Western State Hospital” and transfers any remaining funds from the initial project.
  - *George Mason University: Bull Run Building.* Recommends changing the title of the project from “Construct Bull Run Hall HB Addition” to “Construct Life Sciences and Engineering Building/Renovate Bull Run Hall.”