

The Governor's Key Budget Policy Choices

Comparing the 2018-2020 budget to the current budget



THE
COMMONWEALTH
INSTITUTE

The House Appropriations and Senate Finance committees are currently considering the governor's 2018-2020 budget (FYs 2019 and 2020) and amendments to the budget for FY 2018. The baseline for this proposed budget is the FY 2018 budget as approved in Chapter 836, Acts of Assembly 2017.

The chart below provides a summary level assessment of certain key changes from FY 2018 and other noteworthy information proposed by the governor in the FY 2019 and FY 2020 budget.

Governor's Proposed Budget

Total General Fund (GF) spending	\$42.44 billion
Unappropriated balance	\$12.1 million
Revenue and Resources	
Overview	A strengthening economy has increased available tax revenue for state priorities and for deposits into a new reserve fund
Total GF tax revenue	General fund revenue estimates \$40.99 billion <ul style="list-style-type: none"> • GACRE estimate (before policy changes) \$40.97 billion • Total proposed tax policy changes (revenue change): \$15.8 million <ul style="list-style-type: none"> ◦ Federal tax conformity (-\$3.3 million) ◦ Tax initiative to expand audits (\$18.5 million) ◦ Notification of payroll system breaches (\$0.6 million)
Total other GF resources	Balances from prior years and transfers \$1.46 billion
Health Care	
Overview	Makes policy proposals to expand coverage for low-income Virginians, addresses our state's opioid epidemic, and improves Virginia's behavioral health system
Medicaid expansion	Accounts for savings from Medicaid expansion -\$421.7 million
Provider assessment	Adopts an assessment on private acute care hospitals to cover state share of Medicaid expansion (provides non-GF revenues)
Medicaid forecast	Funds Medicaid utilization and inflation \$575.9 million
Family Access to Medical Insurance Security (FAMIS)	Adjusts FAMIS funding to reflect utilization and inflation, assuming that funding for the Children's Health Insurance Program is maintained at the federal level \$27.2 million
DOJ settlement agreement	Adds 825 new waiver slots per Department of Justice agreement \$45.0 million
Same day access	Covers Medicaid costs to extend same day access to all community service boards (CSB) effective July 1, 2019 (funding for 18 of 40 CSBs was initially appropriated effective July 1, 2017) \$15.0 million
Supportive housing	Expands supportive housing options for adults with serious mental illness, pregnant and parenting mothers with substance use disorder, and individuals with developmental disabilities \$12.8 million
Opioid medication assisted treatment	Replaces federal funding for medication assisted treatments for opioid use disorder at community service boards \$10.0 million
Western State Hospital	Provides funds to support an additional 56 beds at Western State Hospital \$5.6 million
Mental health facilities	Addresses capacity issues by establishing assisted living facilities and community support teams for individuals with serious mental illness \$4.5 million
Community living waiver	Adds 50 community living waiver slots \$2.8 million

The Governor's Key Budget Policy Choices

Comparing the 2018-2020 budget to the current budget



THE
COMMONWEALTH
INSTITUTE

K-12 Education		
Overview	Provides for updates to the education funding formula, a salary increase for teachers and school staff effective December 2019, and uses increased lottery funds to supplant general fund investment in education in both years	
Rebenchmarking	Updates education funding with more current estimates of student enrollment, demographics, and other technical adjustments	\$435.6 million
Supplanting GF dollars	Uses lottery funds to decrease general fund support for public education	-\$80.4 million
Salary increase	Funds state share of 2% salary increase for school positions effective Dec. 1, 2019	\$51.3 million
Hold harmless	Compensates localities that would lose funding based on new composite index for first year of the budget	\$11.5 million
One full-time principal in every elementary school	Provides funding to ensure every elementary school has state funding for one full-time principal starting in FY 2020. Previously, elementary schools with less than 300 students did not have state funding for a full-time position	\$7.7 million
At-Risk funding	Increases Virginia's At-Risk Add-On from 1 - 13% more per free lunch student to 1 - 14% more in the second year of the budget	\$7.1 million
Principal retention and recruitment grant	Provides competitive grant to assist schools identified as needing additional support to recruit and retain principals	\$1.0 million
Compensation		
Overview	Funds small increases in the state's contribution to salaries of public employees. Most increases do not keep pace with inflation	
Salary increases for state, state-support local employees, and K-12 employees	Includes a 2% salary increase for state, state-supported local employees, and K-12 employees: <ul style="list-style-type: none"> • K-12 employees (state share; effective Dec. 1, 2019) \$51.3 million • State employees (effective Nov. 10, 2019) and the state share of state-supported local employees (effective Dec. 1, 2019) \$49.4 million 	\$100.7 million
State employee health insurance	Covers increases in employee and employer share of health insurance premiums and ensures that benefits are maintained at current levels over FY 2019 and FY 2020	\$132.1 million
VRS and other retirement benefits	Decreases use of literary funds and replaces it with general funds for public school employee retirement contributions	\$80.0 million
	Changes contribution rates for employee retirement benefits	-\$59.2 million
Social Services		
Overview	Funds certain adjustments to social services spending including technical adjustments for caseload changes	
Temporary Assistance for Needy Families (TANF)	No proposed increase in cash benefits Uses \$6 million in TANF money for Long Acting Reversible Contraception	
Children's Services Act (CSA)	Updates CSA funding to meet anticipated caseload and expenditure growth	\$54.2 million
	Funds consultant to study and recommend a rate-setting methodology for special education private day services	\$0.25 million

The Governor's Key Budget Policy Choices

Comparing the 2018-2020 budget to the current budget



THE
COMMONWEALTH
INSTITUTE

Higher education (excludes capital projects)

Overview	Proposes additional funding for need-based financial aid and targeted program enhancements	
	Increases need-based financial aid for in-state undergraduate students	\$45.5 million
	Enhances programs at EVMS, ODU and UVA-Wise and fund enrollment growth at GMU	\$37.9 million
	Allows institutions to retain interest and credit card rebates	\$13.1 million
	Funds equipment upgrades at UVA-Wise and VSU	\$3.1 million
	Increases TAG grants to \$3,350	\$1.6 million
	Funds cybersecurity and biofuels research at NSU	\$1.3 million

Other

Overview	Makes deposits into the new revenue cash reserve and provides authority for significant borrowing for higher education and other capital projects	
Revenue cash reserves (Deposits)	Makes additional deposits in FY 2019 and FY 2020 so that balance at the end of FY 2020 is equal to 2% of operating appropriations. Balance expected to be \$427.1 million at the end of FY 2020	\$270.7 million
Capital Budget (all funding sources)	Total capital budget in FYs 2019 and 2020:	\$974.0 million
	• Tax-supported bonds for central capital outlay and VPBA/VCBA	\$453.7 million
	• Bonds backed by college/university revenue	\$281.7 million
	• Non-general fund cash from higher ed institutions and other special funds for capital	\$223.6 million
	• General fund cash for project planning	\$15.0 million