Action Item A-1

Adoption of CBH Fiscal Year 2027 Operating Budget

Background:

This proposed budget reflects projected revenues and expenditures based on current knowledge for Fiscal Year 2027. The General Assembly passed the biennial budget on June 29, 2026. Very few changes are contained in the approved funding levels, but DBHDS has yet to determine local allocations for some funds.

This proposed budget's effective dates are July 1, 2026, through June 30, 2027. Additional information will need to be brought to the Board for allocation during the coming year.

Highlights of proposed revisions to the approved OPERATING BUDGET primarily consist of:

- The first-year projected operating budget for the Center for Support & Wellness (CSW); and
- An additional 0.5% increase in funds to support employee compensation.

Details of these items are attached to this memorandum.

*These revisions result in an overall annual budget increase of **$3,344,800**, making the total budget to be **$29,452,125**.*

Colonial Behavioral Health Organization FY27 Budget Summary with CSW	
Account	**FY27 Budget w- CSW**
Revenue	**$ 29,452,125**
Fee Revenue	6,614,257
Local Revenue	4,361,175
State Revenue	17,351,432
Other Revenue	1,125,262
Expense	**$ 29,452,125**
Personnel	22,350,033
All other operating expenses:	7,102,092
Operating Margin	**$ (0)**

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Most Director-submitted budget priorities for the year are not yet included in these numbers.

It will be necessary for staff to bring final revisions to this budget in September 2026 to appropriate any additional revenues, and to authorize CBH operations and plans not covered in previously approved budgets (including the Capital Improvement Plan).

Staff requests that the Board approve this revised budget to support needed CBH staff pay increases and to authorize CSW operating support.

Recommended Motion:

That the Board of Directors approve the proposed revisions to the Colonial Behavioral Health FY 2027 Operating Budget.

Center for Support & Wellness – Budget

Background:

The FY 2027 operating budget, approved by the Board in June 2026, did not include a budget for the new Center for Support & Wellness (CSW). The CSW is projected to open during the first half of the fiscal year. Capital expenses for construction, furniture and equipment are being covered fully by the Commonwealth of Virginia and are not part of this operating budget.

Considerations and Assumptions:

The CSW is set to receive ongoing state support of just over $3.0 million annually. Due to timing of start-up support that should have begun in late FY 2026, CBH will be receiving slightly more in FY 2027 but reverting to the base in future years.

We have not projected fee revenue within this budget. While billing of insurance (primarily but not exclusively Medicaid) is part of the financial structure of these programs, the new services will not become eligible for reimbursement until the programs are open 24 hours daily for 7 days per week. We have therefore chosen a conservative approach to revenue projection for this year.

Colonial Behavioral Health Organization
FY27 Budget
Center for Support and Wellness

		Jun
REVENUES:	**$**	**3,271,700**
Fee Revenue:		-
Federal Funding:		-
State Funding:		3,271,700
Local Funding:		-
EXPENSES:	**$**	**3,271,700**
Personnel		2,161,694
Staff Development		2,000
Facility		451,936
Equipment & Supplies		201,500
Transportation		1,000
Consultant		29,220
Client Support		-
Miscellaneous		4,350
Allocated		420,000
OPERATING MARGIN:	**$ (0)**	

Additional Proposed Salary Adjustment

Background:

The FY 2027 operating budget, approved by the Board in June 2026, included an across-the-board compensation increase of 3%. This had been proposed without an approved state budget, so the increase was proposed without reliance on new state funds to support that increase.

The state budget was adopted by the General Assembly on June 29, 2026. This budget included state funds to support a 3.5% increase in staff compensation effective July 25, 2026. Implementation of this change requires Board action.

*The total cost of a 0.5% increase in compensation has been calculated to be **$73,100**.*

Proposed Strategy:

It is proposed that the additional 0.5% be utilized to make changes needed in compensation for Direct Service Professionals (DSPs) working in our DD Day and Residential Services.

Rationale:

Reasons for proposing this strategy include:

- These positions are among the lowest-paid staff in the agency (many at $17-18 per hour);
- These positions are among the most difficult to recruit and retain, creating ongoing challenges to manage these intensive programs;
- Compensation is cited as a primary reason for difficulties in recruitment and retention;
- Mandated increases in the minimum wage require ongoing adjustments to compensation; and
- Targeting these funds will have a much greater impact than diluting limited dollars across a larger employee base.

Source of Funding:

State increases to compensation for State-Supported Local Employees is based on a formula that typically funds only 30-33% of the real cost of those increases.

It is to our advantage that we did not project new state funds to support the original budgeted increase of 3.0%. This allows CBH to utilize the state portion of 3.5% to fully fund the cost of this 0.5% amendment with approximately $70-75,000 remaining to be allocated in other areas.