

Health and Human Resources

Governor's Proposed Amendments				
(\$ in millions)				
	FY 2017 Proposed		FY 2018 Proposed	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
2016-18 Current Budget (Ch. 780, 2016 Session)	\$6,053.2	\$8,160.4	\$6,185.8	\$8,246.2
Proposed Increases	136.4	200.6	303.1	275.1
Proposed Decreases	(53.9)	(41.5)	(46.7)	(112.7)
\$ Net Change	82.5	159.1	256.4	162.4
HB 1500/SB 900, as Introduced	\$6,135.7	\$8,319.5	\$6,442.2	\$8,408.6
% Change	1.4%	1.9%	4.1%	2.0%
FTEs	8,498.79	6,766.23	8,533.72	6,776.30
# Change	0.00	8.00	31.65	13.35

- **Secretary of Health of Human Resources**

- *Fund Contractor to Assess the Mental Health System and Develop a Transformation Plan.* Proposes \$4.5 million GF the second year to fund a contractor that will conduct a state assessment and gap analysis of the statewide community mental health system. In addition, the contractor will review the effectiveness of the Department of Behavioral Health and Developmental Services organizational structure and management of the overall state mental health system. The contractor will complete its work by July 1, 2018, followed with a final report to the Governor and General Assembly by October 1, 2018.

- **Children's Services Act (CSA)**

- *Mandatory Caseload and Cost Increases.* Adds \$41.2 million GF the first year and \$44.5 million GF the second year to fund the anticipated growth in the CSA program. Additional costs in the program are being driven by caseload growth and the costs of those services. In addition, the first year includes \$13.2 million in funding to cover the shortfall from FY 2016.

Caseload grew in FY 2015 by 4.3 percent and declined slightly in FY 2016 by 0.6 percent. However, even with a slight decline in caseload in FY 2016, program expenditures grew by 6 percent, which is mainly driven by the 6.6 percent increase in cost per child. The primary driver is the increasing cost of children placed in private day treatment through federally mandated Individualized Education Plans (IEP). The number of children in private day placements increased from 3,416 in FY 2015 to 3,585 in FY 2016. The average cost of a private day placement was \$38,753 in FY 2016 compared with average annual cost of \$23,455, for all CSA services.

- **Department of Health**

New Spending

- *Increase Funds for Education and Access for Women’s Reproductive Health.* The introduced budget provides \$6.0 million the second year from the federal Temporary Assistance to Needy Families (TANF) block grant for education and expanded access to contraceptives, particularly Long Acting Reversible Contraceptives (LARC). One position is added for the initiative. Language is also added requiring a report on program results and expenditures by October 1st each year.
- *Transfer Responsibility for Sexually Transmitted Disease Testing.* The introduced budget adds \$594,883 GF the second year for the agency to assume responsibility for sexually-transmitted disease testing, which is currently handled by the Department of General Services (DGS) Consolidated Labs. A change in federal grant requirements related to third-party billing will increase DGS testing costs higher than the cost of the Department of Health contracting with a private lab.
- *Fund Costs Related to Mandating Meningococcal Vaccine To Enter Sixth Grade.* Proposes \$482,505 GF and \$1.4 million NGF the second year for the costs associated with mandating that children must receive one dose of the meningococcal conjugate (MCV4) vaccine prior to entering the sixth grade.
- *Transfer Food Programs to the Department of Education.* The introduced budget transfers \$57.7 million in federal funds to the Department of Education for the Summer Food Service and the Child and Adult Care Food Programs. The introduced budget also provides \$130,455 GF the second year to backfill agency support positions due to the loss of federal funding associated with this transfer.

Budget Reductions

- ***Increase Restaurant Inspection Fee.*** Proposes to increase the fee for restaurant inspections from \$40 to \$285, which supplants \$4.3 million GF the second year with fee revenue. The new fee, paid for by restaurant owners, is projected to cover one-third of the costs of the inspection program. The fee generates \$5.4 million in total revenue, but \$1.1 million is collected by the locally administered health departments (Arlington and Fairfax).
- ***October 2016 Savings Plan.*** The introduced budget reduces funding of \$1.1 million GF the first year to reflect the reductions included in the Governor’s October 2016 Savings Plan. Reductions in that plan that are continued in the second year are reflected as separate amendments in the introduced budget.
- ***Continue FY 2017 Budget Reductions in FY 2018.*** Continues budget reduction strategies proposed for FY 2017 in the second year for a savings of \$635,789 GF, including:
 - \$217,539 GF from consolidation of the Environmental Health Hazards Control and Drinking Water Improvement programs;
 - \$200,000 GF from modifying a contract with Virginia Tech for the use of soil scientists to perform evaluations on an as-needed basis rather than paying for a set number of staff;
 - \$150,000 GF by eliminating state support for the Virginia Student Loan Repayment Program (matched with federal funds), which provides student loan forgiveness to assist in the recruitment of qualified medical, dental, behavioral health and pharmacists professionals to address issues in health professional shortage areas of the Commonwealth;
 - \$38,250 GF for the Hampton Roads Proton Beam Institute, which is a 7.5 percent reduction; and
 - \$30,000 GF by eliminating the state match for a federal abstinence grant.
- ***Transfer NGF Balances.*** Proposes the transfer of \$210,000 NGF in cash balances the second year reflecting the projected interest earnings for the following funds:
 - Waterworks Technical Assistance Fund
 - Donations – Local Health Departments
 - Trauma Center Fund

- Virginia Rescue Squads Assistance Grant Fund
 - Water Supply Assistance Grant Fund
 - Radioactive Materials Facility Licensure/Inspection Fund
 - Medical and Physicians' Assistant Scholarship and Loan Repayment Fund
 - Nursing Scholarship and Loan Repayment Fund
- **Reduce Agency Server Hardware.** The introduced budget includes savings of \$200,000 GF the second year through consolidation of servers and storage.
- **Establish Shellfish Facility Inspection Fee.** Proposes to create a new fee for shellfish sanitation inspections to supplant \$116,000 GF the second year with fee revenue and to cover 5 percent of the inspection costs. The following is the proposed fee schedule by facility type:

Facility Type	Fee
Crab Processor "C"	\$600
Shellfish Shucker-Packer	\$600
Shellfish Repacker	\$600
Shellfish Shellstock Shipper	\$300
Shellfish Reshipper	\$300
Shellfish Depuration Processor	\$1,500

- **Capture Savings from Vacant Positions.** Proposes to capture savings of \$96,000 GF the first year from vacant positions that have not been filled.

Language

- **Expand the Sale of Vital Records and Retain a Portion of the New Revenue to Support the State Division of Vital Records.** The introduced budget contains language that allows local health departments to sell birth, marriage and divorce records to the public. Currently, local health departments are only allowed to sell death records. In addition, the language also requires that 35 percent of the new revenue generated by the sale of the additional records at local health departments shall be paid to the state Division of Vital Records to support the overall system.

For death records, the local health departments are allowed to keep all of the revenue.

- **Department of Health Professions**

- *Add Appropriation for Six Positions.* Adds \$275,813 NGF the first year and \$551,625 NGF the second year to support six new positions authorized in the 2016 Session to address higher workloads as a result of an increase in the number of licensees. The revenue to support the agency comes from licensing fees charged to regulated professions.
- *Fund Additional Building Space.* Proposes \$39,450 NGF the first year and \$168,345 NGF the second year to expand space for the agency in their current building. The revenue to support the agency comes from licensing fees charged to regulated professions.
- *Provide Appropriation for Cost of Legislation to Register Peer Recovery Specialists and Qualified Mental Health Professionals.* Proposes \$50,000 NGF the second year to support the costs of legislation that will be proposed in the 2017 Session that requires peer recovery specialists and other qualified mental health professionals to register with the Board of Counseling.

- **Department of Medical Assistance Services**

Forecast Changes

- *Medicaid Utilization and Inflation.* Adds \$84.3 million GF and \$109.9 million NGF in FY 2017 and \$196.3 million GF and \$162.8 million NGF in FY 2018 to fund expected increases in enrollment and medical costs for the Medicaid program. A separate proposed amendment reduces general fund spending that is included in this amendment to reflect a change announced by the federal government after the official forecast was completed.

Medicaid spending is expected to increase by 7.4 percent and 4.3 percent, respectively, in FY 2017 and FY 2018, below the average annual growth rate of 7.8 percent over the past 12 years. However, these increases are applied to a larger Medicaid spending base as the FY 2016 expenditures increased by 8.5 percent.

Spending growth in the program is largely due to an increase in specialty behavioral health services, Medicare Part B premiums, Part D prescription drug cost increases, increasing utilization in the fee-for-service program and higher growth in home and community based waiver services.

The November 2016 Medicaid Forecast assumes that managed care rates will increase by 2.1 percent the first year and 5.2 percent the second year. Enrollment is expected to grow at 5 percent in FY 2017 and 2.4 percent in FY 2018. The forecast does not assume any additional “woodwork” effect from current Federal Affordable Care Act enrollment, despite the unexpected impact experienced in the last half of FY 2015 and recent trends in this eligibility group.

- ***Adjust Medicaid Forecast for Final Medicare Premiums.*** Reduces funding by \$7.3 million GF and \$6.2 million NGF in FY 2017 and \$18.2 million GF and \$15.5 NGF in FY 2018 to reflect lower Medicare premium rates that were announced after the completion of the Medicaid Forecast on November 1, 2016. The forecast assumed higher rates for Medicare Premiums for Parts A, B and D. Medicaid pays the premiums on behalf of certain low-income Medicare beneficiaries. The net impact of this change is to reduce the actual Medicaid forecast need from \$280.6 million GF over the 2016-18 biennium to \$255.1 million GF.
- ***Adjust Appropriation from the Virginia Health Care Fund.*** Proposes to decrease the appropriation for Medicaid by \$34.7 million GF in FY 2017 and \$9.2 million GF in FY 2018 and adds a like amount of nongeneral funds each year to reflect higher revenue 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). The estimated change in the Fund assumes a \$26.8 million balance from FY 2016. Changes to the fund include:
 - A decrease of \$8.5 million in FY 2017 and \$8.6 million in FY 2018 Medicaid recoveries,
 - An increase of \$19.0 million in FY 2017 and \$22.2 million in FY 2018 in expected pharmacy rebates,
 - A decrease of \$2.8 million in FY 2017 and \$4.4 million in FY 2018 from projected reductions in tax collections from cigarettes and other tobacco products.
- ***Fund Family Access to Medical Insurance Security (FAMIS) Utilization and Inflation.*** Proposes \$2.3 million GF and \$16.4 million NGF in FY 2017 and \$2.8 million GF and \$19.9 million NGF in FY 2018 to reflect the forecast of expenditures

in the FAMIS program. The higher forecast is primarily driven by higher managed care costs.

The FAMIS enrollment trend, which was declining in FY 2015 and FY 2016, has reversed and is increasing compared to FY 2016. The FAMIS program serves pregnant women and children under the age of 19 in families with income between 133 and 200 percent of poverty.

- ***Fund Medicaid State Children's Health Insurance Program (SCHIP) Utilization and Inflation.*** The proposed budget adds \$657,633 GF and \$4.4 million NGF in FY 2017 and adds \$927,937 GF and \$6.0 million NGF in FY 2018 to reflect the forecast of expenditures in the SCHIP program. As with the FAMIS program, the higher forecast is primarily due to higher managed care costs and an increasing number of children served by the program. Enrollment of children in the SCHIP program in FY 2016 increased 3 percent over FY 2015. The SCHIP program provides services for Medicaid-eligible low-income children living in families with incomes between 100 and 133 percent of the federal poverty level.
- ***Adjust Funding for Involuntary Mental Commitments.*** The introduced budget adds \$605,189 GF the second year for expected expenditure growth as a result of higher costs for hospital and physician services for persons subject to involuntary mental health commitment hearings. Legislation adopted by the 2014 General Assembly related to the duration of emergency custody and temporary detention orders have resulted in higher than anticipated additional costs for these medical services.

Policy Changes

- ***Allow Governor to Expand Medicaid Based on Federal Action.*** Proposes language that allows the Governor to expand Medicaid beginning October 1, 2017, if the federal government retains an enhanced federal match for an expansion population. Any savings that accrue to any state agency as a result of an expansion of Medicaid shall not be expended, but reserved for appropriation by the General Assembly. In addition, the language prohibiting any expansion of Medicaid in accordance with the Affordable Care Act, unless approved by the General Assembly, is stricken.
- ***Modify Allocation of Slots Between New Developmentally Disabled (DD) Waivers.*** The introduced budget includes language modifying the distribution of slots to be created across the three new developmental disability waivers. The three waivers are the Community Living (formerly Intellectual Disability) waiver, the Family and Individual Support (formerly Developmental Disability) waiver, and the Building Independence (formerly Day Support) waiver. In accordance

with the Settlement Agreement with the U.S. Department of Justice, 440 slots are approved to be created in FY 2018. As a result of the waiver redesign, the new waivers are expected to better align services and supports with the needs of individuals, which results in a shift in need between the waivers. The proposed budget includes changes to the slot allocation as follows:

Waiver	Current Slots	Proposed Slots
Community Living	415	180
Family and Individual Support	25	200
Building Independence	<u>0</u>	<u>60</u>
Total	440	440

In addition, language is included to allow the Governor to approve additional slots above the total of 440 if the reallocation of slots results in projected spending lower than that currently appropriated. If the Department of Medical Assistance Services can demonstrate costs are lower than appropriated, then additional slots could be created.

New Spending

- *Authorize Overtime Costs for Consumer-Directed Attendants.* Adds \$8.5 million GF and an equivalent amount of federal Medicaid matching funds the second year to allow consumer-directed attendants to receive up to 16 hours of overtime pay per week. Changes in federal regulations eliminated the overtime exemption for home care workers. In the 2016 Session, the General Assembly did not provide any authority for Medicaid to pay overtime for these attendants.
- *Fund Full Inflation for Nursing Facilities.* Adds \$5.5 million GF the second year and a like amount of federal Medicaid matching funds to fund the full value of projected inflation (2.5 percent) for nursing facilities in FY 2018. Nursing facilities receive an annual inflation adjustment each year per Virginia regulations. In the 2016 Session, only half (1.25 percent) of the inflation adjustment was authorized and funded.
- *Fund Medicaid Share of Same Day Access Services at Community Services Boards.* Proposes \$1.3 million GF and an equivalent amount of federal Medicaid

matching funds in the second year for the costs associated with the Same Day Access initiative at Community Services Boards (CSBs). This initiative provides funds to ensure CSBs are able to provide assessment and evaluation services on the same day an individual seeks services. The proposed funding is associated with individuals covered by Medicaid. A companion amendment in the Department of Behavioral Health and Developmental Services provides funds for individuals who are not Medicaid eligible.

Administrative Funding

- ***Fund Substance Use Disorder Waiver Evaluation.*** Adds \$150,000 GF and a like amount of federal Medicaid matching funds the second year to fund an independent evaluation of the new Addiction and Recovery Treatment (ARTS) waiver. As part of the approval of the waiver, the federal government requires an evaluation of the effectiveness of the ARTS initiative with external academic researchers.
- ***Corrects Funding for Managed Long-Term Services and Supports Initiative.*** Adds \$50,000 GF and reduces \$50,000 NGF the first year and adds \$125,000 GF and reduces \$125,000 NGF the second year to correct the fund split between state and federal funds for the Managed Long-Term Services and Supports Initiative. Administrative funding for this initiative was provided in the 2016 Session, but the split between funding source was incorrect.
- ***Comply with Federal Access Reporting Requirements.*** Proposes \$75,000 GF and a like amount of federal Medicaid matching funds the second year to conduct access to care reviews to comply with federal requirements. In November 2015, the federal government approved regulations requiring states to periodically review the adequacy of provider rates and their impact on access to care for various services.
- ***Fund Readiness Reviews for New Managed Care Organizations.*** The proposed budget includes \$67,572 GF and \$202,716 NGF the second year to conduct readiness reviews for new managed care organizations. These reviews are impartial assessments of whether managed care organizations are prepared to operate in Medicaid managed care.
- ***Fund Enhanced Staffing for Estate Recovery Efforts.*** Proposes net savings of \$372,318 GF and an increase of \$620,530 NGF the second year for expanded estate recovery efforts. This initiative includes costs of \$124,406 GF and a like amount of federal Medicaid matching funds to add three positions to the estate recovery program, bringing the total number of positions to five. The additional recoveries

are projected to result in increased revenue to the Health Care Fund of \$496,424, which supplants GF used as state match for Medicaid.

Budget Reductions

- ***October 2016 Savings Plan.*** The introduced budget reduces funding of \$2.0 million GF the first year to reflect the strategies included in the Governor’s October 2016 Savings Plan. Reductions in that plan that are continued in the second year are reflected as separate amendments in the introduced budget.
- ***Continue FY 2017 Budget Reductions in FY 2018.*** Continues budget reduction strategies proposed for FY 2017 in the second year for a savings of \$2.6 million GF, including:
 - \$688,013 GF and a like amount of federal Medicaid matching funds from reducing contractor audits related to diagnosis related groups (DRG) payments to hospitals by using internal agency staff,
 - \$400,000 GF and a like amount of federal Medicaid matching funds from a delay in reprocurement of certain contracts by exercising a one-year extension,
 - \$373,433 GF and a like amount of federal Medicaid matching funds from reducing contractor audits of durable medical equipment and pharmacy services by using internal agency staff,
 - \$279,887 GF and a like amount of federal Medicaid matching funds associated with improved agency operations and efficiencies in the agency,
 - \$264,113 GF and a like amount of federal Medicaid matching funds associated with savings due to normal turnover and vacancies in staff.
 - \$250,000 GF and a like amount of federal matching funds from rate setting and audits of institutional services as the agency moves towards implementing more price-based payment systems, which requires fewer resources,
 - \$250,000 GF and a corresponding increase in federal Medicaid matching funds to reflect a higher federal match rate for information technology (IT) positions, and
 - \$125,000 GF with a corresponding increase in federal Medicaid matching funds the second year to reflect a higher match rate for a major software license due to a change a federal policy.
- ***Reduce Costs for Call Center and Centralized Processing Unit.*** The introduced budget proposes a reduction of \$106,237 GF and \$318,711 in federal Medicaid

matching funds the second year by reducing the contract costs of the Cover Virginia call center and the Central Processing Unit.

Other Budget Actions

- ***Line of Credit for the Health Care Fund.*** The proposed budget includes language in Part 3 of the budget bill to provide the Health Care Fund with a \$15.0 million line of credit, used in cases where agencies need to maintain cash flow for expenditures while waiting for anticipated revenues. The proposed line of credit is intended to allow the agency to use all tobacco tax collections in June for Medicaid expenditures prior to the end of the fiscal year. Currently, a large portion of the revenue is deposited too late to be used for expenditures in the fiscal year it is collected.
- ***Technical Adjustment for Federal Appropriation in Medicaid and Provider Incentive Payments.*** The introduced budget includes a net reduction of \$12.0 million in federal funds that reflects two technical actions. The federal appropriation for federal incentive provider payments for electronic health records is reduced by \$20.0 million each year to reflect the decline in payments as the program nears its end. The federal appropriation for Medicaid is increased by \$8.0 million each year to reflect an oversight from the 2016 Session in which GF was transferred to the appropriation for state facilities, but not the equivalent federal share.

- **Department of Behavioral Health and Developmental Services (DBHDS)**

Mental Health and Substance Use Disorder Treatment Services

- ***Add Funds for Community Behavioral Health Services.*** Proposes \$9.4 million GF to increase funding to community services boards (CSBs) to address service gaps and help reduce admissions to state mental health facilities. Funds will be used for the following services:
 - \$5.0 million GF for opioid treatment services to approximately 700 individuals;
 - \$2.5 million GF for discharge assistance services for 150 individuals at state mental health hospitals who are facing extraordinary barriers to community placement;
 - \$1.0 million for detoxification services for 250 individuals; and
 - \$880,000 GF to provide an additional community geropsychiatric team to work with nursing homes and geriatric individuals with mental illness.

- ***Add Funds for Assessment Services at Community Services Boards (CSBs).*** The introduced budget adds \$8.2 million GF and \$1.3 million NGF the second year to help 25 CSBs provide same-day access to assessment services. Of this amount, \$6.9 million GF is provided in the budget for DBHDS and the remainder GF and NGF funding is provided in the budget for the Department of Medical Assistance Services for those services provided on behalf of Medicaid recipients. Funding will be used for additional staffing to provide intake and increase mental health evaluations. Funding will also be used for consultation services to assist the remaining CSBs prepare for future implementation of same-day access to services. A companion amendment to the budget in the Department of Medical Assistance Services provides \$1.3 million GF and a like amount of federal Medicaid matching funds.

- ***Add Funding for Local Inpatient Bed Purchases for Adults, Children and Geriatric Patients.*** Proposes funding of \$3.0 million GF in FY 2018 for local inpatient purchase of service (LIPOS) program for adults, children and geriatric patients to divert and discharge these individuals from state psychiatric facilities. Funding is provided in the following manner:
 - \$1.25 million GF to divert adults from state mental health hospitals to private inpatient psychiatric beds;
 - \$1.0 million GF to divert and discharge children from the Commonwealth Center for Children and Adolescents to private inpatient psychiatric beds or other appropriate community-based services, based on service plans developed for those children who are ready for discharge; and
 - \$750,000 GF to divert and discharge geriatric patients from state geriatric mental health treatment facilities to private inpatient psychiatric beds or other appropriate community-based services, based on service plans developed for those individuals who are ready for discharge.

- ***Fund Opiate Overdose Reversal Kits.*** Proposes \$200,000 GF in the second year to provide funding for the purchase and distribution of 9,000 additional REVIVE! Kits and 6,600 units of Narcan Nasal Spray which are used to revive individuals who have overdosed on opiates. Each kit includes equipment to conduct two opiate overdose reversals.

- ***Add Position to Coordinate Medication Assisted Treatment Programs.*** Proposes \$78,750 GF the second year to add one position to coordinate medication assisted treatment programs for individuals with substance use disorders.

Facility Mental Health Services

- ***Address Special Hospitalization Costs at State Facilities.*** Proposes \$1.6 million GF each year to address the increase in special hospitalization costs for individuals residing in state facilities, including the Virginia Center for Behavioral Rehabilitation. Spending on special hospitalization expenditures to provide outside medical care to facility residents at the 9 mental health facilities has almost doubled since FY 2013.
- ***Add Direct Care Staff at Catawba Hospital.*** The introduced budget adds \$805,281 GF the second year to fund 10 direct care positions at Catawba Hospital. Additional staff is needed to handle the increase in admissions and patients in need of direct supervision. Recent changes in law have doubled the number of temporary detention order admissions to the facility.
- ***Add Direct Care Staff at Piedmont Geriatric Treatment Center.*** The introduced budget adds \$474,447 GF the second year to fund 10 direct care positions needed to handle the increase in admissions at the facility.
- ***Increase Pharmacy Budget at Western State Hospital (WSH).*** Proposes \$305,000 GF the second year to increase the pharmacy budget at WSH to address the increased census and discharge rates. Individuals who are discharged from the facility are provided with a 14-day supply of needed medication to ensure continuity of care until outpatient services begin. Recent changes in mental health laws have resulted in more admissions and discharges.
- ***Add Staff at the Virginia Center for Behavioral Rehabilitation.*** Adds \$301,805 GF the second year for 12 additional security and vocational positions to address the growing census at the facility.
- ***Increase Child Psychiatrist Services at the Commonwealth Center for Children and Adolescents.*** Proposes \$269,985 GF the second year to add one full-time psychiatrist at the facility to ensure both units are staffed with a psychiatrist.
- ***Add Staffing at the Northern Virginia Mental Health Institute (NVMHI).*** Proposes \$256,488 GF the second year for four additional security officers at the facility. The facility is experiencing a higher number of jail transfers, as well as an increase in admissions and acuity of individuals admitted to the facility.
- ***Transfer Funds from Northern Virginia Training Center (NVTC) to NVMHI.*** Proposes to transfer \$136,822 GF the second year from NVTC to NVMHI to support operations that had been shared by the facilities, prior to the closure of NVTC.

Intellectual and Developmental Disabilities Services

- ***Provide Appropriation from Behavioral Health and Developmental Services (BHDS) Trust Fund for Building Community Capacity.*** Appropriates \$8.6 million the second year from the BHDS Trust Fund to be spent on services to expand community capacity for individuals with intellectual and developmental disabilities. Funds will be used for crisis stabilization services, quality improvement and expanding community-based housing, primarily in the Northern Virginia catchment area. The additional funding is anticipated from the sale of the Northern Virginia Training Center.

Budget Reductions

- ***Governor's October 2016 Budget Reductions.*** Includes reduction strategies announced in October 2016 for a savings of \$5.1 million GF in FY 2017.
- ***Continue FY 2017 Budget Reductions in FY 2018.*** Continues budget reduction strategies proposed for FY 2017 in the second year for a savings of \$3.6 million GF, including:
 - \$2.5 million GF from unobligated funding available due to the closure of the Northern Virginia Training Center;
 - \$239,005 GF from reduced costs for transitioning individuals from training centers who are not eligible for Medicaid;
 - \$222,000 GF in reduced costs to operate the background check program;
 - \$202,595 GF from personnel actions to eliminate, layoff, or adjust salaries for positions;
 - \$200,000 GF from reductions in VITA expenditures on computer and telecom hardware; and
 - \$140,000 GF from eliminating funding for the DOJ transition tracking system, which had been delayed and is no longer necessary.

Language

- ***Emergency Authority to Implement Licensing Fee for Adult Behavioral Health and Developmental Services.*** Adds language authorizing the promulgation of emergency regulations to establish a fee for the initial application and renewal of a license to provide adult behavioral health and developmental services. Anticipated revenue to be generated by the fee is estimated at \$100,000 the first year and \$200,000 the second year.

- ***Modify Language Capping Carryforward Amount of Unexpended Special Fund Balances.*** Proposes to lower the cap on amounts that can be carried forward into the next fiscal year of unexpended special fund balances from \$30.0 million to \$25.0 million. Language also clarifies that this cap applies only to special funds, and would not apply to balances in the Behavioral Health and Developmental Services Trust Fund.
- **Department for Aging and Rehabilitative Services**
 - ***Provide Funds for a New Adult Services and Adult Protective Services Case Management System.*** Proposes \$440,000 GF the second year for the ongoing costs of operating a new case management system used by adult services and adult protective services workers. Federal funding of \$560,000 from two federal grants and \$100,000 GF from existing resources are being used for system development costs. The proposed funding will be used to pay for licensing fees and on-going support costs. A portion of the funding (\$40,000) would support training of local workers.
 - ***Add Funds to Expand Office of the Long-Term Care Ombudsman.*** The introduced budget adds \$395,124 GF and \$395,124 in matching federal Medicaid funds and six positions to expand the state Office of the Long-Term Care Ombudsman to support the new Medicaid Managed Long-Term Services and Support (MLTSS) waiver. The federal Centers for Medicare and Medicaid require the Commonwealth to ensure an independent ombudsman program is available to resolve any problems that arise between managed care organizations and Medicaid recipients participating in the MLTSS waiver and to ensure that participants have access to conflict free counseling on their plan choice as well as independent enrollment or disenrollment.
 - ***Governor’s October 2016 Budget Reductions.*** Includes reduction strategies announced in October 2016 for a savings of \$2.4 million GF.
 - ***Capture Administrative Savings.*** Reduces funding by \$534,240 GF in FY 2018 through streamlining operations and reducing discretionary expenditures, by the following actions:
 - \$289,083 from three position layoffs in agency administration and the continuation of savings from FY 2017 from streamlining payroll processing;
 - \$178,721 from operations in the Office of Community Integration, Community Rehabilitation Case Management Services and Community Based Services;

- \$34,951 from restructuring the workforce in the Policy and Legislative Affairs Office; and
- \$31,485 from reducing management and oversight for brain injury services, Centers for Independent Living and Long-Term Employment Support Services.

- **Woodrow Wilson Rehabilitation Center**

- *Appropriate Nongeneral Funds to Reflect Revenues.* Increases \$1.3 million NGF each year of the biennium to reflect changes in the most recent nongeneral fund revenue projections.
- *Governor's October 2016 Budget Reductions.* Includes reduction strategies announced in October 2016 for a savings of \$252,755 GF in FY 2017.

- **Department of Social Services**

Spending Increases

- *Increase Appropriation for Child Care and Development Fund (CCDF) Block Grant Award.* Proposes increasing the appropriation for the CCDF by \$4.2 million NGF each year of the biennium. This reflects Virginia's allocation of the CCDF, which is used for child care financial assistance and quality improvement activities for child care programs.
- *Restore Funds for VITA Costs of Transitioning from UNISYS Mainframe to Virginia Case Management System (VaCMS).* Proposes restoring \$4.0 million GF the first year and \$7.2 million NGF the first year and \$4.6 million GF and \$8.5 million NGF the second year for projected information systems operating costs through VITA and other systems costs related to the transition from the UNISYS system to the Virginia Case Management System. The agency is occurring some system redundancy costs as it terminates use of the UNISYS mainframe, which were not accounted for in VITA reductions that were proposed and subsequently adopted in Chapter 780 of the 2016 Acts of Assembly.
- *Fund Foster Care and Adoption Forecast.* The introduced budget proposes a net increase of \$2.0 million GF and \$6.0 million NGF the first year and a reduction of \$383,327 GF and an increase of \$6.7 million NGF the second year for forecast changes to the foster care and adoption programs. Title IV-E foster care expenditures are expected to increase by \$4.9 million GF and \$4.9 million NGF the first year and \$3.2 million GF and \$3.2 NGF the second year. Title IV-E Adoption subsidies are projected to increase by \$1.2 million GF the first year and \$1.2 million NGF and \$3.5 million GF and \$3.5 million NGF the second year. The

increased GF costs for the Title IV-E foster care and adoption programs are partially offset by a projected decline in state adoption subsidies by \$4.0 million GF the first year and \$7.1 million GF the second year. The following table details the change in total general fund and nongeneral spending for child welfare services from Chapter 780 to the introduced budget. The source of the nongeneral fund is federal matching Title IV-E funds.

- ***Fund Title IV-E Foster Care for Exposed Infants.*** Proposes an additional \$957,600 GF and \$957,600 NGF the second year for a projected increase in foster care placements for substance exposed infants.

- ***Fund Increase in Child Welfare Services per Federal Mandate.*** Proposes \$5.5 million GF and \$2.5 million NGF the second year to fund an increase in child welfare services as required by federal law. Since federal FY 2010, the program criteria for an applicable child for federal Title IV-E adoption assistance have resulted in an increase in children eligible for federal funding. These children were fully state-supported, resulting in state savings. These savings are required by federal law to be reinvested in the child welfare system. The introduced budget proposes using these “reinvestment” funds in the following manner:
 - \$977,000 GF and \$2.5 million in matching federal funds to update the child welfare information system to make it mobile for workers to use in the field,
 - \$1.3 million GF to add local workers to address an increase in child protective services assessments and investigations of substance exposed infants, and
 - \$3.2 million GF to add local workers to handle increasing workloads for child and adult protective services and adoption case management.

- ***Increase Appropriation for Central Registry Search Fees.*** Proposes increasing the special fund appropriation for the child protective services (CPS) hotline by \$100,000 NGF each year of the biennium. The hotline is funded through fees charged to conduct central registry searches. This action reflects the revenues generated by the fees.

Temporary Assistance to Needy Families (TANF) Block Grant Funding

- ***Adjust Funding for Mandatory TANF Benefits.*** Proposes to reduce spending on cash assistance provided to TANF recipients by \$15.2 million NGF the first year and \$15.9 million NGF the second year to reflect the spending forecast for TANF income benefits and TANF VIEW child care subsidies. TANF spending for mandated benefits has declined in recent years and is expected to decline by 20

percent over the amounts appropriated in Chapter 780. The introduced budget also proposes redistributing funding within the federal TANF block grant program to address the declining caseload for mandatory child care under the Virginia Initiative for Employment not Welfare (VIEW) program by proposing a reduction of almost \$5.0 million NGF each year.

These reductions are offset by additional TANF spending allocations proposed in the introduced budget that includes:

- \$6.0 million NGF the second year for long-acting reversible contraceptives,
- \$1.3 million NGF the second year to supplant GF monies for the Virginia Early Childhood Foundation,
- \$1.2 million NGF the second year to supplant GF monies for the Child Advocacy Centers, and
- \$200,000 NGF the second year to supplant GF monies for the Northern Virginia Family Services.

Finally, the proposed TANF budget reflects a decrease of \$2.8 million NGF each year in transfers to the Child Care and Development (CCDF) block grant. A companion action increases the federal funding for the block grant by \$ \$4.2 million each year of the biennium, lessening the need for TANF transfers to provide child care subsidies to low-income working families.

HB 1500/SB 900 Proposed TANF Block Grant Funding FY 2017 and FY 2018

	Proposed HB 1500/SB 900 <u>FY 2017</u>	Proposed HB 1500/SB 900 <u>FY 2018</u>
TANF Resources		
Annual TANF Block Grant Award	\$158,285,172	\$158,285,172
Carry-Forward From Prior Fiscal Year	<u>99,130,637</u>	<u>91,985,120</u>
Total TANF Resources Available	\$257,415,539	\$250,270,292
TANF Expenditures		
<i>VIP/VIEW Core Benefits and Services</i>		
<i>TANF Income Benefits</i>	\$36,615,108	\$40,926,014
VIEW Employment Services	13,612,144	13,612,144
<i>VIEW Child Care Services</i>	7,234,225	7,234,225
TANF Caseload Reserve	<u>2,000,000</u>	<u>2,000,000</u>
Subtotal VIP/VIEW Benefits and Services	\$59,461,477	\$63,772,383
<i>Administration</i>		
State Administration	\$3,002,653	\$3,002,653
Information Systems	4,052,023	4,052,023
Local Staff and Operations	45,513,536	45,513,536
Eligibility System Maintenance/IT	<u>1,000,000</u>	<u>1,000,000</u>
Subtotal Administration	\$53,568,212	\$53,568,212
<i>TANF Programming</i>		
Healthy Families/Healthy Start	\$9,035,501	\$9,035,501
Community Action Agencies	4,250,000	4,250,000
CHIP of Virginia (VDH)	2,400,000	2,400,000
Local Domestic Violence Prevention Grants	3,346,792	3,346,792
EITC Grants	185,725	185,725
Boys and Girls Club	1,000,000	1,000,000
Resource Mothers (VDH)	1,000,000	1,000,000
<i>Long-Acting Reversible Contraceptives (VDH)</i>	0	6,000,000
<i>Virginia Early Childhood Foundation</i>	0	1,250,000
<i>Child Advocacy Centers</i>	0	1,231,000
<i>Northern Virginia Family Services</i>	<u>0</u>	<u>200,000</u>
Subtotal TANF Programming	\$21,218,018	\$29,899,018
Total TANF Expenditures	\$134,247,707	\$147,239,613
Transfers to other Block Grants		
<i>CCDF for At-Risk Child Care</i>	\$12,857,212	\$12,900,868
CCDF for Head Start Wraparound Services	2,500,000	2,500,000
SSBG for Children's Services Act	9,419,998	9,419,998
SSBG for Local Staff Support	<u>6,405,502</u>	<u>6,405,502</u>
Total TANF Transfers	\$31,182,712	\$31,226,368
Total TANF Expenditures & Transfers	\$165,430,419	\$178,465,981

Budget Reductions

- ***Supplant GF with Federal Temporary Assistance to Needy Families (TANF) Funds.*** Proposes supplanting \$2.7 million GF in FY 2018 with a like amount of federal TANF block grant funds for the Virginia Early Childhood Foundation, Child Advocacy Centers and the Northern Virginia Family Services (amounts indicated above) which meet the intent of TANF funding.
- ***Capture Administrative Savings.*** Reduces funding of \$819,747 GF and \$819,747 NGF in FY 2018 from program management, administrative support services and licensing services. Nongeneral funds represent cost recoveries for administration of programs in which funding is shared by the federal government.
- ***Capture Surplus in Funding from the Auxiliary Grant Program.*** Reduces \$500,000 GF the second year from the Auxiliary Grant program. Fewer individuals are expected to participate in the program. Expenditures in the program have steadily declined by slightly more than 1 percent per year on average of over the past four fiscal years.
- ***Reduce Funding for Unemployed Parent Program.*** Reduces funding by \$500,000 GF for the Unemployed Parent Program due to a continuing decline in caseload.
- ***Governor's October 2016 Budget Reductions.*** Includes reduction strategies announced in October 2016 for a savings of \$421,685 GF in FY 2017.
- ***Eliminate Funding for Virginia Alzheimer's Association Chapter.*** Proposes eliminating \$70,000 GF in FY 2018 used to support Virginia's Alzheimer's Association Chapters.
- ***Eliminate Funding for Youth for Tomorrow.*** Proposes eliminating \$100,000 GF in FY 2018 used to support Youth for Tomorrow. Youth for Tomorrow provides comprehensive residential, education and counseling services to at-risk youth who have been sexually exploited, including victims of sex trafficking.

Language

- ***Modify Reporting Requirement for Report on Adoptions.*** Proposes changing the reporting frequency on adoptions from quarterly to annually.
- **Virginia Board for People with Disabilities**
 - ***Governor's October 2016 Budget Reductions.*** Includes reduction strategies announced in October 2016 for a savings of \$10,910 GF in FY 2017.

- *Capture Information Technology Savings.* Proposes \$16,365 GF in savings the second year from information technology storage savings.

- **Department for the Blind and Vision Impaired**

- *Add Appropriation for Virginia Industries for the Blind.* Proposes \$6.5 million NGF the first year and \$3.0 million NGF the second year to cover anticipated spending associated with expanding business opportunities.
- *Adjust Nongeneral Fund Appropriation and Position Level.* The proposed budget includes \$1.5 million NGF the first year and \$1.7 million NGF the second year to match the agency’s projected expenditures. Five positions are also added for workforce assistance and audits that would be supported with existing revenue.
- *Supplant GF with Federal Vocational Rehabilitation Funds.* Proposes to supplant \$387,771 GF the second year with a corresponding increase in federal funds by moving expenditures that could be paid for from the federal Vocational Rehabilitation grant.
- *Governor’s October 2016 Budget Reductions.* Includes reduction strategies announced in October 2016 for a savings of \$266,508 GF in FY 2017.
- *Staff Vacancy Savings.* Proposes savings of \$92,474 GF the second year by delaying hiring to fill vacant positions.

- **Virginia Rehabilitation Center for the Blind and Vision Impaired**

- *Reduce Funding for Training.* Proposes a reduction of \$27,750 GF the second year for the training of blind and vision impaired individuals that do not qualify for support through the federal Vocational Rehabilitation grant.
- *Governor’s October 2016 Budget Reductions.* Includes reduction strategies announced in October 2016 for a savings of \$18,500 GF in FY 2017.