



# Briefing on Proposed Amendments to HB 5002

House Appropriations Committee

June 12, 2014



# HB 5002 Amendment Package

- Revenue Pressures Since HB 30 Was Introduced
  - Mid-Session Reforecast
  - April/May Nonwithholding Performance
  - Impact of Assumed FY 2014 Shortfall on Revenue Base for Next Biennium
- Actions Taken to Align FY 2014-16 Budget with Lower Revenue Assumptions
  - Reviewed all spending included in HB 30/HB 5002 as Introduced
  - Reviewed actions taken by Committee during Regular Session
  - Eliminated non-mandatory new spending and level funded programs at FY 2014 levels
  - Potential Use of Revenue Stabilization Fund in 2015 Session

# 2014 Adjustments to the Revenue Forecast

- The December forecast for FY 2014 assumed a very tepid 1.7% growth rate
  - FY 2014 forecast was reduced by \$125.0 million during the Mid-Session review and the overall growth rate for the year was lowered to 1%
  - Downward adjustments were made to estimated payments, withholding and corporate income tax
- With the exception of a \$15.0 million adjustment to withholding in FY 2015, Governor McAuliffe chose not to adjust the revenue base for the new biennium or the growth rates for FY 2015 or FY 2016

2014 Mid-Session Reforecast	FY 2014	FY 2015	FY 2016
Withholding	\$35,000,000	\$15,000,000	\$0
Nonwithholding	\$60,000,000	\$0	\$0
Corporate Income	\$30,000,000	\$0	\$0
Total Adjustment	\$125,000,000	\$15,000,000	\$0
Growth Rate	1.0%	4.2%	3.9%

# FY 2014 Revenue Performance Declined Rapidly in Spring

- When the Mid-Session reforecast was presented it was acknowledged that achieving the forecast was heavily dependent on nonwithholding payments – collections of which are back-loaded in April-June quarter
  - Nonwithholding collections grew 19.1% in FY 2013
  - December forecast reduced assumed growth in FY 2014 to 6.3%
  - Forecast reduced again to 4.2% in Mid-Session
- After a strong April performance, May estimated payments fell 44.2% below FY 2013 levels and it became apparent that this source would not meet the forecast
  - Through May, roughly 80% of the forecast has been collected, and year to date receipts are 10.3% below FY 2013 levels compared to a forecast of 4.2% growth
  - Final payments for tax year 2013 fell 26% compared to an assumed flat forecast

# FY 2014 Revenue Performance Declined Rapidly in Spring

- While nonwithholding taxes are the primary source of the shortfall, payroll taxes – which account for almost 60% of GF revenues – continue to display anemic growth of less than 3%, consistent with the forecast
- This will mark the second year of payroll growth below 3%
  - Consistent with overall economic forecasts for the nation and Virginia, the adopted FY 2014 forecast assumed that withholding tax collections would grow slowly in the first half of the fiscal year but pick up in the later months of FY 2014
  - However, collections have not picked up substantially, and we are not seeing growth to support the withholding forecast of 4.3% growth in FY 2015 and 4.2% growth in FY 2016
    - Virginia's job growth rate has been underperforming the nation's, especially in Northern Virginia and Hampton Roads which are heavily dependent on federal spending
    - Job growth has occurred primarily in lower paying positions – e.g. food service, not business and professional services
- This continued trend – contrary to the forecast assumptions – also may require growth rate adjustments going forward

## Pro Forma General Fund Revenue Forecast for Fiscal Year 2014

(\$ in Millions)

Major Source	December Forecast		MidSession Reforecast		Assumed Actuals	
<b>Withholding</b>	<b>10,585.2</b>	<b>3.3%</b>	<b>10,550.2</b>	<b>2.9%</b>	<b>10,550.2</b>	<b>2.9%</b>
<b>Nonwithholding*</b>	<b>2,984.3</b>	<b>6.3%</b>	<b>2,924.3</b>	<b>4.2%</b>	<b>2,574.3</b>	<b>-8.3%</b>
Refunds	(1,807.1)	5.1%	(1,807.1)	5.1%	(1,807.1)	5.1%
<b>Net Individual</b>	<b>11,762.4</b>	<b>3.7%</b>	<b>11,667.4</b>	<b>2.9%</b>	<b>11,317.4</b>	<b>-0.2%</b>
Sales	3,079.4	-4.4%	3,079.4	-4.4%	3,079.4	-4.4%
<b>Corporate</b>	<b>799.9</b>	<b>0.4%</b>	<b>769.9</b>	<b>-3.4%</b>	<b>769.9</b>	<b>-3.4%</b>
Wills (Recordation)	377.5	0.0%	377.5	0.0%	377.5	0.0%
Insurance	289.4	10.4%	289.4	10.4%	289.4	10.4%
All Other Revenue	662.3	-3.8%	662.3	-3.8%	662.3	-3.8%
<b>Total GF Revenues</b>	<b>16,970.9</b>	<b>1.7%</b>	<b>16,845.9</b>	<b>1.0%</b>	<b>16,495.9</b>	<b>-1.1%</b>
<b>Assumed Shortfall</b>						<b>(350.0)</b>

Note: FY 2014 "Assumed Actuals" are illustrative only, based on Secretary of Finance's estimate that nonwithholding payments are likely to fall short in the range of \$350.0 million. No other sources are adjusted.

# What Are the Growth Rates that Support the Introduced FY 2014-16 Biennial Budget?

- The current growth rates for the FY 2014–2016 biennium assumed growth of 4.2% in FY 2015 and 3.9% in FY 2016 (inclusive of tax policy changes)
- These growth rates are applied against an assumed FY 2014 revenue base to translate the growth forecast into revenue estimates
- Once the certification of FY 2014 is complete, that becomes the new revenue base against which the growth rates are applied
- To illustrate the potential impact on the upcoming biennium, if we applied the official (December) growth rates to the assumed FY 2014 revenues, significant adjustments to the expenditures proposed in HB 5002 would be required

## General Fund Revenue Forecast for FY 2014-16 Biennium

(\$ in Millions)

Source	FY 2015	FY 2015 Forecast		FY 2016	FY 2016 Forecast	
	% Growth Dec Forecast	Based on December 2013 Forecast	Based on Assumed FY 14 Actuals	% Growth Dec Forecast	Based on December 2013 Forecast	Based on Assumed FY 14 Actuals
Withholding	4.3%	11,040.4	<b>10,988.9</b>	4.2%	11,504.1	<b>11,450.4</b>
Nonwithholding	7.4	3,203.7	<b>2,764.8</b>	5.9	3,393.6	<b>2,927.9</b>
Refunds	4.3	(1,885.0)	(1,885.0)	4.2	(1,965.0)	(1,965.0)
Sales	3.1	3,175.7	3,175.7	2.6	3,256.7	3,256.7
Corporate	2.1	816.6	<b>786.1</b>	0.7	822.7	<b>791.6</b>
Recordation	0	377.5	377.5	0	377.5	377.5
Insurance	0.5	290.9	290.9	4.2	303.1	303.1
All Other	0.6	666.3	666.3	2.1	680.6	680.6
<b>Total GF Revenue</b>	<b>4.2%</b>	<b>17,686.1</b>	<b>17,165.2</b>	<b>3.9%</b>	<b>18,373.3</b>	<b>17,822.9</b>
<b>Shortfall Compared to Current Forecast</b>			<b>(520.9)</b>	<b>(550.4)</b>		

Note: These adjustments are exclusive of the assumed \$350.0 million shortfall in the carry-forward amount from FY 2014 and assumes no forecast adjustments to the FY 2015 and FY 2016 growth rates.



# What Triggers an Official Revenue Reforecast?

- Under provisions of Title 2.2, within 5 days of the close of the fiscal year, the State Comptroller must certify whether the official revenue forecast was met
  - Generally the preliminary close occurs by about the 9<sup>th</sup> of the month
- If total revenue collections are 1% or more below the forecast, the Governor is required to prepare a re-estimate of general fund revenues for the new biennium
  - The re-estimate must be provided to the General Assembly no later than September 1<sup>st</sup>

# Prudence Suggests that the General Assembly Assume Lower Revenues in Preparing the 2014-16 Budget

- Because we assume the FY 2014 forecast will not be met and a revenue reforecast will be required, it is imperative that the budget be built with a large revenue reserve
  - FY 2014 shortfall will not result in a “deficit” because Chapter 1 assumed large balances would be carried forward into FY 2015 to support spending in the upcoming biennium
  - Thus the magnitude of the FY 2015 problem is expected to be around \$950.0 million
  - FY 2016 shortfall is expected to be about \$600.0 million
- Proposed amendments to HB 5002 assume spending reductions must be made in FY 2015 and FY 2016 in advance of the official reforecast
  - Potentially could access the Revenue Stabilization Fund during the 2015 Session

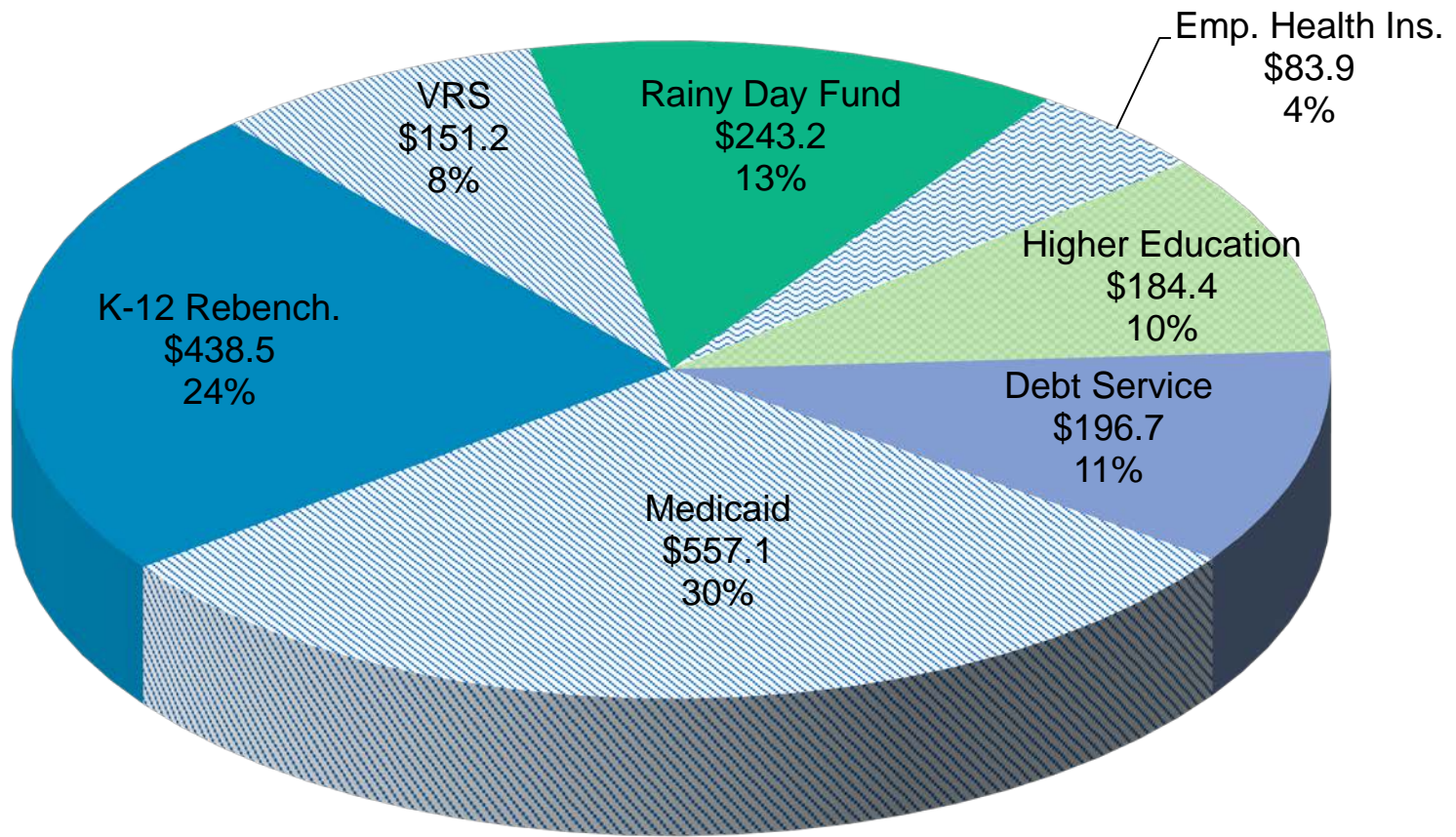
# How Do the Proposed Amendments Address Increased Uncertainty?

- Today's amendments include a Revenue Reserve of more than \$860 million
- How was the revenue reserve generated?
  - Examined all new spending proposed in House Bill 30 not otherwise affected by the Committee amendments
  - Examined House-identified spending included in House Bill 5002
    - House reprioritized non-mandatory spending to address House priorities
  - Utilized the smaller Revenue Reserve of \$148.8 million already included in the House March amendment package

## Where Was the Spending in HB 30/HB 5002

- HB 30/HB 5002 included \$2.4 billion in net new spending
  - Medicaid and K-12 alone comprised 43% of the unadjusted new spending, or \$1.05 billion
- Other major spending items in HB 30 totaling \$860 million include:
  - Improving funding for the Virginia Retirement System – both new rates and payback: \$151.2 million
  - Meeting Rainy Day Fund commitments: \$243.2 million
  - Funding health insurance increases: \$83.9
  - Investing in higher education: \$184.4 million
  - Debt Service: \$196.7
- After accounting for the items above, about \$500 million of discretionary spending remains
  - Table following pie chart details all spending

# \$1.9 Billion of \$2.4 Billion Total New Spending in HB 30 Came from 7 Items (\$ in millions)



# 2014-16 Budget Drivers

## Net New Spending Proposed in HB 30

(\$ in Millions)	Biennial
Medicaid Utilization and Inflation	\$ 557.1
Update Costs of K-12 Standards of Quality	438.5
Appropriate Deposits to Revenue Stabilization Fund	303.1
Debt Service for Projects and Equipment	196.7
Increased Funding for Higher Education	184.4
Fund Updated Costs for State Employee Retirement Rates	97.6
Fund State Employee Health Insurance Program	83.9
DOJ Settlement Agreement	56.0
Fund Payback of Deferred Retirement Contributions	53.6
Use GF to Supplement Literary Funds for Teacher Retirement	52.9
DMAS Funding for Mandatory Waiver Slots	45.3
Mental Health Funding	37.2
Targeted Salary Actions (state employees and state-supported)	35.3

# 2014-16 Budget Drivers

## Net New Spending Proposed in HB 30

(\$ in Millions)	Biennial
All Other Health and Human Resources Funding	\$ 36.3
Water Quality Improvement Fund	31.5
Department of Corrections Funding	31.4
599 Funding	21.3
Sheriff and Jail Funding	16.1
Economic Development Spending	19.6
Natural Resources/Agriculture and Forestry	14.3
Transportation (Port Authority)	10.0
Criminal Fund	5.4
Technology Spending	4.6
All Other Spending	84.2
<b>Total Net New GF Spending</b>	<b>\$ 2,416.3</b>

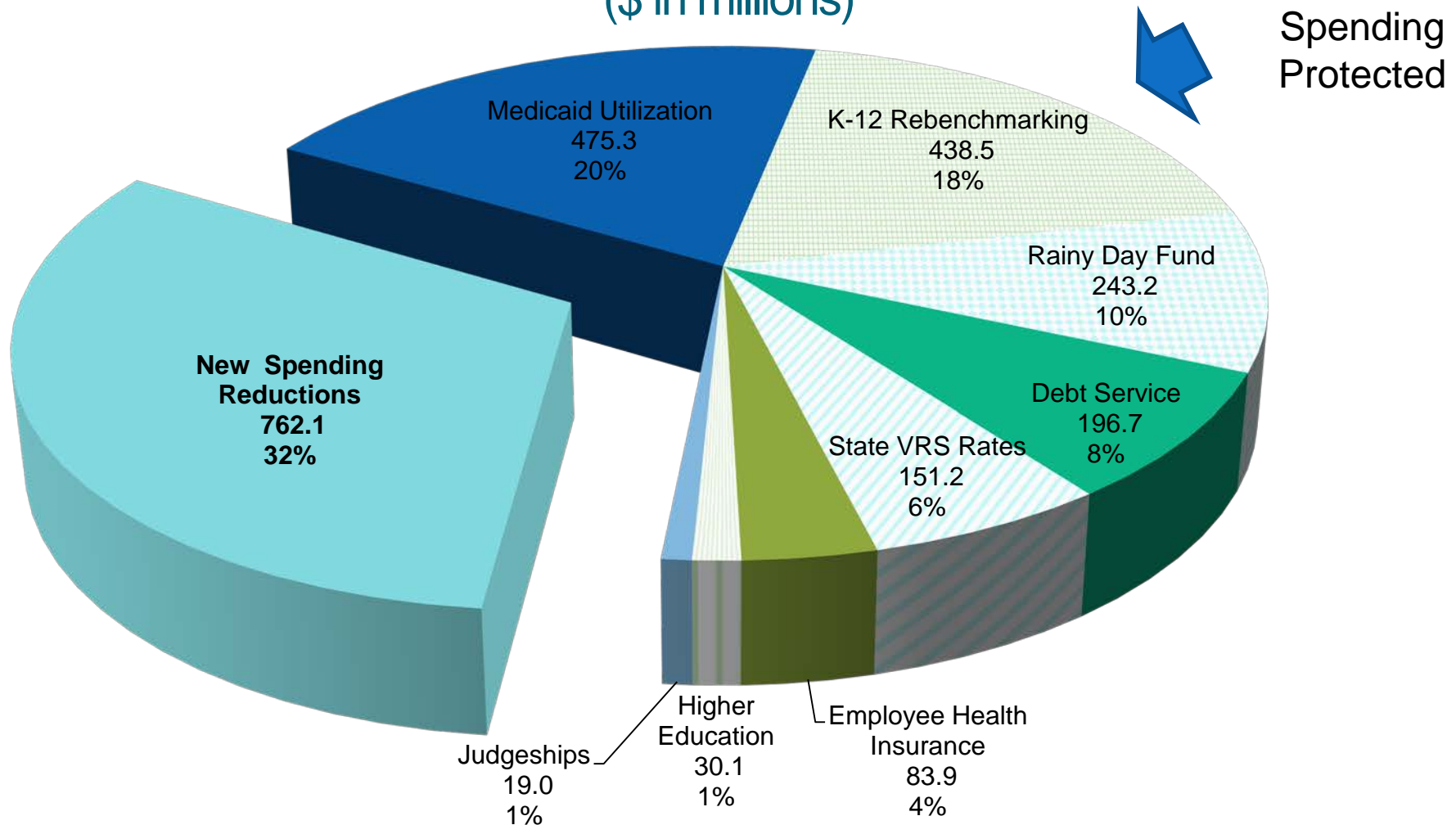
## How Did We Identify the Additional Savings Needed for the Revenue Reserve

- Guideline for identifying further cuts was to level fund the majority of state programs at the FY 2014 spending levels
- The following spending areas were protected:
  - Virginia Retirement System contributions
  - Re-benchmarking of Public Education
  - Mandatory Rainy Day Fund deposit
  - Debt service on already issued bonds
    - Would not halt construction
  - Changes in Medicaid utilization costs
  - State employee health insurance
- Details of actions in each Secretarial area follows



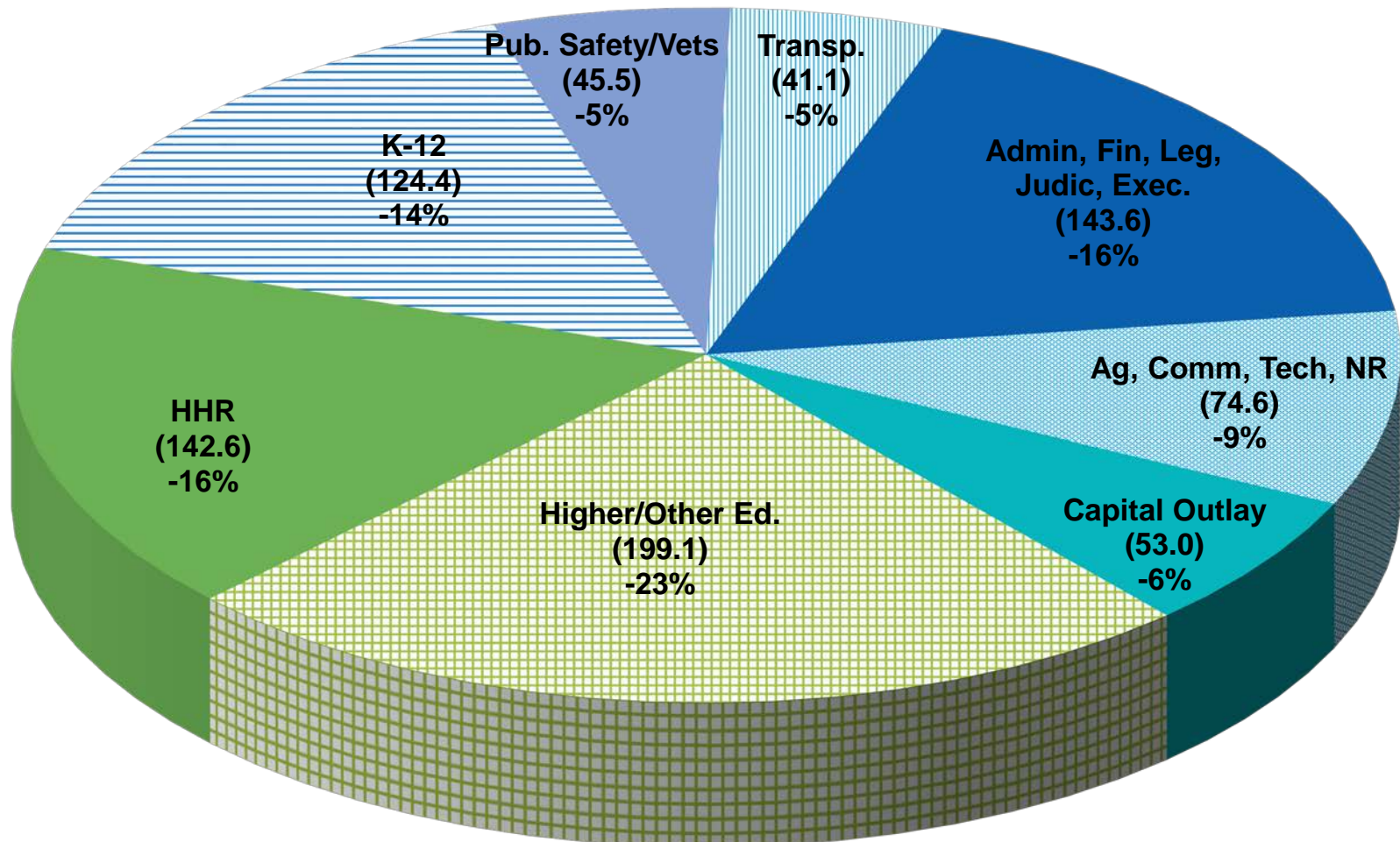
# Amendment Package: Areas of Reduction Versus Required Spending

(\$ in millions)



# \$824 million in Spending Reductions by Area

(\$ in millions)



Note: Spending reductions exclude certain "front page" actions reflected revenue and transfer changes and items required by legislation adopted by 2014 General Assembly

# Direct Aid to Public Education

Total net new spending in Direct Aid to Public Education totaled \$487.3 million in biennium

- Update net costs for Rebenchmarking SOQ: \$438.5 million
- Provides \$5.2 million for technical corrections:
  - K-3 Class Size Reduction update for VRS rates: Increase of \$4.5 million
  - Transportation data update from Radford: Increase of \$563,599
  - Real Estate Property True Value data updates from Charlotte, Richmond County and Hampton: Increase of \$131,225
- Start-up grants for extended school year models & other alternative curriculum-based programs: \$4.6 million
- Adds \$4.6 million for a hold harmless provision in Pre-K for the number of student slots funded
- Adds \$4.2 million in additional sales tax revenues generated from adopted legislation
- Instructional Specialists in schools not accredited: \$3.6 million

# Proposed K-12 Amendments

- Teach for America grants: \$1.0 million
- School Services Agreement & Tuition Contract between Chesterfield & Petersburg: \$600,000 in second year
- Other Supplemental Education initiatives: \$2.3 million
  - National Board Certifications: \$575,000
  - Project Discovery: \$550,000
  - Communities in Schools – Petersburg: \$538,800
  - Expand Positive Behavioral Intervention initiative: \$500,000
  - Achievable Dream – Newport News: \$500,000
  - Early Childhood STEM initiative: \$325,000
  - Jobs for Va. Graduates: \$200,000
  - Great Aspirations Scholarship grants: \$187,500
  - STEAM Academy – 2<sup>nd</sup> planning phase: \$100,000
- Debt Service payment for technology equipment for eligible high schools based on ESL & FR: \$250,000

# Proposed K-12 Amendments

- Deferred Strategic Compensation Grants: (\$15.0) million
- K-3 Class Size Reduction initiative: adjusting formula to use a 3-year average for Free Lunch: (\$10.3) million
- Retiree Health Care Credit & Group Life rate adjustments consistent with state's OPEB phase-in at 90%:(\$10.1) million
- Adjusted the education staffing ratios at the Juvenile Detention Centers: (\$500,000)
- Use additional Literary Fund revenues for VRS payments and saves a like amount of GF: \$25.0 million
  - Does not decrease funding to schools

# Proposed K-12 Amendments

Department of Education: total of \$6.3 million of GF reductions compared to the introduced budget

- Adopted legislation to reform the SOLs and reduce the number of SOL tests saves \$2.9 million each year
- Level funding the Center for Excellence in Teaching to FY14 amount saves about \$646,000

Opportunity Educational Institution: Eliminated the \$1.2 million in funding included in the introduced budget

Secretary of Education: Eliminated the \$600,000 in funding included in the introduced budget for College Lab partnerships

# Medicaid Program

- Medicaid Utilization: increased funding totals \$434.6 million GF over the biennium
- Provider Rates
  - Amendments eliminate 2.5% inflation increase for hospitals and prior year inflation adjustment for teaching hospitals in FY 16 (\$25.8 million GF)
  - Continue indigent care reduction at teaching hospitals in FY 16 (\$15.0 million GF)
  - Eliminate new funding for supplemental physician payments for Children's Hospital of the King's Daughters (\$2.8 million GF)
  - Reduce nursing home capital rental rates to 8% and eliminate FY 16 inflation (\$20.6 million)
  - Budget maintains FY 15 nursing home rebasing and inflation providing \$40.7 million GF

# Medicaid Program

- Medicaid Waivers
  - Provides 475 ID waiver and 40 DD waiver slots as required by the DOJ agreement saving \$7.8 million GF
    - DOJ allows Commonwealth to count slots added above annual required number toward following year's requirement
  - Provides \$1.9 million GF to add 50 ID and 15 DD waiver slots in FY 16
- Other Savings
  - \$24.4 million GF in FY 2015 by capturing funds that had been set aside in the Medicaid forecast in anticipation of paying back the federal government for disallowed payments for inpatient psychiatric services for children
    - Agency corrective action plan will address federal concerns, so no federal repayment is required
  - \$11.8 million GF to reflect adjusted revenue in the Virginia Health Care Fund from tobacco taxes
  - \$9.3 million GF revised estimate of indigent care savings in the Medicaid forecast due to provisions in the federal Affordable Care Act



# Other HHR Savings

- \$12.5 million GF in savings by level funding programs
  - AIDS Drugs
  - Hampton Roads Proton Beam Therapy Institute
  - Resource Mothers
  - Medicaid ER Physician Payments
  - Virginia Early Childhood Foundation
  - Youth for Tomorrow
- \$5.4 million GF in savings by capturing the sale of SEVTC property to offset DOJ costs
- \$2.6 million GF in savings in Foster Care and Adoption Services
  - \$1.2 million GF in savings from state negotiated adoption subsidy agreements
  - \$1.4 million GF in savings in the Comprehensive Services Act by extending foster care to children ages 19-21

Mental Health Services Spending	Biennium
Eastern State Hospital Changes in Patient Mix	\$10.0
Add 24 Crisis Intervention “Drop-off” Centers	9.0
Use of State Hospitals for TDOs – Provider of Last Resort	8.5
Expand Outpatient Mental Health Svs. for Youth Ages 17-24	7.5
Add 4 Programs of Assertive Community Treatment (PACT)	4.8
Add 20-bed Unit at Eastern State Hospital	4.4
Extend TDOs from 48 to 72 hrs. / Extend ECOs 2 hrs.	2.7
Expand Peer Support Recovery Programs	2.2
Telepsychiatry Equipment at Community Services Boards	1.8
Children’s Mental Health Services (Psychiatry & Crisis)	1.5
Discharge Assistance Program	0.7
Local Inpatient Purchase of Services (LIPOS) Beds	0.7
Additional Security Staff at CCCA	0.7
Acute Bed Registry (system and central office staff)	0.4
<b>Total</b>	<b>\$54.9</b>

# Other HHR Spending

- **Domestic Violence Services**
  - Provides \$1.1 million GF and \$2.0 million in TANF funds over the biennium
  - Provides \$600,000 GF for PERK Kits
- **Restoration of Services**
  - \$5.2 million for FAMIS Moms unable to enroll in the federal health insurance exchange
  - \$600,000 to continue operations of 3 Poison Control Centers
  - \$450,000 GF and \$450,000 in federal Temporary Assistance to Needy Families (TANF) funding for CHIP of Virginia
  - \$500,000 in TANF each year for Healthy Families
  - \$500,000 in TANF each year for Community Action Agencies

# Higher Education Savings: \$198.1 million

- \$164.2 million is generated by level funding colleges, universities, VIMS and Extension to FY 2014
  - Enrollment Growth Funding: \$21 million
  - Degree Incentive Funding: \$63 million
  - Research Funding: \$15.3 million
  - Base Operating Support: \$13.5 million
  - Undergraduate & Graduate Financial Aid: \$33.2 million
  - Initiatives and Other Spending: \$18.2 million
- \$33.9 million is generated by level funding other higher education entities, elimination of interest earnings transfer and level funding TAG
  - Level fund higher ed centers and SCHEV: \$14.2 million
  - Interest earnings transfer: \$13.5 million
  - Level fund TAG: \$6.2 million

# Higher Education Spending: \$30.9 million

- \$10.9 million provided to higher education to maintain commitments already in place
  - \$6.2 million to maintain current funding levels for more than 1,700 new in-state undergraduate seats begun in 2011 at CWM, UVA, JMU and VT
  - \$4.0 million for operations and maintenance of facilities at VT Extension, NCI, Roanoke Higher Ed Ctr & Southern Va Higher Ed Ctr
  - \$0.7 million technical adjustment for VCCS rent payments
- \$20.0 million is provided in a reserve in FY 2016 for all higher education institutions

# Capital Outlay Savings: \$53.0 million

- \$35.5 million in savings generated by supplanting general fund in previously authorized capital projects with Virginia College Building Authority and Virginia Public Building Authority bonds
- \$17.5 million in Treasury Board from changes in issuance schedule, favorable interest rates and lower issuance requirements

# Employee Benefits Contributions

- Vast majority of spending for employee benefit programs were retained in budget
- Virginia Retirement System Contributions: Continues phase-in of Board certified rates
  - Includes \$144.4 million GF for increased contributions for state employees plans
    - Rates reflect expedited repayment of 2010-12 biennium deferred payments
  - Includes \$162.6 million GF for teacher retirement contributions
- Other Post Employment Benefit Contributions: Funds rates set at 90% of Board certified rates
  - Results in savings of \$25.1 million compared to HB 30 as introduced (\$15.0 million in savings from state employee rates and \$10.1 million from teacher rates)
- State Employee Health Insurance Plan: Retains \$83.8 million GF over the biennium to fund premium increases in the state employee health insurance program in both years

# Employee Salary Actions

- Amendments eliminate vast majority of salary actions included in HB 5002
- Eliminates all proposed salary actions for state employees
  - Eliminates funding of \$19.3 million GF of targeted salary increases for high turnover positions
  - Strikes House budget proposal to fund across the board raise and bonus in revenue reserve
- Eliminates House proposal to fund Teacher and Other State Supported Local Employee Salary Increases
  - Captures savings of \$10.2 million GF from eliminating funding for salary increases for entry level deputy sheriffs and deputy circuit court clerks
  - Captures \$1.5 million from eliminating new funding for Career Development Programs
- Budget retains \$4.2 million GF over the biennium for 2<sup>nd</sup> phase of assistant Commonwealth's Attorney pay action maintaining the commitment made last year



# Major General Government Actions

- Provides \$19.1 million in funding to increase the number of circuit and general district court judgeships to 396
  - Currently there are about 360 judges
  - Retains savings of \$1.0 million a year from judicial vacancies
  - \$5.2 million in savings generated in FY 2014
- Includes \$290,000 GF in FY 2015 and \$240,000 GF in FY 2016 to reinstate the judicial evaluation project
- Provides \$150,000 GF in FY 2015 and \$300,000 GF in FY 2016 for the new Ethics Advisory Council

# Transportation

- New funding actions within the area of Transportation focus on addressing the FY 2015 cash flow issues for the general fund
  - GF appropriations for the Route 58 bond program are cash-flowed across the biennium with \$12 million provided in the first year and \$68 million in the second year
    - Identical action was taken in the FY 2011-12 biennium
  - A similar cash-flow transfer of \$30.0 million from the HMOF to the general fund is made in FY 2015, with repayment in FY 2016
- Amendments also include the recapture by the general fund of \$31.1 million in unspent balances from a GF appropriation made to transportation in 2007
  - Amounts were dedicated to specific projects that have been completed

# Agriculture and Commerce

- Vast majority of new spending eliminated through-out these areas, which tend to be more discretionary in nature
- Agriculture and Forestry: Includes \$3.2 million in reductions compared to the introduced budget
  - Amendments retain year 2 phase-in of funding for food inspection program and reforestation program match
  - Other new funding proposals eliminated
- Commerce and Trade: Net biennial reductions total \$39 million
  - Incentive reductions total \$16.6 million over the biennium
    - Funding retained for new commitments (e.g. Biofuels legislation and adjustments per motion picture tax credit legislation)
    - Reduces funding for the CRCF and the Life Sciences Fund by a total of \$6.5 million over the biennium
    - Reduces funding for the Governor's Opportunity Fund to \$10.0 million each year

# Agriculture and Commerce

- Commerce and Trade:
  - At DHCD, the largest reductions comes from eliminating proposed new funding in the housing arena totaling \$11 million over the biennium
    - Also cuts \$2.0 million each year from the base funding for the Enterprise Zone Grant Program
    - Eliminates \$2.0 million of proposed funding over the biennium for the Birthplace of Country Music, SW Cultural Heritage Foundation and a new entrepreneurial accelerator
  - At VEDP, spending reductions total \$1.9 million and includes elimination of a new advanced manufacturing initiative and the phase-out of support for international trade for defense contractors
  - At the Virginia Tourism Authority, all proposed new funding, totaling \$1.4 million each year, was eliminated

# Natural Resources, Public Safety, and Technology

- Maintains funding of \$31.4 million for the Water Quality Improvement Fund in FY 2015
- Provides \$2.4 million for additional DOC security staff
- Includes savings of \$15.7 million in FY 2015 and \$23.2 million in FY 2016 by eliminating new spending and level funding the following programs at the FY 2014 level:
  - Eliminated funding for one-time dam rehabilitation projects, failed legislation, and facility closures
  - Level funded programs such as the Virginia Land Conservation Fund, HB 599 and law enforcement deputy positions, CASA and the Crime-Victim Witness programs, cyber-security and modeling and simulation, and veteran services
- Reduces GF transfers to the Game Protection Fund by \$4.6 million – level funding it at the FY 2014 level
  - Also captures \$4.4 million in Game Protection Fund balances
- Eliminates remaining uncommitted amount in the FACT Fund - \$4.4 million

# Summary of Amendment Actions

- Amended budget preserves most of the mandatory spending
- Includes a Reserve Fund of \$860 million
- Retains the ability of the General Assembly to access the Rainy Day Fund during the 2015 Session assuming the Constitutional triggers are met

# What Are the Requirements to Make Withdrawals from the Revenue Stabilization Fund?

- Constitution requires that a revised revenue forecast indicate that the difference between general fund appropriations in an adopted budget and the revised forecast exceeds 2% of prior year collections to access the Rainy Day Fund
- The language limits withdrawals from the Fund in any fiscal year to the lesser of one-half of the shortfall or one-half of Fund balance
  - The estimated Fund balance after the FY 2015 deposit will be approximately \$940.0 million
- This means that in FY 2015, potentially one-half of the problem could be addressed
  - Half the Fund would be about \$470.0 million
- In FY 2016, the use of the Rainy Day Fund would most likely be limited by the second measure – one half of the Fund

## If Rainy Day Fund Cannot Be Used What Additional Programs Would Be Examined?

- If the General Assembly fails to adopt a budget by July 1<sup>st</sup> and cannot utilize the Rainy Day Fund then all other programs are on the block
- Options would include:
  - Eliminating K-12 re-benchmarking
  - Freezing construction on all new college capital projects not under bid
  - Reducing Higher Education operating support
  - Reinstating the Aid To Local Government Reversion
  - Eliminating the new WQIF funding