

SENATE OF VIRGINIA

Senate Finance Committee

Overview of Proposed Budget Amendments

SB 750, as Introduced

January 16, 2007

Presentation Outline

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- ☐ Resources
- ☐ K-12 and Other Education
- ☐ Higher Education
- ☐ Health and Human Resources
- ☐ Public Safety
- ☐ Transportation
- ☐ Econ. Development and Nat. Resources
- ☐ General Government
- ☐ Capital Outlay

Resources

Additional General Fund Resources in SB 750, as Introduced

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(\$ in millions)	2006-08
Available Balance at June 30, 2006	\$110.7
Revenue Reforecast	\$521.7
Lottery Proceeds Reforecast	(\$41.4)
Other Transfers	<u>(\$18.7)</u>
Additional General Fund Resources	\$572.3
Chapters 3/10 Unappropriated Balance	\$113.1
Total Additional Resources	\$685.4

Additional resources of \$685.4 million

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- **\$110.5 million** FY 06 balance comprised of \$19 million in revenues above forecast, plus unexpended general funds (includes \$55.4 million from K-12; \$17.4 million from Medicaid; \$14.8 left from delinquent PPTRA payments.)
- **\$521.7 million** net additional GF revenue
 - \$534.0 million additional GF revenue, adjusted for two tax policy changes – increase filing threshold (\$13.8 million) and fixed date conformity with federal tax law of +\$1.5 million.
- **\$41.4 million** GF reduction to Lottery proceeds, due to impact of new NC lottery.
- **\$113.1 million** from Ch.3/10 unappropriated balance (largely from K-12 sales tax correction)

Changes in GF Revenue Forecast

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(\$ in millions)	FY 2007	FY 2008
Income Tax Withholding	\$31.0	\$60.0
Income Tax Non-withholding	302.4	333.1
Tax Refunds	(14.9)	(52.1)
Corporate	113.8	14.5
Sales Tax	(65.5)	(61.8)
Wills, Suits, Deeds (includes Recordation)	(33.6)	(110.1)
Insurance Premiums	(31.8)	(29.1)
Other	30.7	47.4
Net GF Revenue Change	\$332.1	\$201.9

Additional General Fund Resources in SB 750, as Introduced

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(\$ in millions)	2006-08
Additional GF Resources	\$685.4
Plus: Proposed Budget Savings	<u>(\$182.5)</u>
Total Available Resources	\$867.9
Operating Expenditures	\$633.7
Capital Outlay	<u>226.5</u>
Total Proposed Spending	\$860.2
Unappropriated Balance	\$7.7*
<i>*Reduced to \$5.0 million by late-breaking tax changes adopted by Congress</i>	

Major Spending Reductions

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(\$ in millions)	
K-12 Update Average Daily Membership	\$56.2
Other K-12 Adjustments (Lottery, ESL, Incentive Programs, etc)	38.8
Medicaid – Utilization and Inflation, MR Waivers	17.7
Transportation – Auto Insurance Premium Tax Reforecast	16.4
Social Services – Savings in Foster Care & Adoption Subsidy	14.2
Treasury Board – Debt Service	11.2
Other	<u>28.0</u>
Total	\$182.5

Major Spending Items

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(\$ in millions)	
Capital Outlay - supplements, equipment, some new projects	\$226.5
Transportation – Governor’s proposal	161.0
Va. Health Care Fund Shortfall (funds Medicaid)	58.2
K-12 Second Year Teacher Pay Raise to 3%	41.9
Higher Education - base adequacy, financial aid	40.0
Natural Resources - land conservation, WQIF, CSO	38.0
Social Services – fund new TANF requirements	20.9

K-12 and Other Education

Overview of Public Education

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- Governor's proposed amendments to Direct Aid to Public Education result in a net **decrease of \$16.5 million GF** when compared to Chapter 10, Special Session I of 2006.
 - Includes the transfer to Direct Aid of \$22.0 million that had been set aside in Central Appropriations towards a second year teacher salary increase.
- \$83.7 million in new GF spending is offset by savings of \$100.2 million, primarily due to downward revisions to enrollment projections and estimated Lottery proceeds.

Summary of K-12 Proposed Amendments

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GF Amendments for the 2006-08 Biennium - (\$ in millions)	
3.0% Salary Increase, Dec. 1, 2007 (includes \$22M reserve transfer)	\$63.9
Pilots to Expand Preschool Availability	4.6
Retiree Health Care Credit (RHCC) & Group Life (GL) Rates (OPEB)	4.3
Expand Early Reading Intervention	4.1
Expand Algebra Readiness	3.9
Revised Sales Tax for Education Forecast	2.7
Transportation of Foster Children	<0.2
Revised ADM Forecast – Growth Slowing	(56.2)
Update for Other Child Counts, Participation, and Other Cost Factors	(22.2)
Revised Lottery Forecast – NC Effect	(16.0)
Transfer Ch. 10 RHCC and GL Savings to Direct Aid from C.A.	(5.8)
Total	(\$16.5)

SENATE FINANCE COMMITTEE

Compensation Supplement

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- \$63.9 million GF for the state's share of a 3.0 percent salary increase for SOQ-funded teachers and support positions.
 - Effective December 1, 2007.
 - While a local match is required to access the state funds, participation by localities is not mandated.
 - This amount includes the transfer of \$22.0 million GF reserve for a second year salary increase.
- According to the 2006-07 salary survey (attached), the actual FY 2006 average teacher salary was \$47,248.
 - FY2006: Localities provided average increases of 4.12%.
 - FY2007: Localities budgeted for avg. increases of 4.24%.

Pilots to Expand Preschool Availability

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- \$4.6 million GF, plus \$200,000 for 2 FTE in DOE, Central Office.
 - Recommendations of the Governor's Start Strong Council.
 - Based on about six pilots totaling 1,250 students, based on the state's share of the current Virginia Preschool Initiative (VPI) per pupil funding amount of \$5,700, plus \$120,000 in start-up costs.
- **Proposed Budget Language:**

“...The pilot projects shall meet the following criteria: (1) providers must participate in the Quality Ratings System; (2) both public and private providers shall be eligible to participate in pilot projects; (3) pilot projects shall not be limited to at-risk students; (4) local match requirements for pilot projects may be waived.”

Early Intervention Reading Initiative

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- \$4.1 million GF to provide funding for all 1st and 2nd graders that require reading intervention services based on their performance on the Phonological Awareness Literacy Screening (PALS).
 - Funding is based on the state's share of 2.5 hours of additional instruction per week at a student to teacher ratio of five to one.
 - Intervention may include special reading teachers, trained aides, volunteer tutors under the supervision of a certified teacher, computer-based reading tutorial programs, etc.

	Current/FY 2007	Proposed for FY2008
Kindergarten	100%	100%
Grade 1	50%	100%
Grade 2	50%	100%
Grade 3	25%	25%

Algebra Readiness

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- \$3.9 million GF in the second year for additional math instruction for 6th graders, in addition to 7th and 8th graders, who are at-risk of failing the Algebra I end-of-course test.
 - Free lunch eligibility is used as a proxy for calculating the number of students at-risk of failing the test.
 - Funding is based on 2.5 hours of additional instruction per week at a student to teacher ratio of ten to one.
 - Increase is in response to recent SOL results on the new 6th and 7th grade math SOLs required by NCLB.
 - Grade 6 2005-06 Pass Rate: 51%
 - Grade 7 2005-06 Pass Rate: 44%
 - Grade 8 2005-06 Pass Rate: 76%

Other Increases

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- **Retiree Health Care Credit (RHCC) & Group Life (GL) Rates**
 - \$4.3 million GF for phased rate changes to address new Other Post-Employment Benefits (OPEB) reporting requirements (Transfers from C.A. existing savings of \$2.9 million GF each year.)
- **Revised Sales Tax for Education Forecast**
 - **FY 07 = \$1,139.3 million:** +\$2.7 million in sales tax for education reduces Basic Aid \$1.5 million, for a net increase to localities of \$1.2 million. Offsetting reduction in the one-time hold harmless correction, set out in Ch. 10, results in **no net changes**.
 - **FY 08 = \$1,198.7 million for FY08:** +\$6.1 million results in a Basic Aid reduction of \$3.4 million, for a **net increase of \$2.7 million**.
- **Transportation of Foster Children**
 - \$150,000 GF to reimburse school divisions for costs for children who have been relocated outside the normal boundaries of the school which they attended.

Decreases – Technical Updates

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- **Revised ADM Enrollment Forecast – Growth Slowing**
 - **FY2007: Net savings of \$20.4 million;** 5,742 fewer students than projected in Ch. 10
 - **FY2008: Net savings of \$35.8 million;** 8,448 fewer than in Ch. 10
- **Update for Other Child Counts, Participation, & Other Factors**
 - Savings of \$12.2 million the first year and \$10.0 million the second year across programs such as ESL, Summer School, Special Education, School Breakfast, and Governor's Schools.
- **Revised Lottery Forecast – NC Effect**
 - In October the Lottery Board adopted a revised forecast of \$405.4 million each year, a decrease of \$20.7 million each year, based on the expected impact of North Carolina's lottery.
 - Based on an approximately 60-40 split, \$12.7 million less each year will be transferred to support a portion of Basic Aid and \$8.0 million less each year will be distributed to localities.

Virginia Schools for the Deaf and Blind

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- **Dormitory and Security Staff**
 - \$229,254 GF and 4.0 FTE for additional staff in Staunton to help address the dorm waiting list.
- **New Handicapped-Accessible School Bus**
 - \$98,041 NGF for a new full-size school bus.
- **Consolidation of the Two Statewide Schools**
 - In the capital budget, \$3.5 million GF to continue planning for consolidation of the two existing statewide schools at the Staunton campus, and to facilitate future use of the Hampton campus.
 - Authorizes a conventional design contract and a construction manager at-risk contract, or an interim public-private partnership agreement.

Summary of Other Education Proposed Amendments

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Other Education: GF Amendments for the 2006-08 Biennium	
VMFA – Update IT Infrastructure	\$335,000
LOV – FindIt Virginia Electronic Database	100,000
LOV – DGS Rent Charge Overage	(611,006)
SMV – Two Finance Office Positions to Address Audit	125,884
FCM – One Interpreter and One Fiscal Technician Position	106,023
Gunston Hall – New IT System, Security System, & Tractor	95,000
Total	\$150,991

- Amendments that affect Jamestown:
 - **In DMV:** Continues to direct a portion of the \$1/yr. motor vehicle registration fees to the VA 400th Anniversary Fund for use by JYF.
 - **In Central Appropriations:** \$1.8 million GF for security and other costs not currently budgeted for the Jamestown 2007 celebration.

Higher Education

Overview of Higher Education

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- Governor's proposed amendments result in a net **increase of \$51.6 million GF** or a **1.4% increase** over the original appropriation.
 - **\$12.9 million GF** of this increase reflects the **transfer** of a **3% faculty salary increase** that was budgeted under Central Appropriations last year.
- The proposed budget provides about **\$38.8 million GF** in new higher education funding.
 - Taken with the increases from the 2006 Session, this results in an **increase of about 16%** over the previous biennium.

Summary of Proposed Amendments

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Major GF Increases for the 2006-08 Biennium - (\$ in millions)	
Base Adequacy	\$15.3
Undergraduate Student Financial Aid	13.7
Operation & Maintenance of New Facilities	3.3
Higher Education Research Supplement	2.5
10% Nursing Faculty Salary Increase in FY 2008	1.7
Southside VA Educational Expansion & Cooperation	1.5
Various Program Enhancements	1.4
VA Military Survivors & Dependents Program Reimbursements	1.0
VA Military Scholarship Program	0.5
Total	\$40.9

Base Adequacy

24

- The Governor's amendments provide an additional \$15.3 million GF in the second year for a one percent increase to those institutions that have not yet reached 100% of the funding guidelines (as calculated by DPB).
- The General Assembly previously provided \$113.4 million GF in the first year and \$123.9 million GF in the second year (\$237.3 million GF over the biennium) to move average core funding for the institutions closer to the "base adequacy" funding guidelines.

Base Adequacy - \$ Increases	
Institution	FY 2008
CNU	\$299,323
GMU	2,480,795
ODU	1,171,935
RU	587,633
RBC	59,038
UVA	1,681,839
VCU	2,313,375
VCCS	4,531,724
VSU	244,790
VT	1,924,208
Total	\$15,294,660

Undergraduate Student Financial Aid

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- The amendments include \$13.7 million GF in the second year for need-based undergraduate student financial assistance for in-state students (see chart to the right).
 - Partnership model.
 - Provided to help address recent tuition and fee increases.
- During the 2006 Session, a \$21.7 million GF increase was provided for this type of aid.
 - An additional \$17.3 million GF was provided for tuition assistance grants for private college students.

CNU	\$319,867
CWM	215,481
GMU	1,418,382
JMU	630,754
LU	364,227
UMW	135,196
NSU	667,105
ODU	1,692,778
RU	723,669
RBC	13,621
UVA	290,163
UVA-Wise	221,751
VCU	2,056,744
VCCS	3,490,688
VMI	25,148
VSU	576,233
VT	903,989
Total	\$13,745,796

Nursing Faculty Salary Increase

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- The amendments provide \$1.7 million GF in the second year for a 10% salary increase for nursing faculty.
- The funding was allocated to address the nursing shortage by improving retention of faculty in nursing education programs.
- An additional \$200,000 is proposed for scholarships for nursing educators under the Department of Health (second year).

FY 2008 10% Salary Increase	
Institution	FY 2008
GMU	\$196,625
JMU	93,397
NSU	54,072
ODU	113,059
RU	113,059
UVA	255,613
VCU	98,313
VCCS	781,584
VSU	24,578
Total	\$1,730,300

Various Program Enhancements

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Agency	Program	FY 2008
VSU	Logistics Training Program Expansion	\$352,500
UVA-Wise	Technical Training Program	246,358
EVMS	Base Support for Graduate Programs	288,960
VIMS	Clean Marina and Blue Crab Monitoring	275,000
RU	Nursing Simulation Laboratories (technical)	100,001
VCU	Grace E. Harris Institute	100,000
Total		\$1,362,819

Other Initiatives

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- **Higher Education Research Initiative**
 - \$2.5 million GF in FY 2008 for technology and stem cell research.
 - \$2.0 million GF would go to the Commonwealth Technology Research Fund.
 - \$500,000 GF would go to the Christopher Reeves Stem Cell Research Fund.
- **Southside Virginia Educational Expansion and Cooperation**
 - \$1.5 million GF in FY 2008 in support of regional cooperation and expansion of programs (additional degree programs, community outreach, and staff availability).
 - \$500,000 each for the Institute for Advanced Learning and Research, New College Institute, and the Southern Virginia Higher Education Center.
- **Virginia Military Survivors and Dependents Program**
 - \$1.0 million GF in FY 2008 for financial assistance for room and board under this program.

Other Initiatives (continued)

29

- **Higher Education Restructuring Financial Incentives**
 - \$12.7 million GF in FY 2008 for estimated interest earnings from tuition and fees and other nongeneral fund E&G revenues and a rebate on certain credit card purchases.
 - To be transferred from Central Appropriations.
 - An estimated \$11.0 million GF for interest earnings from tuition and fees and other nongeneral fund E&G revenues.
 - An estimated \$1.7 million GF to pay institutions a pro rata amount of the rebate paid to the Commonwealth for credit card purchases not exceeding \$5,000 during the previous fiscal year.

Health and Human Resources

Overview of Health and Human Resources

31

- Governor's proposed amendments result in a **net increase of \$119.6 million GF** or a **1.5% increase** over the current GF appropriation.
- Proposed GF increases of \$149.3 million are offset by reductions of \$29.7 million.
 - \$104.1 million GF is required to meet state and federal mandates, address caseload and cost increases, and maintain funding for current services.
 - More than one-half of this increase (\$58.2 million) is due to a shortfall in the Virginia Health Care Fund.

Summary of Proposed Amendments

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Major GF Increases for the 2006-08 Biennium - (\$ in millions)	
Virginia Health Care Fund Shortfall	\$58.2
Fund New Federal TANF Requirements	20.9
Offset Loss of Federal Funds for Child Welfare Services	12.6
Mandatory CSA Caseload and Cost Increases	11.5
170 New Mental Retardation Waivers for Community Residents	5.3
Increase Pediatric Service Rates by 7 percent	5.2
Offset Loss of Federal Funds for Child Support Operations	4.9
Provide GF for Therapeutic Foster Care Services	4.7
Restore GF for Programs Previously Funded with TANF	4.2
Total	\$127.5

Health Care Services

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- The Governor proposes a net GF increase of \$57.3 million for health care services.
- Forecast-related changes account for \$47.8 million of this increase including:
 - \$58.2 million GF to offset a shortfall in the Virginia Health Care Fund; and
 - A reduction of \$4.3 million in Medicaid, \$5.0 million in FAMIS, and \$1.0 million in FAMIS-Plus, reflecting slightly lower costs of care and modest enrollment growth.

Health Care Services

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- The Governor proposes \$10.3 million GF to improve access to health care services including:
 - \$5.2 million to increase pediatric service rates by an additional 7 percent;
 - \$2.6 million to expand access to pre- and post-natal care for pregnant women under the FAMIS Moms program;
 - \$1.4 million to provide the human papillomavirus vaccine for young girls at local health departments;
 - \$498,899 to improve access to care coordination services for high-risk pregnant women and infants; and
 - \$450,000 to expand loan repayment programs for physicians and nurse educators.

Health Care Services

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- Other health care initiatives proposed by the Governor net a savings of \$751,764 GF including:
- Savings of \$1.0 million from additional pharmacy manufacturer rebates; and
 - Savings of \$702,165 by increasing oversight of mental health and inpatient hospital claims.
 - Future program efficiencies and potential cost savings are expected from the addition of \$800,000 to expand the development of electronic health and medical records.

Children's Services

36

- The Governor proposes a net GF increase of \$45.7 million for children's services:
 - \$44.5 million in response to federal legislation (Federal TANF requirements and the Deficit Reduction Act of 2005);
 - \$20.9 million is provided to improve the work participation rates of TANF recipients;
 - \$17.5 million offsets the loss of federal support for child welfare services and child support activities;
 - \$5.2 million to replace TANF support for programs previously funded with general fund dollars; and
 - \$4.7 million replaces funding for therapeutic foster care services that federal Medicaid funds will no longer support.

Services for the Mentally and Physically Disabled

37

- The Governor proposes a net GF increase of \$6.5 million for services to individuals who are mentally or physically disabled. Highlights include:
 - \$13.4 million to improve access to care such as:
 - \$5.3 million to expand mental retardation (MR) waiver services to 170 individuals who reside in the community. This expansion is funded entirely with savings from MR waivers that were set aside for individuals to be discharged from training centers in last year's budget but are being utilized at a slower rate;
 - \$3.3 million to increase the reimbursement for hospitals providing psychiatric services;
 - \$3.0 million to provide a 10 percent increase in the rates paid for family foster care services and adoption subsidies as well as an increase in the clothing allowance for foster children;

Services for the Mentally and Physically Disabled

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- \$578,871 to extend vocational rehabilitation services for individuals on the current waiting list;
- \$493,000 to increase the supply of child psychiatrists and psychologists by funding internship opportunities at higher education institutions; and
- \$111,530 to address rising demand for competency restoration services for juveniles.

Services for the Mentally and Physically Disabled

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- Several miscellaneous budget initiatives include:
 - A forecast adjustment of \$1.4 million for the Center for Behavioral Rehabilitation to reflect slightly lower growth than previously anticipated;
 - \$665,779 to offset the loss of federal Title IV-E funds that supported licensing and human rights activities as well as a federal grant that supported juvenile mental health services; and
 - A reduction of \$1.0 million for the medical costs of involuntary mental health commitments.

Aging Services

40

- The Governor proposes a net GF increase of \$3.0 million for services to the elderly including:
 - \$925,235 to increase the personal needs allowance for nursing home recipients by \$10.00 each month;
 - \$704,000 to provide additional meals on wheels to home-bound elderly citizens;
 - \$554,184 to create a virtual “No Wrong Door” for elderly citizens to access health and social services; and
 - \$489,354 to match a federal grant designed to build transitional services for residents of nursing homes and ICF/MRs.

Other HHR Proposals

41

- Other HHR spending initiatives included in the Governor's amendments total \$7.0 million GF. Highlights include:
 - \$2.9 million to develop a voluntary quality rating system for preschool day care programs;
 - \$1.7 million to match a federal grant for renovations at an assisted living facility in Arlington;
 - \$942,491 to automate the payment system for child day care subsidies; and
 - \$733,362 to complete work on the federally mandated National Provider Identifier initiative.

Public Safety

Overview of Public Safety

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- Governor's proposed amendments result in a net **increase of \$38.3 million** GF or a **1.2% increase** compared to the current appropriation.
- Major initiatives include:
 - Compensation for correctional officers (\$8.2 million)
 - All-Hazards Readiness Initiative (\$7.1 million)
 - Re-entry initiatives (\$4.3 million)
 - HB 599 funding formula adjustments (\$1.1 million)

Compensation for Correctional Officers

44

- **Department of Corrections**
 - \$7.4 million GF in FY 2008
 - \$1,200 across-the board salary increase for officers
 - \$600 increase for supervisors
 - Up to \$50 for certain specialists
 - Market area adjustments for Northern VA
 - Salary compression adjustments
- **Department of Juvenile Justice**
 - \$0.8 million GF in FY 2008 (same increases)
- **Contingent upon plan to be reviewed by DHRM and approved by Secretary of Finance**

All Hazards Initiative

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Proposed GF amendments for FY 2008	
Evacuation Facility Grant Program	\$3,500,000
EMNet expansion for local governments in Hampton Roads	500,000
Continuity of operations planning	500,000
ReadyVirginia! public emergency preparedness campaign	350,000
ODU Hampton Roads flood evacuation simulation model	300,000
Expansion of citizen alert network	250,000
Mobile command center vehicle upgrade	232,000
Emergency Management – New Positions and Salary Upgrades	637,765
Military Affairs – Additional Planning & Operations Positions	248,277
Military Affairs – Virginia Defense Force	158,460
Other initiatives	457,060
Total (for Public Safety agencies only)	7,133,562

Prisoner Re-entry

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- \$4.3 million GF to strengthen programs assisting inmates leaving state facilities in making a successful transition to their home communities, and to reduce recidivism, including:
 - Secretary of Public Safety (\$50,000 for evaluation)
 - Correctional Education (\$0.4 million and four positions to add career readiness and transition specialists)
 - Corrections (\$1.0 million: replace grants, five transition specialists)
 - Criminal Justice Services (\$1.8 million for grants)
 - Juvenile Justice (\$1.1 million: transitional housing, day reporting centers)

HB 599

47

- The proposed budget adds \$1.1 million the second year to increase total funding for state aid to localities with police departments from \$206.3 to \$214.7 million, an increase of \$8.3 million, consistent with the growth in general fund revenues.
 - The budget proposes that no locality receive less funding in FY 2008 than in FY 2007.
 - Last year a hold harmless was included in the funding for FY 2007, because a number of localities would otherwise have lost funding under the existing formula (primarily due to loss of population and reductions in welfare caseloads).

HB 599 (60/40 Proposal)

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- **Last year the General Assembly adopted language directing the administration to study the HB 599 formula.**
 - HB 599 adopted in 1979 as part of annexation compromise.
 - Originally intended to benefit central cities that were giving up their ability to annex, following years of disputes in the 1960's and 1970's over this contentious issue.
- **The Administration's report recommended a 60/40 plan to allocate the \$8.3 million in FY 2008 growth.**
 - **\$5.0 million (60%):** To be allocated by existing formula.
 - **\$3.3 million (40%):** To be allocated proportionately to the 20 localities with the highest rate of violent crime.

Governor's Amendment

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- **Department of Veterans Services**
 - Provides \$583,000 GF for costs associated with acquisition of land for the Southwest Virginia Veterans Cemetery near Radford Arsenal.
 - Federal legislation authorizing conveyance of the property requires the Commonwealth to cover costs associated with conveyance, including surveys, environmental documentation, and other administrative costs.

Transportation

Overview of Transportation

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- Proposed amendments **increase** by **\$145.6 million** the general fund support for the transportation agencies. This is a **22.5% increase** over the 2006 appropriations.
- Actions taken last year with the proposed amendments result in a new total of general fund spending of \$793.6 million for the biennium.
- Total proposed spending in transportation from all funds is \$9,262.4 million. This is \$306.7 million **less** than the 2006 appropriations – a decrease of 3.2 percent.

Transportation Initiatives

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- Budget Bill
- Legislation



2006 Flashback

53

- In 2006, the General Assembly appropriated \$339.0 million the first year “to implement transportation legislation as may be adopted by the General Assembly by November 1, 2006.”
- The Special Session called in September of 2006 did not meet this criterion.
- The issue before the Governor during budget development was what to do with the \$339.0 million.

Governor's Transportation Initiative (Budget Plan)

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Major GF Increases for the 2006-08 Biennium - (\$ in millions)

<u>Category</u>	<u>Use</u>	<u>Amount</u>
New Road Construction	Fund PPTAs for Capital Beltway, Hillsville Bypass, I-64/I-264 Interchange, & Route 50 widening in Fairfax and Loudoun	\$305.0
Rail	Complete five I-95 corridor projects; Support I-81 rail between Manassas & Front Royal	\$65.0
Transit Capital	Rolling stock for WMATA, VRE, & Norfolk Light Rail	\$45.0
Mass Transit	Increase state support to 40% of non-fed share	\$15.0
Ports	Complete Rte 164 median rail relocation; Start planning for Craney Island Marine Terminal	\$50.0
Technology	Fund technology, demand management & congestion management proposals	\$20.0

Governor's Transportation Initiative (Budget Plan, Continued)

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- The new road construction money (\$305.0 M) is for the Transportation Partnership Opportunity Fund for design-build and PPTA projects.
 - The plan does not identify the amount of funding for each project. The administration wants flexibility in its negotiations.
- The rail money (\$65.0 M) is slated for the Rail Enhancement Fund. The I-95 projects should result in 4 additional daily VRE trains. Some \$40.0 M is for the I-81 project to shift freight from truck to rail.

Governor's Transportation Initiative (Budget Plan, Continued)

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- Transit capital has two parts. The first targets \$45.0 M for WMATA, VRE and Norfolk Light Rail at \$20.0 M, \$15.0 M, and \$10.0 M, respectively.
- The second item increases aid by \$15.0 million for the Mass Transit Capital Assistance Program to 40 percent of the non-federal share.
 - Without the dollars, the state share drops into the 20+ percent range, the lowest point of state support in some 20 years.



Governor's Transportation Initiative (Budget Plan, Continued)

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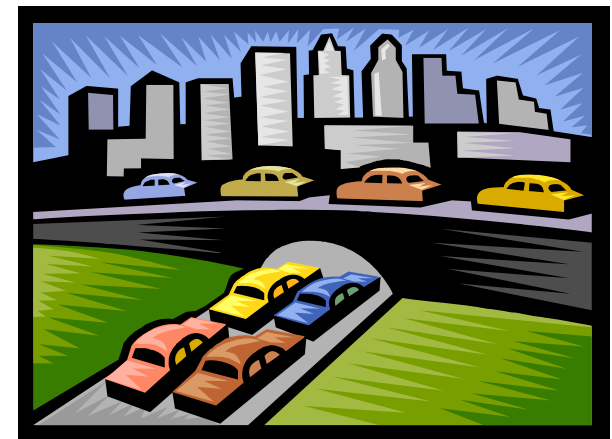
- Proposes \$40.0 million to relocate Rte. 164 to complement federal funding.
- The project eliminates 14 at-grade rail crossings to improve safety and reduce local impacts.
- The project will improve rail service to the new Maersk facility.
- Also, proposes \$10.0 million for preliminary engineering, design, & permitting activities to develop Craney Island Marine Terminal.
- These actions must start this year to open new terminal by scheduled 2017.



Governor's Transportation Initiative (Budget Plan, Continued)

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- Proposes \$20.0 million to encourage private sector initiatives to “employ highway, transit, demand management, and consumer technologies to reduce congestion in Northern Virginia and Hampton Roads.”
- Solicitations to be developed and evaluated jointly with technology communities.



Governor's Transportation Initiative (Legislation)

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Proposed Sources	Proposed Increase	FY 2008	FY 2013
One-time gen. fund	50% of nonrecurring GF surplus	\$500.0	½ of GF surplus
MV sales & use tax	2 percent	\$360.7	\$433.0
Auto insurance fees	Dedicates existing GF source	\$109.8	\$144.2
Registration MV fees	\$15 phased to \$20	\$107.6	\$148.8
Abusive drivers	Based on >8 driving demerits & driving offense conviction	\$57.5	\$108.1
Heavy truck registration	Varies by weight	\$24.6	\$24.6
TOTALS		\$1.2 B	\$859 M

Governor's Transportation Initiative (Legislation, Continued)

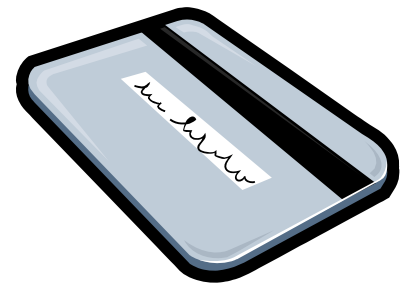
60

Proposed Uses	FY 2008	FY 2013
Highway maintenance deficit	\$370.0	\$498.0
FRAN debt service	\$109.8	\$144.2
One-time project costs	\$500.0	½ of surplus
95 percent share of Transit Capital	\$95.0	\$129.3
VDOT revenue sharing program for locals	\$35.0	\$35.0
Rail Enhancement Fund	\$23.5	\$26.9
Transportation Partnership Opportunity Fund	\$26.8	\$25.3
TOTALS	\$1,160.1	\$858.7

FRANs Facts

61

- General Assembly authorized up to \$1.2 billion of FRANs. There have been three issuances.
 - 2000 \$375.0 million
 - 2002 \$523.3 million
 - 2005 \$250.0 million
- As of July 2006, there was \$869.1 million outstanding.
- Current annual debt service is \$149.6 million, decreasing to \$96.5 million by FY 2012 and to \$31.0 million by FY 2014.



Economic Development and Natural Resources

Overview of Economic Development

63

- The *Commerce and Trade* and the *Agriculture and Forestry* secretariats provide the core services for Economic Development.
- Proposed amendments **increase** by **\$15.5 million** the general fund support for the agencies in these two secretariats. This is a **4.9% increase** over the 2006 appropriations.
- Actions taken last year with the proposed amendments result in a new total of general fund spending of \$335.0 million for the biennium.

Summary of Proposed Amendments

“Core Services”

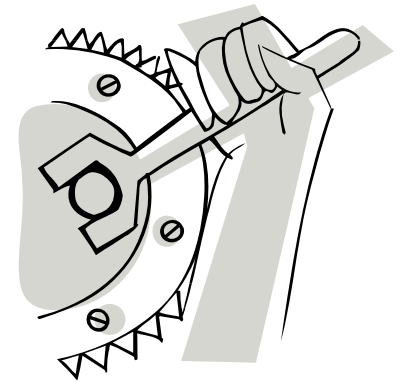
64

Major GF Increases for the 2006-08 Biennium - (\$ in millions)		
<u>Agency</u>	<u>Service</u>	<u>Amount</u>
Business Assistance	Workforce Services	\$4.0
Housing & Community Development	Enterprise Zones	\$4.0
Housing & Community Development	Indoor Plumbing	\$2.5
Housing & Community Development	Housing Financial Assistance	\$2.0

Workforce Services

65

- Proposes \$2.0 million each year and 3 positions to increase recruiting and training for new or expanding businesses.
- Amendment would increase total general fund support to \$10.5 million each year.
- In FY 2006, program took on 575 projects resulting in 13,252 jobs and \$7.0 billion in investments.
- Current budget projections indicate funding for this biennium is already obligated.



Enterprise Zones

66

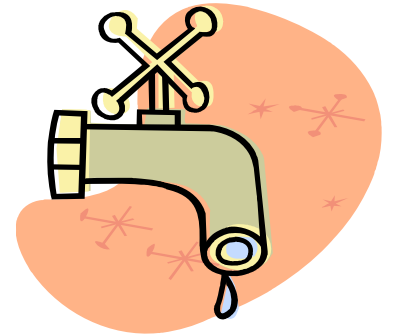
- Proposes \$2.0 million GF each year and one position. In FY 2006, requests exceeded the \$13.5 million appropriation by \$8.8 million, resulting in pro-ration of 61 cents on the dollar.

Real Property Investments, 2003-2005			
	2003*	2004*	2005*
Qualified Businesses/Zone Investors	122	158	184
Total Investments	\$77.7 M	\$82.1 M	\$157.3M
Total Benefits Issued	\$11.9 M	\$11.5 M	\$12.3 M
* Based on businesses qualifying for Real Property Improvement Tax Credit. Data current as of July 2006.			

Indoor Plumbing

67

- Proposes \$2.5 million to expand the program by 50 additional homes each year.
 - \$900,000 for the Southeast Rural Community Assistance Project (Virginia Water Project).
 - \$1.6 million for the Housing Department's program.
- The 2000 Census for Virginia indicated that some 19,000 occupied households still lacked complete indoor plumbing.



Housing Services

68

- Proposes \$2.0 million GF for the Virginia Housing Partnership Revolving Fund.
- The amendment is to address priority housing needs for low-income individuals, elderly, disabled, and homeless Virginians.



Summary of Proposed Amendments

“Development Incentives”

69

Major GF Increases for the 2006-08 Biennium - (\$ in millions)		
<u>Agency</u>	<u>Service</u>	<u>Amount</u>
Central Appropriations	I-81 Research Entity (SRI)	\$12.0
Central Appropriations	Governor's Opportunity Fund	\$5.0
Economic Development Partnership	Herbert H. Bateman Advanced Shipbuilding and Carrier Integration Center	\$1.0
Central Appropriations	Southwest Virginia Technology Development Center	\$1.0

SRI

70

- In 2006, the General Assembly appropriated \$3.0 million to induce this non-profit research institution to locate in Virginia.
- The Governor proposes \$12.0 million, increasing the incentive amount to \$15.0 million. SRI's request is \$22.0 million.
- SRI's value to the Commonwealth would be in the new research dollars brought into the state through federal grants and private investment dollars.
- SRI has a strong record in spinning off research to commercial applications.

Governor's Opportunity Fund

71

- Proposes \$5.0 million. In 2006, the General Assembly approved \$15.1 million.
- The Fund is the state's premier incentive for attracting jobs and investments, resulting in 366 grants, \$13.7 billion in investments and 91,000 jobs.
- A minimum private investment of \$10 million, creating at least 100 jobs, is required. In localities with a population of 50,000 to 100,000 a minimum private investment of \$5 million, creating at least 50 jobs, is required. For localities of less than 50,000 population, the requirement is a minimum private investment of \$2.5 million creating 25 jobs.



Advanced Shipbuilding & Carrier Integration Center

72

- Proposes \$1.0 million to carry out research and development, education, training, and re-training activities related to shipbuilding.
- In 1998 the General Assembly passed legislation that provided for the construction of the Virginia Advanced Shipbuilding and Carrier Integration Center (VASCIC).
 - \$58.0 million to construct the center.
 - \$40.0 million to operate the center. The amendment addresses this item.



Southwest Virginia Technology Development Center

73

- Proposes \$1.0 million to the Russell County Industrial Development Authority to assist in the construction of the facility.
- The facility is tied to the Northrop Grumman and CGI project, and is located in Lebanon.
- The facility is expected to train up to 200 people each year. Construction costs are estimated at \$2.5 million.

Rural Development

74

- **Eastern Shore Broad Band Project**

- Proposes \$1.6 million. In 2006, the General Assembly appropriated \$1.4 million for the project.
- The project will bring fiber optic cable to the Eastern Shore, including the Wallops NASA facility and the Wallops Island Research Park.
- The project will extend Mid-Atlantic Broadband's existing fiber optic backbone from Emporia through south Hampton Roads to the Eastern Shore.

Rural Development, Continued

75

- **Regional Research and Development Center**
 - Proposes \$330,000 to create a wood and paper products regional research and development center in Covington.
 - The General Assembly provided funding in 2006 to establish two centers in Lynchburg and Hopewell.

Overview of Natural Resources

76

- Proposed amendments **increase** by **\$41.1 million** the general fund support for the Natural Resources agencies. This is a **9.7% increase** over the 2006 appropriations.
- Actions taken last year with the proposed amendments result in a new total of general fund spending of \$466.5 million for the biennium.

Summary of Proposed Amendments

“Core Services”

77

Major GF Increases for the 2006-08 Biennium - (\$ in millions)		
<u>Agency</u>	<u>Service</u>	<u>Amount</u>
DEQ	Solid Waste	\$0.5
DEQ	Wetlands & Water Protection Permits	\$0.6
DCR	Rehabilitation & Inspections of Dams	\$1.0
DCR	State Parks Operations	\$0.2
VMNH	Research & Visitor Services	\$0.1
DHR	Environmental Impact Statements	\$0.1

Summary of Proposed Amendments

“Land Conservation”

78

Major GF Increases for the 2006-08 Biennium - (\$ in millions)		
<u>Agency</u>	<u>Service</u>	<u>Amount</u>
DCR	VA Land Conservation Fund	\$13.7
DCR	VA Outdoors Foundation	\$1.0
DCR	Land Conservation Management	\$0.1
Agriculture	Purchase of Development Rights	\$5.0
DHR	Easement Program	\$0.2

VA Land Conservation Fund

79

- Proposes \$13.7 million in matching grants for natural areas, open spaces and parks, farmland and forests, and historic area preservation.
- Under state law, 25.0 percent of this amount will go to the Open-Space Lands Preservation Trust Fund.
- The remaining 75.0 percent is allocated to the major categories above.
- In 2006, the General Assembly appropriated \$2.5 million each year for this purpose.

Virginia Outdoors Foundation

80

- Proposes \$950,000 to provide assistance to landowners with placing property under conservation easements.
- VOF has 330,000 acres under conservation easement in 93 jurisdictions.
- In FY 2006, VOF recorded 40,247 acres or 77.0 percent of all conservation easements recorded that year.
- VOF costs for both new easements and continuing stewardship of all VOF easements is less than \$1.00 per acre.



Purchase of Development Rights

81

- Proposes \$5.0 million to VDACS to match local government purchase of development rights programs.
- Albemarle, Augusta, Clarke, Fauquier, Isle of Wight James City, Chesapeake and Virginia Beach have PDR programs.
- Frederick, Northampton and Rockbridge are developing PDR programs.



Managing State Easements

82

- For DCR, proposes \$99,040 GF and \$99,040 NGF and two positions to promote and administer conservation programs, including the land preservation tax credit program.
 - The NGF funding source is the 2 percent fee assessed on persons who sell portions of their tax credits
- For DHR, proposes \$151,920 and two positions to administer the Historic Easement Program.

Summary of Proposed Amendments

“Water Quality”

83

Major GF Increases for the 2006-08 Biennium - (\$ in millions)		
<u>Agency</u>	<u>Service</u>	<u>Amount</u>
DCR	Nonpoint Source Pollution - WQIF	\$7.5
DEQ	Point Source Pollution – WQIF	\$1.6
DEQ	Lynchburg CSO Project	\$6.1
DEQ	Richmond CSO Project	\$3.0

Improving Water Quality

84

- For DCR, proposes \$7.5 million -- \$3.8 million is a portion of the mandatory WQIF deposit and \$3.7 million is additional funding.
- For DEQ, proposes \$1.6 million is the remaining portion of the mandatory WQIF deposit.



James River CSO Projects

85

- For Lynchburg, proposes \$3.1 million the first year and \$3.0 million the second year.
 - Also proposes \$650,000 of NGF interest credited to the Combined Sewer Overflow Matching Fund in the first year.
- In FY 2008, Lynchburg and Richmond would each receive \$3.0 million for CSO projects.



Chesapeake Bay Bonds

86

- Legislation (SB 771 and HB 1710) is before the General Assembly.
- Bills authorize \$250.0 million in bonds for BNR technologies at publicly-owned wastewater treatment plants.
- No fiscal impact in this biennium.
- Issuing authority given to VPBA. Bond proceeds managed through WQIF like current grant program.



Special Items

87

- Proposes \$109,518 for DHR to provide grants to the Montpelier Foundation as required by state law. Statute requires payments of 20 cents for each dollar of charitable contributions the Foundation spends on restoring the former home of James Madison.
- Proposes \$250,000 for DHR's Virginia Indian Heritage Program. Funds to be used to develop a research database on Virginia Indian sites, provide grants, and sponsor education events.

General Government

Overview of General Government

89

- ☐ **Judicial Branch**
- ☐ **Executive Branch**
- ☐ **Independent Agencies**

Overview of the Judicial Branch

90

- Governor's proposed amendments result in a net **increase of \$11.2 million (GF)**.
 - **\$9.0 million GF** to increase court-appointed attorney fees. Language authorizes the Executive Secretary of the Supreme Court to waive the statutory limits, upon approval of the presiding judge, when justified.
 - **\$3.5 million GF** for the Indigent Defense Commission for a ten percent salary increase, 16 new positions for public defender offices, and eight new positions for public defender offices that handle capital cases (along with a corresponding reduction in the criminal fund).

Overview of the Executive Branch

91

- **Office of Administration**
- **Office of Finance**
- **Office of Technology**
- **Central Accounts**

Overview of Office of Administration

92

- Governor's proposed amendments result in a net **increase of \$52.9 million** (All Funds) or a **3.1% increase** over the original appropriation.
 - **\$19.0 million** GF net increase – mostly to the Compensation Board for support of constitutional officers.
 - **\$33.9 million** NGF net increase – mostly federal funds for the Board of Elections.
- The Office of Minority Business Enterprise is proposed to be transferred to the Office of Administration.

Summary of Proposed Amendments

93

Major GF Increases for the 2006-08 Biennium - (\$ in millions)	
Per Diem Payments to Local and Regional Jails	\$7.7
Reimburse Localities for Participation in LEORS	11.5
Staff New Jails	0.9
1:1,500 Law Enforcement Deputies	0.7
Other Increases	1.4
Total Increases	\$22.2
Less: Delayed Opening - Fairfax Adult Detention Center	(3.2)
Net GF Increase	\$19.0

Reimburse Localities for Participation in LEORS

94

- Proposes \$11.5 million the second year to reimburse localities and regional jail authorities for the cost of participation in the **Law Enforcement Officers Retirement System (LEORS)**.
- 83 of 144 eligible entities currently participate in LEORS.
 - 5,740 (62%) of the 9,193 eligible employees.
- 61 entities do not currently participate in LEORS.
 - 3,453 (38%) of the 9,193 eligible employees.

Reimburse Localities for Participation in LEORS (Continued)

95

- Payments would be made to any entity with employees in LEORS as of May 1, 2007:
 - Annual “block grant” type payment,
 - Compensation Board approved positions,
 - \$600 to \$1,850 per position in LEORS,
 - Based on the locality’s fiscal stress index.

Reimburse Localities for Participation in LEORS - Examples

96

<u>Locality</u>	Comp. Bd. <u>EE</u>	<u>LEORS</u> <u>?</u>	<u>FSI</u>	Per EE \$	Potential <u>Payment</u>
Emporia	2	No	190.86	\$1,825	\$3,650
Richmond	405	No	177.11	\$1,536	\$622,155
Va. Beach	387	Yes	166.96	\$1,323	\$511,995
Fairfax	418	Yes	140.10	\$759	\$317,177
Henrico	292	Yes	157.48	\$1,124	\$328,167
Wise	43	No	174.54	\$1,482	\$63,735
Hampton Roads Reg. Jail	257	No	182.78	\$1,655	\$425,407
Southwest Reg. Jail	258	No	172.40	\$1,437	\$370,811

Summary of Proposed Amendments

97

Major NGF Increases for the 2006-08 Biennium (\$ in millions)	
Revenues for eVA (DGS Procurement System)	\$13.7
Federal Help America Vote Act	20.0
Other Increases	0.2
Total NGF Increase	\$33.9

Overview of Office of Finance

98

- Governor's proposed amendments result in a net **increase of \$142.4 million** (All Funds) or a **10.8% increase** over the original appropriation.
 - **\$142.0 million** GF net increase – mostly for deposits to the “Rainy Day” Fund.
 - **\$0.4 million** NGF net increase.

Summary of Proposed Amendments

99

Major GF Increases for the 2006-08 Biennium - (\$ in millions)	
"Rainy Day" Fund Deposits	\$152.8
Strengthen Financial Reporting at DOA	1.7
VPBA & VCBA Debt Service	2.9
Other Increases	1.1
Total Increases	\$158.5
Major GF Decreases for the 2006-08 Biennium - (\$ in millions)	
GOB Debt Service	(\$14.0)
Bank Service Fees	(1.0)
Local Rolling Stock Taxes	(1.3)
Other	(0.2)
Total	\$(16.9)

Overview of Office of Technology

100

- Governor's proposed amendments result in a net **increase of \$3.3 million GF** or a **2.6% increase** over the original appropriation.
 - **\$3.3 million** GF of this increase is proposed to offset previously budgeted savings from implementation of VITA.

Overview of Central Accounts

101

- The Central Accounts include appropriations of \$2.5 billion (All Funds), only a part of which are covered under General Government.
- Governor's proposed amendments to the General Government items in Central appropriations result in a net **increase of \$13.2 million** (All Funds) **increase** over the original appropriation.
 - **\$24.0 million** GF increase – mostly for employee benefit costs.
 - **\$10.8 million** NGF decrease to reflect a decline in tobacco Master Settlement Agreement revenue.

Summary of Proposed Amendments

102

Major GF Increases for the 2006-08 Biennium - (\$ in millions)	
Governor's Economic Contingency Fund	\$2.5
Rate increases for Other Post Employment Benefit Programs	10.1
State Employee Health Insurance	9.8
Other General Government Items	1.6
Total GF Increases (General Government)	\$24.0
Central Account Items Shown Elsewhere	3.4
Total: Central Accounts	\$27.4

State Employee Compensation

103

- Governor's proposed amendments transfer \$34.9 million GF from the Central Accounts to fund FY 2007 salary increases for faculty and teachers.
- The 2006-2008 budget already includes funding for a 3.0% salary increase for state classified and state-supported local employees in FY 2008.
- An **additional \$9.8 million GF** is proposed for a 2.5 percent increase in employer health insurance premiums and a slight expansion in employee wellness benefits.
- In response to changes in accounting rules mandated by GASB, an **additional \$10.1 million GF** is included as the first installment of a five-year phase-in to cover the cost of pre-funding post employment benefits such as health insurance, the health care credit, and group life insurance.

Overview of Independent Agencies

104

- Governor's proposed amendments result in a net **decrease of \$2.6 million** NGF or a **0.4% decrease** over the original appropriation.
 - **\$11.9 million** NGF of this net decrease reflects the **transfer** of the Telecommunications Relay Fee revenue from the SCC to the Dept. of the Deaf and Hard of Hearing.
 - **\$9.3 million** NGF additional funding, mostly for the VRS, partially offsets the SCC decrease.

Summary of Proposed Amendments

105

Major NGF Increases for the 2006-08 Biennium - (\$ in millions)	
VRS Modernization	\$4.8
VRS Pay Plans	2.9
Other VRS	0.2
Workers Compensation Commission Workload Increase	0.7
Virginia College Savings Plan Workload Increase	0.7
Total: Increases	\$9.3
Major GF Decreases for the 2006-08 Biennium - (\$ in millions)	
Transfer Telecommunications Relay Fee from SCC to the Dept. for the Deaf and Hard of Hearing	(\$11.2)
Total: Decreases	(\$11.2)

Capital Outlay

Overview of Capital Outlay

107

- Governor's proposed amendments for capital projects result in an **increase of \$508.2 million** (All Funds) over the original appropriation.
 - **\$226.5 million** GF increase – mostly for cost overruns and equipment.
 - **\$281.7 million** NGF increase – mostly VCBA bonds for projects at institutions of Higher education.
- **An additional \$99.0 million** from VPBA bonds is proposed in SB 914 for construction of a prison in the Mt. Rogers Planning District.

Summary of Proposed Amendments

108

Major GF Increases for the 2006-08 Biennium - (\$ in millions)	
Project Cost Overruns and Supplements	\$132.8
Equipment for Previously Approved Projects	47.7
Planning	23.6
New Renovation Projects	16.0
New Construction Projects	6.4
Total GF Increases	\$226.5

Summary of Proposed Amendments

109

Major NGF Increases for the 2006-08 Biennium - (\$ in millions)		
Higher Education		\$260.5
9(c) Revenue Bonds (Full Faith and Credit of the Commonwealth)	\$98.9	
9(d) Revenue Bonds	113.2	
NGF Cash	48.4	
Forestry - NGF Cash		1.2
Va. Port Authority - NGF Cash		<u>20.0</u>
Total		\$281.7