



# **Executive Planning and Budget Overview**

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Finance Director  
October 4, 2018**

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## **Overview of State Finances & Budgeting**

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# Overview of DBHDS Budget

## *Big, Comprehensive, and Complex*

- Central Office
- 40 Community Services Boards
- 13 State Facilities
  - Mental Health Hospitals
  - Training Centers
  - VCBR
  
- State General Fund Support
- Federal Funds / Medicaid
- Local Dollars
- Capital Debt Service

❖ *Different Delivery Systems*

❖ *Large Capital Footprint*

❖ *Multiple Revenue Streams*

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# Authority to Control Spending

✓ Each agency must have an appropriation from the General Assembly to spend money from the state treasury

*State Constitution*

✓ Individual agency heads may be held personally liable for (deficit) spending in excess of their appropriation

*Appropriation Act*

✓ The Governor must take all steps to see that spending is within revenue collections during the course of the biennium (two-year) budgetary period

*State Constitution and Appropriation Act*

- The Department of Planning and Budget (DPB) provides access to the legislatively approved appropriation through the allotment process
  - The Department of Accounts (State Comptroller) monitors spending against appropriation allotments
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# Virginia's Budget Appropriations

- Each agency must have an appropriation from the General Assembly to spend money from the state treasury (State Constitution), Appropriation = **Authority to Spend Money**
  - Individual agency heads may be held personally liable for (deficit) spending in excess of their appropriation
  - Governor must take all steps to see that spending is within revenue collections during the course of the biennium (two-year) budgetary period
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# Appropriation Act Language

## VIRGINIA ACTS OF ASSEMBLY -- 2018 SPECIAL SESSION I

### VIRGINIA ACTS OF ASSEMBLY - CHAPTER 2

*An Act for all appropriations of the Budget submitted by the Governor of Virginia in accordance with the provisions of § 2.2-1509, Code of Virginia, and to provide a portion of revenues for the two years ending respectively on the thirtieth day of June, 2019, and the thirtieth day of June, 2020, and an Act to amend and reenact §§ 33.2-1904, 33.2-1907, and 33.2-2502 of the Code of Virginia, and to amend the Code of Virginia by adding sections numbered §§ 32.1-332.01 and 32.1-332.02.*

Approved June 7, 2018

[H 5002]

Be it enacted by the General Assembly of Virginia:

- **Budget trumps legislation.** Often see "notwithstanding xxx section of the Code
  - Budget language is limited to the duration of the act
  - Amended budget shows strike through and italics like code when being amendment. New biennial budget does not. Have to manually compare lines to look for changes.
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# DBHDS Budget FY 2019

DBHDS AGENCY	GF	NGF	ALL FUNDS
Central Office (720)	\$70,014,613	\$43,875,046	\$113,889,659
Grants to Localities (790)	\$370,958,279	\$75,785,975	\$446,744,254
MH Facilities (792)	\$309,879,823	\$53,646,991	\$363,526,814
Training Centers (793)	\$31,636,176	\$81,139,482	\$112,775,658
VCBR (794)	\$40,338,435	\$0	\$40,338,435
<b>TOTAL</b>	<b>\$822,827,326</b>	<b>\$254,447,494</b>	<b>\$1,077,274,820</b>

- Appropriation Act allocates funds into agencies and programs. To move funds within programs or agencies DBHDS must submit a Budget Execution order to the Department of Planning and Budget (DPB) for approval
  - Administrative authority given to (DPB) allow s for these types of transfers between these categories
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# Community Services Boards Budget

Program	Fund Category	General Fund	Federal Funds	Total Funds
DV	Restricted	48,230,421	8,369,729	56,600,150
DV	Unrestricted	14,426,085		14,426,085
Total DV		<b>62,656,506</b>	<b>8,369,729</b>	<b>71,026,235</b>
MH	Earmarked	60,136,429		60,136,429
MH	Restricted	103,358,822	11,566,540	114,925,362
MH	Unrestricted	86,855,515		86,855,515
Total MH		<b>250,350,766</b>	<b>11,566,540</b>	<b>261,917,306</b>
SUD	Earmarked	3,739,390		3,739,390
SUD	Restricted	1,000,000	52,049,706	53,049,706
SUD	Unrestricted	45,643,942		45,643,942
Total SUD		<b>50,383,332</b>	<b>52,049,706</b>	<b>102,433,038</b>
Total		<b>363,390,604</b>	<b>71,985,975</b>	<b>435,376,579</b>

- Most CSB funding is restricted or earmarked for specific purposes.
- While \$146.9M is technically unrestricted, most of the SUD funding is required in order to meet state maintenance of effort requirements associated with MHSA Block Grant

# Community Services Boards Budget (continued)

## **Specific purposes as required by Appropriation Act – Chapter 2 (include for FY 2019)**

Examples from Item 312.

- \$2.8 million for outpatient services to children with mental health needs
- \$17.7 million for emergency services, crisis stabilization, case management, inpatient and outpatient services
- \$10.5 million for 32 drop-off centers
- \$10.5 million for permanent supportive housing
- \$10.8 million for same day access
- \$3.7 million for primary care screening

## **Funding Allocation and Distribution**

- Occurs at start of Fiscal Year (usually June timeframe assuming passage of budget)
- Most funding distributed through 12 bi-monthly warrants (payments) to CSBs
- Adjustments do occur throughout the year based on:
  - Changes in federal grants
  - Central Accounts distributions (salary increases)
  - Programmatic decisions

# Influencers of Budget Process



Priorities  
of the  
Governor



Priorities  
of the  
General  
Assembly



Public  
sentiment



Increases/  
Decreases  
in federal  
funds



Changes  
in laws  
and  
regulation



Traditional  
practices



Increase  
in number  
of clients

# Key Agency Stakeholders

Department of Taxation	Collects revenue & deposits it to state treasury
Department of Planning & Budget	Provides legal authority (appropriation / allotment) for state agencies to spend funds
Department of Accounts	Authorizes payment of state funds, within approved appropriations, based on requests (vouchers) submitted by agencies and accounts for expenditures of these payments
Department of the Treasury	Manages cash in state treasury and makes payments based on authorizations from Comptroller
Department of General Services	Approves plans and competitive bids for state agencies to renovate, acquire, or construct structures
Department of Human Resource Management	Establishes personnel policies and monitors employment levels in accordance with manpower control plan in Appropriation Act

# DBHDS - DMAS

## FY 2018 DD Waiver Utilization and Expenditures

DD Waivers	Waiver Members	Total Cost	Per Person Cost
Community Living (CL)	11,291	\$855,600,953	\$75,777
Family & Individual Supports (FIS)	1,555	\$49,434,011	\$31,790
Building Independence (BI)	<u>252</u>	<u>\$3,112,744</u>	<u>\$12,352</u>
<b>Total</b>	<b>13,098</b>	<b>\$908,147,708</b>	<b>\$69,335</b>

### **DD Waivers Descriptions:**

Community Living (CL) Waiver – The CL waiver is a comprehensive waiver that includes 24/7 residential support services for children and adults with disabilities who may require intense medical/and or behavioral supports. Through FY 2019 the Commonwealth had appropriated a total of 11,516 CL waiver slots.

Family & Individual Supports (FIS) Waiver – The FIS waiver supports children and adults with disabilities who are living with their families, friends, or in their own residences who have some medical or behavioral needs. In FY 2019 Virginia appropriated a total of 2,176 slots.

Building Independence (BI) – The BI waiver supports adults who reside in an integrated, independent living arrangement who can be supported through the provision of a minimal level of supports. In FY 2019 the Commonwealth had appropriated a total of 360 slots.

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# DBHDS – DMAS (continued)

## FY 2017 Behavioral Health Medicaid Payments to CSBs

Category	FY 2017 Payments
Governor's Access Plan (GAP)	\$12,086,148
Mental Health Case Management (Non-GAP)	\$89,163,669
Other Mental Health Payments	\$106,170,745
Addiction and Recovery Treatment Services (ARTS)	\$1,711,588
Other Substance Abuse Payments	<u>\$1,996,285</u>
<b>Total</b>	<b>\$211,128,435</b>

- CSBs are anticipated to accrue additional revenues as a result of Medicaid Expansion.
  - Shift to MCOs may also impact CSB revenues.
  - Data collection may become more difficult. Pursuant to the DMAS/MCO data sharing agreement, DMAS does not report on services or individual CSBs receiving payment if the number of recipients is too small. Additionally, MCOs do not utilize DMAS budget codes making categorizing payment data difficult.
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# Phases in Budget Process

## AGENCY BUDGET PREPARATION

DPB issues instructions to agencies



Agencies generate & submit requests



JULY – SEPTEMBER

## REVIEW AND RECOMMENDATION

Governor, DPB, Cabinet review



Governor submits document & bill to the General Assembly (GA)

OCTOBER – DECEMBER

## LEGISLATIVE SESSION

Budget Bill referred to Committees



Conference committee reports bill & GA approves



JANUARY- MARCH

## GOVERNOR'S REVIEW

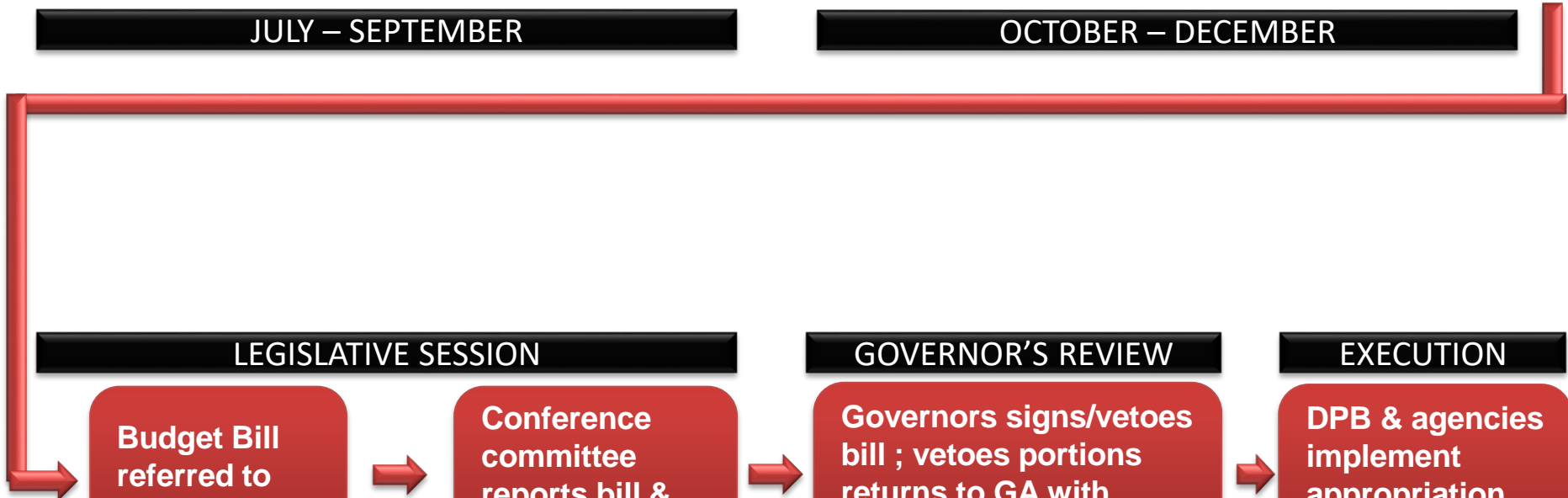
Governors signs/vetoes bill ; vetoes portions returns to GA with amendments



APRIL-JUNE

## EXECUTION

DPB & agencies implement appropriation act



# Review of Operating Needs

## **Bottom Up Analysis**

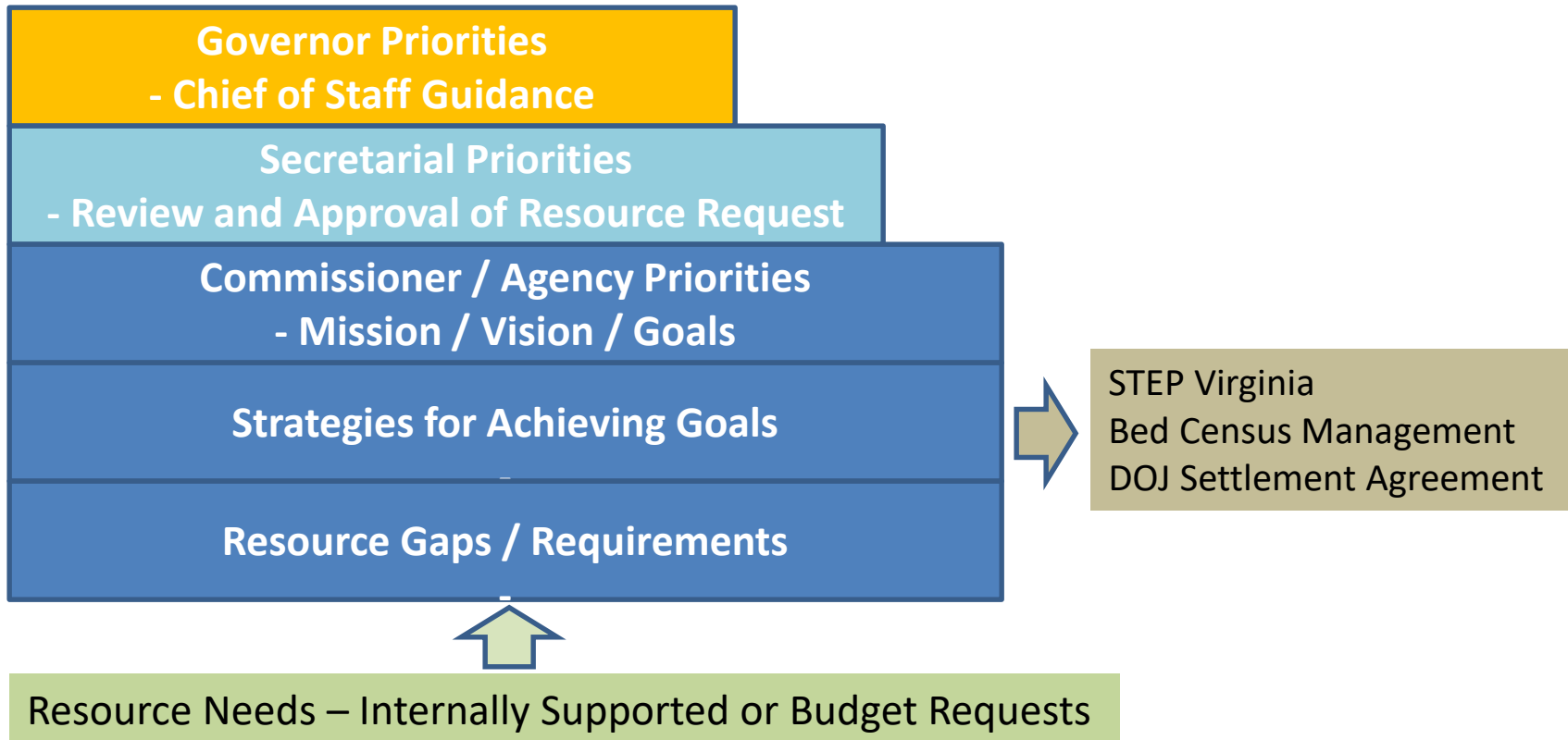
Analysis of prior year activity and history along with assessment of the effects of reorganization for the coming year.

Other considerations:

- New Contracts
  - Assessment of Resource Requirements
  - Changes to Medicaid
  - Addition or deletion of Federal grants
  - Significant changes in federal grant administration requirements
  - Changes in pay and/or benefits
  - Impact of additional or reduced employees
  - Impact of new funding initiatives (STEP Virginia, DOJ)
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# Strategic Design

## Top Down Guidance



# Planning - Budget Development

- Program and facility leadership and staff need to identify resource requirements or funding gaps to current operations given increasing or inflationary costs, new federal or state mandates, code changes, increased workloads, or new strategic and operational initiatives (Ongoing – with focus April – June).
  - These requirements then are identified through budget requests for review by Central Office Finance, the Executive Team, and the Commissioner and the Board (July – September).
  - If approved, these requests become decision packages for submission to OSHHR, DPB, and the Governor's Office (September – October).
  - If adopted by the Governor, the decision package is included in the Introduced Budget for consideration by the General Assembly (GA) (December).
  - Money Committee Staff and GA Members then consider the budget to include individual decision packages. If approved, it becomes enacted (assuming Governor does not veto or amend) (December – April).
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# Agency Budget Requests

## Required fields for Program and Facility Budget Requests

- Agency Description
- Justification
- Alternatives Considered
- Methodology
- Required Funding Detail
  - Program
  - Fund Code
  - Sub-object Code
  - Required Funding (by FY)
  - Required Positions (by FY)

**These requests are then used to form budget decision packages for submission to DPB and Governor's Review**

**Submission this year – October 9<sup>th</sup>  
Governor submits Budget – Dec. 18<sup>th</sup>**

**DBHDS Budget Development – Request Form**  
2014 Budget Development Cycle

Short Title: Add licensing staff to support increased workload due to DOJ requirements

Category: Total Cost: \$1.1 million

FY 2015 General Fund	FY 2015 Nongeneral Fund	FY 2016 General Fund	FY 2016 Nongeneral Fund	One-Time?
\$83,398	\$0	\$1,000,779	\$0	no

Legislation Required: N

**Description of Request:**

This amendment provides funding to allow for an increase in the statewide number of licensing specialists from 32 to 42. With its current resources, DBHDS cannot support the current number of providers which has increased more than 20 percent since the implementation of the Department of Justice (DOJ) Settlement Agreement. Staff ratio analysis has determined that the requested resource increase will be sufficient in supporting the current workload; however, it does not address the anticipated increase in providers.

Without regard to the increase in the number of providers, DBHDS licensing specialist are responsible for:

- 1) Reviewing applications including detailed Policies and Procedures,
- 2) Performing on-site visits on all new providers prior to granting licenses,
- 3) Reviewing all expansion of services/locations by existing providers,
- 4) Conducting unannounced visits for all services on a yearly basis ( required by Code), and
- 5) Investigating all complaints, deaths, and serious injuries.

*\*Detailed responsibilities in §37.2, Chapter 4 (Code of Virginia).*

In addition to the requirements mandated by code, the Agreement requires the implementation of a process to conduct more frequent licensure inspections of community providers serving individuals under the Settlement Agreement.

It is noteworthy to call out that licensing is a code-mandated service for which the Department cannot contract the responsibilities to a third party.

**Justification:**

The Commonwealth's implementation of its 2012 settlement agreement with the U.S. Department of Justice (DOJ), Civil Action 3:12cv059-JAG, combined with directives from the Independent Reviewer/Judge are overwhelming DBHDS on-going licensing efforts. The agreement requires that some of DBHDS licensing activities shift from a service-based focus to a more individualized focus and that information be reported that is not captured by existing

# Competing State- Wide Demands

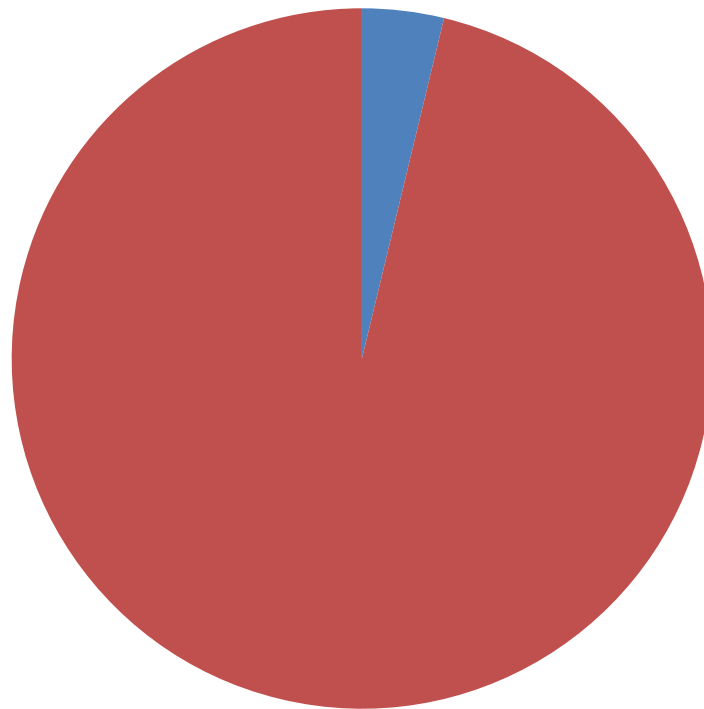
**Governor, DPB, and Agencies must view budget as zero-sum game and balance competing demands**

- **Increases/decreases in available revenues**
- **Efficiency, effectiveness and economy**
- **Continuing need for programs and agencies**
- **Reconcile agency requests with Governor's priorities**



# DBHDS / Statewide GF Budget

## General Fund DBHDS Compared State-Wide



### FY 2019 – Chapter 2

- DBHDS GF \$822.8 Million
- State-wide GF \$21.0 Billion

- For FY 2019, Chapter 2 General Fund Appropriations is \$822.8 million
  - DBHDS represents 3.9% of Total State-Wide General Fund Operating
  - Grants to Localities (CSBs) is a little over 45% of DBHDS GF
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# The Budget Documents

- The Code of Virginia calls for the development of two budget documents:

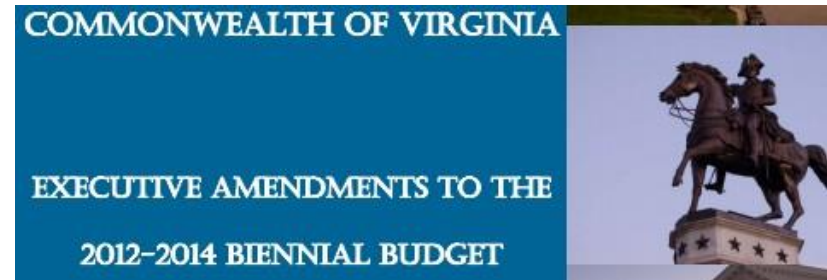
## Budget Bill

**2013 RECONVENED SESSION**  
**VIRGINIA ACTS OF ASSEMBLY - CHAPTER 806**  
**REENROLLED**

An Act to amend and reenact Chapter 3 of the 2012 Acts of Assembly, Special Session I, which appropriated funds for 2012-14 Biennium, and to provide a portion of revenues for the two years ending, respectively, on the thirtieth day of June, 2014, and the thirtieth day of June, 2014, and to amend and reenact §§ 2.2-1508, 2.2-1509, 17.1-507, 30-310, 62.1-132.3:2 of the Code of Virginia, and add a new section, § 30-339, Code of Virginia.

Be it enacted by the General Assembly of Virginia:

## Executive Budget Document



- Both documents cover proposed operating expenses and capital expenditures
- The executive budget is a fiscal plan that is designed to implement and/or fund the Governor's agenda
- The budget bill also covers revenue transactions and transfers of funds, conditions and stipulations governing appropriations
- DBHDS sends out a budget overview document summarizing impact of Introduced Budget on DBHDS operations and activities – Sent to Facility Directors and CSB Execs

# General Assembly Session

- Analysis and briefings to General Assembly members and money committee staff
  - Fiscal Impact Statements: In Virginia, any proposed legislation that will have an impact on state finance requires a written fiscal impact statement. FISs reflect total revenue and expenditure impact on the Commonwealth. All costs must be outlined in a FIS, even if the Department can absorb costs with current resources.
  - Review and analysis of Member Amendments, Crossover and Conference Actions
  - Prepare budget talking point in close coordination with legislative point persons
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# Fiscal Impact Statements

- A **fiscal impact statement (FIS)** is an estimate prepared by a state official or government agency that predicts how the passage of a bill measure would effect state finances
- In Virginia, any proposed legislation that will have an impact on state finance requires a written fiscal impact statement. FISs reflect total revenue and expenditure impact on the Commonwealth. All costs must be outlined in a FIS, even if the Department can absorb costs with current resources.
- All fiscal impact statements are viewable to the public on Virginia's Legislative Information System (LIS) website
- DBHDS Finance works with Program Staff and other agency stakeholders to develop / revise FIS. Submitted to DPB for publishing.
- DBHDS works with Money Committee Staff on FIS questions on a given bill as well.

## Department of Behavioral Health and Developmental Services 2014 Fiscal Impact Statement

1. **Bill Number:** HB222

**House of Origin**  Introduced  Substitute  Engrossed  
**Second House**  In Committee  Substitute  Enrolled

2. **Patron:** Dance.


3. **Committee:** Health, Welfare and Institutions

4. **Title:** Licensure of behavioral health care providers; notice to local governing body

5. **Summary:** This bill requires the Commissioner of Behavioral Health and Developmental Services to notify the local governing body of a locality in which a provider has proposed or applied for an initial license or to modify a license of the proposal or application, and to receive and consider comments submitted by the local governing body when making decisions regarding issuance of a license or modification.

6. **Budget Amendment Necessary:** Yes Item 311

7. **Fiscal Impact Estimates:**

 <b>Expenditure Impact:</b>	<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
	2014	\$135,337	2	
	2015	\$135,337	2	
	2016	\$135,337	2	
	2017	\$135,337	2	
	2018	\$135,337	2	
	2019	\$135,337	2	
	2020	\$135,337	2	

8. **Fiscal Implications:** This bill requires DBHDS to notify the local governing body of a locality concerning applications or modification of licenses. This bill will increase workload for the licensing program in regards to coordination and tracking of local communities input. Two FTEs are needed to help assist with the project workload for DBHDS central office staff.

# Budget Execution / Setting Allocations

- Funding for a budget request is not approved until it is adopted by the Governor and General Assembly; the budget is finalized in late April – early May of each year.
  - If it is first-time or new funding, this is usually not available until July at the beginning of the following fiscal year.
  - **HOWEVER**, staff and facilities should begin preparations in anticipation of this funding starting with the Governor's Introduced Budget with an eye on General Assembly Crossover in February (if it is in both the House and Senate proposals it is likely to be funded).
  - Once the funding is available, program staff and facilities should begin executing their plans for how to utilize these funds immediately.
  - **WHY?** General Fund dollars are difficult to move from the current to the next fiscal year – so, a delayed start in using these funds may leave so expended balances at the end of the fiscal year
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# Performance Budget Process

Strategic Planning

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graph TD; SP[Strategic Planning] --> BD[Budget Development]; BD --> PM[Performance Measure]; PM --> SP;
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Performance  
Measure

Budget  
Development

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# Components of Strategic Planning

## EXECUTIVE PROGRESS REPORT

The Executive Progress Report (EPR) provides a concise, strategic profile of a state agency that describes the agency's responsibilities, challenges, performance highlights, and priorities.

## EXECUTIVE AGREEMENT

The Executive Agreement is an agreement and partnership among the Governor, Cabinet Secretary and Agency Head in aligning the key agency goals with the 2014 Governor's Enterprise Strategic Priorities. The Executive Agreement is intended to foster effective and timely communication, mutual accountability, and positive and effective working relationships.

## STRATEGIC PLANS

Each state agency has a strategic plan which details plans, core business activities, situation assessments and initiatives the agency is working on.

## PERFORMANCE MEASURES

Performance measures are part of the strategic plan. Performance measures are intended to show improvement or lack of performance in highlighted areas.

# Performance Budget Process

## PLANNING CYCLE

Starting at the beginning of the biennium DBHDS has the opportunity to work on their proposed plan for the biennium. The following is the general schedule for the planning cycle.

### SPRING

- Upon adjournment of the General Assembly, agencies develop strategic and service area plans for the biennium.
- Agencies begin working on Executive Progress Reports (EPRs).
- Agencies refine/develop performance measures.

### SUMMER

- Agencies submit strategic and service area plans to DPB.
- Agencies submit EPRs to DPB.

### FALL

- DPB publishes strategic and service area plans, and EPRs onto Virginia Performs Web site.

DBHDS is currently working through a strategic design and planning process for conclusion December 2018 on Agency Vision, Objectives, Strategies, and Resource Requirements.

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# Virginia Performs

Agency	Measure Title	Annual/ Quarterly	Short Term Target June 30, 2018	Long Term Target June 30, 2020
720	Percentage of licensing investigations closed within 90 days.	Annual	75%	80%
720	Percent of small bed capacity (4 or under) to total bed capacity	Annual	57.5%	62.1%
720	Percent of wait list that is priority one	Annual	22%	19%
720	Numbers trained in mental health first aid.	Annual	44,000	70,000
790	Number of individuals on the extraordinary barrier list	Annual	180	90
790	Annual percent change of number of individuals over 18 who are authorized for independent living, supportive living services, or shared living.	Annual	20	50
790	Percentage of adults and children who are 13 years old or older receiving substance use disorder (SUD) services with a new episode of SUD services who received the following.	Annual	60%	64%
792	Percent of state hospital bed utilization	Annual	88%	85%
792	Percentage of individuals who are readmitted within 30 days of discharge	Annual	6.5	6
792	Clinical cost per patient day MH Facilities	Quarterly	\$576	\$594
793	Clinical cost per patient day Training Centers	Quarterly	\$707	\$793
793	Percent reduction training center census	Annual	-75.70%	-89.60%
794	Clinical cost per patient day VCBR	Quarterly	\$210	\$217
794	Number of residents determined to be clinically eligible for conditional release.	Quarterly	48 (annual)	50 (annual)

# CSB New Funding Last 7 Years

	FY 2013	FY 2018	FY 2020	Change From FY 2013 to 2018	Change From FY 2013 to 2020
<b>General Fund</b>	\$285,397,318	\$349,491,728	\$392,706,703	\$64,094,410	<b>\$107,309,385</b>
<b>Special Fund</b>	\$544,795	\$8,550,000	-	\$8,005,205	-
<b>Federal Fund</b>	\$61,679,447	\$73,024,862	\$84,936,052	\$11,345,415	<b>\$23,256,605</b>

- CSBs have received over \$107 million GF over the last seven years.
- Much of this was to address needs resulting from the legislation of last resort, with services both on the front and back end of DBHDS MH Hospital stays.
- There is more work to be done! STEP Virginia will require more CSB resources. Expect more need around hospital diversion and transition programs as well.

# CSB Fiscal Health

- DBHDS has used several tools and processes to assess the fiscal health of CSBs – this has been done through sub-recipient monitoring and annual financial reporting requirements
  - FY 2019 Performance Contract contains language for the first time requiring CSBs to maintain an operating reserve of at least two months, and if operating below this threshold to initiate a plan to increase the reserve within a reasonable timeframe.
  - DBHDS looking to establish a working group with CSBs over the next several months to look at key financial reporting data points for determining a CSB's financial position – on a quarterly basis.
  - Certainly, these activities are nested in an effort to better understand the operating and financial pressure points of CSBs – along with a system wide needs assessment in move towards assessing base budget adequacy.
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