

SENATE OF VIRGINIA

# Senate Finance Committee

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## Overview of Proposed Budget Amendments

**SB 29 and SB 30, as Introduced**

January 19-20, 2010

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# Presentation Outline

2

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

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# Overview/Resources

# Proposed Budgets Address Shortfalls in FY 2010 and in FY 2010-12 Biennium

4

- **Two budget bills:**
  - **SB 29 “Caboose Bill”** – Amendments to the current 2008-10 biennial budget. Largely reflects the revenue forecast presented by Governor Kaine in August 2009 and the budget reduction actions proposed in September 2009.
  - **SB 30 2010-12 Biennial Budget** – Continues the lowered revenue projections and most of the cuts in SB 29. Also addresses additional spending requirements and proposes additional targeted spending reductions.

# SB 29: FY 2010 Revenue Base Lowered

5

- FY 2009 revenues fell short of the forecast by \$299.0 million due to higher refund activity. The Governor convened his revenue forecasting group.
  - Governor lowered FY 2010 revenues by \$1,209.1 million in August. The December official forecast lowers revenues another \$340.1 million.
  - Official “economics only” growth rate is -4.9 percent.
- **Cumulatively, biennial general fund revenues for the 2008-10 biennium have been reduced over \$7.5 billion.**

# SB 30: GF Revenue Outlook

6

- The downward revenue revision in FY 2010 “ripples through” to the forecast for the next two fiscal years:
  - FY 2011 = \$14,451.4 million; 3.8 percent growth rate.
  - FY 2012 = \$15,181.4 million; 5.1 percent growth rate.
- The FY 2012 forecast is *below* actual collections for FY 2007 of \$15.6 billion.

# SB 29: Scope of the Budget Shortfall

(\$ in millions)	<u>FY 2010</u>
<b>FY 2010, Ch 781 Approp.</b>	<b>\$ 15,844.0</b>
Ch. 781 Resources Base	\$ 15,755.4
August Adjustment	(1,209.1)
December Adjustments (net)	<u>(335.1)</u>
<b>Total, Adjusted Resources</b>	<b>\$ 14,211.2</b>
Ch. 781 Comp to Resources	(1,632.8)
Add: Spending Requirements	<u>(154.9)</u>
<b>Budget Shortfall</b>	<b>\$ (1,787.7)</b>

# SB 29: New Spending Requirements

8

- New spending requirements for FY 2010 total \$154.9 million, including:
  - \$80.1 million to address growth in Medicaid utilization;
  - \$28.3 million to replace ARRA funds used for projects in Ch. 781. Instead, ARRA funds will be used to fund the Compensation Board; and
  - \$19.4 million supplemental funding for VITA rate.

# SB 29: Actions to Close the Budget Gap

(\$ in millions)	<u>FY 2010</u>
<b>Shortfall</b>	<b>\$ 1,787.7</b>
<b>Revenue Actions</b>	
Rainy Day Fund Withdrawal	292.9
Accelerated Sales Tax	144.0
Tax Amnesty	43.0
Other Tax Policy Actions	(25.4)
Balances and Transfers	161.0
<b>Budget Actions</b>	
September Budget Reductions	854.3
Add'l. Targeted Reductions	344.6
<b>TOTAL</b>	<b>\$ 1,814.4</b>
<b>Balance</b>	<b>\$ 26.7</b>

# SB 30: Biennial Budget Shortfall

(\$ in millions)	<u>FY 2011</u>	<u>FY 2012</u>	<u>Biennial</u>
<b>FY 2010, Chapter 781</b>	<b>\$ 15,845.4</b>	<b>\$15,845.4</b>	<b>\$ 31,690.8</b>
Ch. 781 Resources Base	15,755.4	15,755.4	31,510.8
August Adjustment	(809.4)	(30.7)	(840.1)
December Adjustment	<u>(278.6)</u>	<u>(308.1)</u>	<u>(586.7)</u>
<b>Total, Adjusted Resources</b>	<b>\$ 14,667.4</b>	<b>\$15,416.6</b>	<b>\$ 30,084.0</b>
Ch. 781 Comp to Resources	(1,178.0)	(428.8)	(1,606.8)
Add: Spending Requirements	<u>(1,028.4)</u>	<u>(1,850.2)</u>	<u>(2,878.6)</u>
<b>Budget Shortfall</b>	<b>\$ (2,206.4)</b>	<b>\$ (2,279.0)</b>	<b>\$ (4,485.4)</b>

# Major Spending Items in SB 30

11

(\$ in millions)	<u>FY 2010-12</u>
Backfill Medicaid due to loss of Stimulus Funds	\$ 1,191.5
Fund Medicaid Utilization and Inflation	777.7
Fund Debt Service	165.7
Rebenchmark SOQ, Composite Index (Year 2)	182.8
VRS payments/Health Insurance (inc. SOQ)	174.1
Reserve Funding for RDF deposit	40.0
Other Human Resources Spending	91.1
Other General Fund Spending	<u>255.7</u>
<b>Total, Required Spending</b>	<b>\$ 2,878.6</b>

# SB 30: Actions to Close the Budget Gap

	<u>FY 2011</u>	<u>FY 2012</u>	<u>Biennial</u>
<b>Budget Shortfall</b>	<b>\$(2,206.4)</b>	<b>\$(2,279.0)</b>	<b>\$(4,485.4)</b>
<b>Actions to Close Budget Shortfall</b>			
Tax Policy Changes			
Revenues	121.9	110.1	232.0
Transfers/Adj. to Balance	<u>67.8</u>	<u>60.0</u>	<u>127.8</u>
	<b>\$ 189.7</b>	<b>\$ 170.1</b>	<b>\$ 359.8</b>
Budget Reductions Sept 09	279.9	436.0	715.9
Add'l. Targeted Reductions	798.0	733.5	1,531.5
Remove Car Tax Reimb.	<u>950.0</u>	<u>950.0</u>	<u>1,900.0</u>
<b>Total, Actions</b>	<b>\$ 2,217.6</b>	<b>\$ 2,289.6</b>	<b>\$ 4,507.2</b>
<b>Balance</b>	<b>\$ 11.2</b>	<b>\$ 10.6</b>	<b>\$ 21.8</b>

# Major Savings Items in SB 30

(\$ in millions)	<u>2010-12</u>
Eliminate reimbursements for personal property tax relief	\$ 1,900.0
Fund SOQ health care on actual plan participation	269.2
Policy changes to SOQ model	174.2
Use ARRA fund to supplant K-12 funding	126.4
Reduce HB 599 funding	88.4
Withhold inflation adj. from hospital operating rates	76.0
Compensation Board Actions	229.0
Require state employees to fund portion of retirement	55.7
Reduce Income limits for optional 300% of SSI eligibility	53.3
Postpone increase in MR and DD waiver slots	39.2
All Other	<u>420.2</u>
<b>Total, Additional Savings Actions</b>	<b>\$ 3,431.6</b>

# Selected Revenue/Resource Actions

14

- Accelerated sales tax: \$144.0 million (SB 29).
- Additional tax amnesty: \$43.0 million (SB 29).
- Eliminate sales tax dealer discount: \$121.8 million.
- Deconform domestic production tax sub: \$60.0 million
- \$10 increase in deed rec. fee for Ag BMPs: \$18.2 million
- ½ percent property and casualty insurance gross premiums fee for public safety uses: \$66.0 million.
- \$0.18 fee increase for each E-911 line for Line of Duty death and disability health benefits: \$38.9 million.
- NGF balances, interest to GF: >\$81.4 million.

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# **K-12 and Other Education**

# Overview of Direct Aid to Localities for Public Education - SB 29 and 30

16

- In addition to the Governor's September 2009 budget reductions of \$231.1 million GF, the Governor's proposed amendments in SB 29 decrease Direct Aid to localities for Public Education by an additional \$319.0 million GF in FY 2010, for a total **reduction of \$550.1 million GF or 10.3 percent, compared to Chapter 781** of the 2009 Acts of Assembly.
  - This reduction is offset by an additional \$219.0 million in federal stabilization dollars, \$72.0 million Literary Fund revenue and \$9.9 million Lottery proceeds, bringing the total proposed reduction is \$249.2 million or 3.5 percent, compared to Chapter 781.
- The Governor's proposed 2010-12 biennial budget for Direct Aid to Public Education results in a **net general fund decrease of \$392.9 million, compared to Chapter 781**.

# FY 12 GF for Public Education Are Below FY 07 Levels

GF and Federal Stabilization Funds for Direct Aid to Public Education						
(\$ in millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
<b>2008 Session</b> (Ch. 847/879)	\$5,245.7 <sup>1</sup>	\$5,308.5 <sup>1</sup>	\$5,723.8	\$5,930.5 GF +\$0.0 Fed. Stab. <b>\$5,930.5</b>		
<b>2009 Session</b> (Ch. 781)			\$5,607.6	\$5,319.9 GF +\$365.2 Fed. Stab. <b>\$5,685.1</b>		
<b>2010 Session</b> (SB29/30)				\$4,769.8 GF +\$584.2 Fed. Stab. <b>\$5,354.0</b>	\$5,030.1 GF +\$126.4 Fed. Stab. <b>\$5,156.5</b>	\$5,216.8 GF +\$0.0 Fed. Stab. <b>\$5,216.8</b>
<p><sup>1</sup>For comparison purposes, figures in this table do not include any Lottery Proceeds. Chapter 847 had reflected \$5,651.1 million GF for FY 2007, which included \$405.4 million in Lottery Proceeds; and \$5,767.5 million GF for FY 2008, which included \$459.0 million in Lottery Proceeds. Beginning with FY 2009, Lottery Proceeds were no longer reflected as general funds.</p>						

# Federal Stabilization Funds Mitigated FY 10 Cuts, But Leave Holes in FY 11 and FY 12

18

- **FY 2010.** As of Chapter 781 (2009 Session), despite net GF reductions to Direct Aid from \$5,930.5 million GF (2008 Session) to \$5,319.9 million GF, FY 2010 actually showed a net increase over FY 2009 including the \$365.2 million federal stabilization funds allocated (primarily to backfill the cap on funding for support positions).
  - However, despite the acceleration of some FY 2011 federal stabilization funds to FY 2010, additional GF reductions in September and SB 29 resulted in a decrease from \$5,607.6 million GF in FY 2009 to \$5,354.0 million GF and federal stabilization funds in FY 2010.
- **FY 2011 and FY 2012.** Although FY 2011 GF of \$5,030.1 million surpass those dollars in SB 29, since fewer federal stimulus dollars are available for FY 2011, there is a net combined GF and federal stabilization funds decrease from the SB 29 FY 2010 amounts.
  - **FY 2012 GF of \$5,216.8 million reflects an increase over FY 2011, but remains below FY 2007 GF of \$5,245.7 million.**

# Summary of September 2009 Reductions in Direct Aid for FY 2010

	<b>GF</b>	<b>NGF</b>	<b>Total</b>
Supplant GF with federal stabilization funds	(\$68.9)	\$68.9	\$0.0
Suspend 4 <sup>th</sup> quarter employer retirement payments	(59.4)	0.0	(59.4)
Use additional Literary Fund for retirement	(55.0)	55.0	0.0
Update Sales Tax estimate	(37.6)	0.0	(37.6)
FY 2009 Lottery Proceeds (NGF adj. made in Dec.)	(9.9)	9.9	0.0
Reduce supplemental grants, etc. by 10%	<u>(0.3)</u>	<u>0.0</u>	<u>(0.3)</u>
<b>Subtotal: Governor's Sept. Reductions</b>	<b>(\$231.1)</b>	<b>\$133.8</b>	<b>(\$97.3)</b>

# Summary of Proposed Amendments to Direct Aid in SB 29

20

	<b>GF</b>	<b>NGF</b>	<b>Total</b>
Governor's Sept. 2009 Reductions (from previous slide)	(\$231.1)	\$133.8	(\$97.3)
Supplant additional K-12 GF with stabilization funds	(150.1)	150.1	0.0
Eliminate FY 2010 textbook funding	(79.6)	0.0	(79.6)
Eliminate re-benchmarking inflation update	(61.3)	0.0	(61.3)
Supplant additional GF with Literary Fund	(17.0)	17.0	0.0
Capture additional savings from 4 <sup>th</sup> Q retirement action	(9.8)	0.0	(9.8)
Delay 4 <sup>th</sup> Q state-operated programs payments	(8.2)	0.0	(8.2)
Net technical updates	<u>7.0</u>	<u>0.0</u>	<u>7.0</u>
<b>TOTAL</b>	<b>(\$550.1)</b>	<b>\$300.9</b>	<b>(\$249.2)</b>

# Defer FY 2010 Textbook Funding

21

- Saves \$79.6 million GF by eliminating state support for textbooks in FY 2010 only.
  - Since payments have already begun being made to school divisions through December 16, 2009, such payments would be deducted from the remaining Basic Aid payments.
  - Proposed language encourages localities and school divisions to use a portion or all of the estimated \$140 million in local savings from the suspension of the 4<sup>th</sup> quarter retirement and benefits rates to purchase textbooks and instructional materials.
  - Proposed language in SB 30 directs DOE to use the higher of FY 2009 or FY 2010 division-level textbook per pupil amounts for purposes of calculating the 2012-14 re-benchmarking.

# Eliminate Inflation Update in FY 2010 and 2010-12 Biennium

22

- Saves \$61.3 million GF in FY 2010 by eliminating the routine re-benchmarking update of inflation to bring base year cost data (FY 2006) up to the beginning of the biennium.
- Also saves \$4.7 million GF in FY 2011 and FY 2012 by continuing in SB 30 the elimination of the update for inflation to bring base year cost data (FY 2008) up to the beginning of the biennium.
  - In the 2006-08 biennium, re-benchmarking inflation costs were over \$100 million each year.

# Summary of Re-benchmarking

	FY 2011	FY 2012	Total
Updates as of July	\$59.7	\$78.9	<b>\$138.6</b>
Retirement, group life, and RHCC contribution rates	45.5	45.7	<b>91.2</b>
Composite Index (See FY 2011 delay below.)	32.7	39.0	<b>71.7</b>
Net all other updates	0.5	4.4	<b>4.9</b>
Sales Tax and corrected census	<u>(24.5)</u>	<u>(8.7)</u>	<b><u>(33.2)</u></b>
<b>Subtotal: Re-benchmarking*</b>	<b>\$113.9</b>	<b>\$159.4</b>	<b>\$273.3</b>

*\* Note that the proposed re-benchmarking does not include \$376.1 million in FY 2011 or \$378.2 million in FY 2012 that would be needed to remove the FY 2010 (Ch. 781) cap on funding for support positions. The cap reduced funded support positions by about 13,000 positions, or 35 percent, mostly in the areas of Operations & Maintenance and school secretaries.*

# Summary of Proposed SB 30 Direct Aid Budget Actions

	FY 2011	FY 2012	Total
Re-benchmarking (from previous slide)	\$113.9	\$159.4	\$273.3
National Board Certification bonuses for teachers	0.5	0.5	1.0
Reduce supplemental grants, etc. by 15%	(0.4)	(0.5)	(0.9)
Anticipate savings due to MH closures; 4 <sup>th</sup> Q delay	(1.9)	(2.4)	(4.3)
Eliminate re-benchmarking inflation update	(4.7)	(4.7)	(9.5)
Literary Fund; End VPSA technology grants	(2.0)	(15.0)	(17.0)
Delay Composite Index update to FY 2012	(29.5)	0.0	(29.5)
Distribute Central Appropriations amounts	(18.2)	(18.2)	(36.4)
Supplant GF with remaining stabilization funds	(126.4)	0.0	(126.4)
Eliminate certain school expenditures from SOQ	(87.0)	(87.3)	(174.3)
Fund health care based on actual participation	<u>(134.2)</u>	<u>(135.0)</u>	<u>(269.2)</u>
<b>TOTAL</b>	<b>(\$289.9)</b>	<b>(\$103.1)</b>	<b>(\$392.9)</b>

# Fund Health Care Premiums Based on Prevailing Participation Rates

- Reduces funding by \$134.2 million GF in FY 2011 and \$135.0 million in FY 2012 by calculating Basic Aid funding for health care premiums based on actual statewide division-level premiums weighted for plan type participation.
  - Statewide, 69.7 percent of FTE positions participate in their school divisions' health care plan, or 66.1 percent based on the linear weighted average.

	Current Funding Basis	Actual Participation Rates
Employee Only	33.3%	41.2%
Employee Plus One	33.3%	13.4%
Family	<u>33.3%</u>	<u>14.1%</u>
	100.0%	68.7%

# Eliminating Certain Expenditures Codes from the SOQ

26

- Reduces funding by \$87.0 million GF in FY 2011 and \$87.3 million GF in FY 2012 by removing certain expenditure costs included in the SOQ Basic Aid calculations, including:
  - **Other Benefits (ASR Object Code 2800).** The Annual School Report of expenditures defines 2800 as “Includes annual and sick leave payments for personnel who terminate employment, as well as pension/retirement plans that are specific to a locality and the cost for contract buy-outs.” *Saves approximately \$30 million GF each year.*
  - **Certain Capital Outlay Replacement (ASR Object Code 8100).** This expenditure object code includes capital outlay replacement other than technology and for facilities, including machinery, equipment, furniture, fixtures, communications equipment, motor vehicles, etc., that are capitalized and cost more than \$5,000. *Saves approximately \$30 million GF each year.*
  - **Miscellaneous (ASR Object Code 5800).** *Saves approximately \$20 million GF each year.*

# Delay Composite Index Update Until FY 2012

27

- The elements used to calculate each school division's composite index of local ability to pay are updated from 2005 to 2007, the most current data available at the time.
  - The composite index measures local wealth through true value of real property (50 percent), adjusted gross income (40 percent), and retail sales tax collection (10 percent). The index is weighted two-thirds by ADM and one-third by population.
- The revised index went up for 97 school divisions (i.e. the locality is responsible for a larger percentage of SOQ costs); down for 31 school divisions, and is unchanged for the remainder that are capped at 0.8000.
  - **SB 30 delays the update until FY 2012 for a net state savings of \$29.5 million in FY 2011.**

# Eliminate VPSA Technology Grants

28

- Saves \$13.0 million in FY 2012 in debt service (currently paid out of the Literary Fund) on the five-year Virginia Public School Authority notes for educational technology grants.
  - Also creates out-year savings of \$26.0 million each year in FY 2013 through FY 2016, and \$13.0 million in FY 2017.
  - **Not issuing the notes results in a reduction to school divisions of \$59.0 million in FY 2011 and FY 2012.**
    - Funds were distributed based on \$50,000 per school division, plus \$26,000 per school, with a required local match of 20 percent.

# Across the Board Reductions to Grants to Supplemental and Other Programs

29

- Saves \$221,773 GF in FY 2010 (10 percent reductions) and \$445,443 GF in FY 2011 and in FY 2012 (15 percent reductions) by reducing grants for:
  - Project Discovery
  - Jobs for Virginia Graduates
  - Career & Technical Education Resource Center
  - Great Aspirations Scholarship Program
  - Southwest Virginia Public Education Consortium
  - Van Gogh Outreach Program
  - Southside Virginia Technology Consortium
  - Virginia Career Education Foundation
  - Clinical Faculty
  - Career Switcher Mentoring
  - Virginia Technology Alliance

# Proposed Language Changes in SB 30 Mostly Provide Flexibility or Clarification

30

- SB 30 includes language changes on the following topics:
  - Continues previous language allowing year-to-year carry over of balances.
  - Provides DOE the authority to make changes to the Summer Governor's Schools and Foreign Language Academies as state funds have been flat for some time.
  - Reinstates required local match for Lottery, but ends the local maintenance of effort requirement that was put in place back in the beginning of the program.
  - Provides that school divisions may use textbook funding for electronic textbooks or other technology integral to the curriculum.
  - **Requires school divisions to spend all Basic Aid funds for school nurses on school nurse expenditures.**
    - *Less flexibility for school divisions*
  - Clarifications regarding: Virginia Preschool Initiative; State Funds Allocated in Locality Budget; Career and Technical Equipment Payments; and K-3 Primary Class Size Staffing Ratios.

# Other Agencies

31

- **Secretary of Education & Workforce**
  - Transfers Public Broadcasting budget from Secretary of Administration to Secretary of Education & Workforce
- **Department of Education (Central Office)**
  - Primarily continues September 2009 Budget Reductions.
  - Saves \$18,750 GF each year by charging school divisions tuition for non-Advanced Placement Virtual Virginia on-line courses.
- **Virginia School for the Deaf and Blind**
  - Continues September 2009 Budget Reductions
  - Freezes enrollment at October 2008 levels
  - Provides \$50,000 GF in FY 2010 for security at Hampton property; accounts for planned sale of Hampton property, estimated at \$3.5 million.

# Appendix – SOQ

<b>Standards of Quality</b>	<b>FY 2011</b>	<b>FY 2012</b>
Basic Aid (excluding State Fiscal Stabilization Funds)	\$2,913,069,547	\$3,062,919,395
Sales Tax	\$1,078,800,000	\$1,114,700,000
Textbooks	\$50,901,192	\$51,414,358
Vocational Education	\$66,468,464	\$66,405,180
Gifted Education	\$30,844,230	\$31,245,647
Special Education	\$362,040,910	\$364,594,055
Prevention, Intervention, and Remediation	\$70,540,398	\$69,582,467
VRS Retirement	\$263,681,679	\$266,366,905
Social Security	\$175,361,743	\$177,134,431
Group Life	\$7,546,445	\$7,621,103
English as a Second Language	\$36,559,335	\$41,018,003
Remedial Summer School	<u>\$25,400,152</u>	<u>\$25,514,150</u>
<b>Subtotal SOQ</b>	<b>\$5,081,214,095</b>	<b>\$5,278,515,694</b>
SOQ Funded from State Fiscal Stabilization Funds	\$126,372,427	\$0

# Appendix – Incentive and Categorical Programs

<b>Incentive Programs</b>	<b>FY 2011</b>	<b>FY 2012</b>
Governor's School	\$13,920,266	\$14,371,298
Clinical Faculty	\$318,750	\$318,750
Career Switcher Mentoring Grants	\$279,983	\$279,983
Special Education Endorsement Program	\$600,000	\$600,000
Special Education - Vocational Education	\$200,089	\$200,089
<b>Total</b>	<b>\$15,319,088</b>	<b>\$15,770,120</b>
<b>Categorical Programs</b>		
Adult Education	\$1,051,800	\$1,051,800
Adult Literacy	\$2,645,375	\$2,645,375
Virtual Virginia	\$2,356,908	\$2,356,908
American Indian Treaty Commitment	\$75,669	\$77,348
School Lunch	\$5,801,932	\$5,801,932
Special Education - Homebound	\$5,708,874	\$5,938,870
Special Education - Jails	\$3,698,491	\$4,065,031
Special Education - State Operated Programs	\$32,750,549	\$34,058,499
<b>Total</b>	<b>\$54,089,598</b>	<b>\$55,995,763</b>

# Appendix – Lottery Funded Programs

<b>Lottery</b>	<b>FY 2011</b>	<b>FY 2012</b>
Foster Care	\$12,896,417	\$13,605,123
Enrollment Loss	\$8,606,312	\$8,928,389
At-Risk	\$68,340,114	\$66,467,766
Virginia Preschool Initiative	\$75,529,020	\$74,405,901
Early Reading Intervention	\$14,631,865	\$14,788,410
Mentor Teacher	\$1,000,000	\$1,000,000
K-3 Primary Class Size Reduction	\$98,233,321	\$96,510,174
School Breakfast Program	\$2,442,968	\$2,895,852
SOL Algebra Readiness	\$9,111,526	\$9,007,288
Support for School Construction & Operating Costs	\$35,068,636	\$31,974,591
Regional Alternative Education	\$7,282,572	\$7,151,164
ISAEP	\$2,247,581	\$2,247,581
Special Education – Regional Tuition	\$76,111,630	\$82,399,346
Career and Technical Education – Categorical	\$10,400,829	\$10,400,829
No Child Left Behind/Education for a Lifetime	\$4,749,675	\$4,749,675
Project Graduation	\$2,774,478	\$2,774,478
Supplemental Basic Aid	\$773,056	\$893,433
<b>Total</b>	<b>\$430,200,000</b>	<b>\$430,200,000</b>

# Other Education

- The Governor's September Budget Reduction Plan proposed decreasing general funds for Other Education agencies by about 10 percent for FY 2010, except for the Virginia Commission for the Arts, which was decreased by about 16 percent, and aid to local public libraries, which was decreased by 5 percent.
  - Virginia Museum of Fine Arts
  - Jamestown-Yorktown Foundation
  - Library of Virginia
  - Science Museum of Virginia
  - Frontier Culture Museum
  - Gunston Hall
- The Governor's proposed 2010-12 budget generally continues the September 2009 general fund reductions for the state museums, but takes some additional reductions for the Jamestown-Yorktown Foundation and doubles the reduction to aid to local libraries.

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# Higher Education

# Overview of Higher Education – SB 29

37

- Governor's proposed amendments for FY 2010 result in a net **decrease of \$49.3 million GF** over the appropriation for Chapter 781.
- The proposed budget reflects **reductions of \$46.7 million GF** to public institutions of **higher education and directly affiliated agencies**.
  - These amounts will be partially offset by \$75.0 million of proposed stimulus funding.
- Additional **reductions of \$2.7 million GF** are recommended for **other higher education agencies and centers**.

# Summary of Proposed Amendments – SB 29

Major GF Actions for the 2008-10 Biennium - (\$ in millions)	
<b><i>COLLEGES/UNIVERSITIES/DIRECTLY AFFILIATED AGENCIES</i></b>	<b>FY 2010</b>
Across-the-Board Reductions	(\$46.7)
<b><i>OTHER HIGHER EDUCATION CENTERS AND AGENCIES</i></b>	
Across-the-Board Reductions	<u>(2.7)</u>
<b>REDUCTIONS TOTAL</b>	<b>(\$49.4)</b>
Increase Interest Earnings and Credit Card Rebate	<u>0.1</u>
<b>SPENDING TOTAL</b>	<b>\$0.1</b>
<b>NET REDUCTIONS</b>	<b>(\$49.3)</b>
<b>Proposed Federal Education Stimulus Allocation</b>	<b>\$75.0</b>

# Higher Education and Stimulus Funding in FY 2010

39

- Originally, \$126.7 million was proposed for the higher education stimulus allocation in FY 2010.
  - This funding would have restored a large percentage of the reductions that were taken in this year.
- The Governor proposed larger reductions to higher education in September 2009 (equal to those of FY 2012).
  - However, these reductions were modified and reduced in the introduced budget after the withdrawal of a waiver to the federal stimulus funding maintenance of effort requirements.
  - The stimulus allocation was also reduced to the \$75 million amount.

# Overview of Higher Education – SB 30

40

- Governor's proposed amendments for the 2010-2012 biennium result in a net **decrease of \$301.0 million GF** or a **8.8% decrease** over the appropriation for Chapter 781.
  - This results in a **biennial general fund budget of \$3.1 billion** compared to \$3.4 billion in Chapter 781.
- The proposed budget continues **reductions of \$46.7 million GF** to public institutions of **higher education and directly affiliated agencies in FY 2011** and proposes **reductions of \$196.8 million GF in FY 2012**.
  - Federal stimulus funding of \$198.3 million is proposed for FY 2011. No stimulus funding would then be available for FY 2012.

# Overview of Higher Education – SB 30 (continued)

41

- The lack of stimulus funding available for FY 2012 leaves reductions of 13 to 15 percent in that year.
- This reduction is in addition to several rounds of GF reductions since FY 2008, leaving higher education with cumulative reductions of over 25 percent during this five-year period.
- The reductions to higher education brings the biennial appropriation level close to the 2004-2006 biennium (\$3.0 billion GF).

# Summary of Proposed Amendments – SB 30

<b>Major GF Actions for the 2010-12 Biennium - (\$ in millions)</b>	
<b><i>COLLEGES/UNIVERSITIES/DIRECTLY AFFILIATED AGENCIES</i></b>	<b>FY 11-12</b>
Across-the-Board Reductions	(\$243.5)
Technical Base Adjustments/Other Reductions	(43.2)
<b><i>OTHER HIGHER EDUCATION CENTERS AND AGENCIES</i></b>	
Across-the-Board Reductions	(5.5)
Technical Base Adjustments/Other Reductions	<u>(10.3)</u>
<b>REDUCTIONS TOTAL</b>	<b>(\$302.4*)</b>
Increase Interest Earnings/Credit Card Rebate/Program Enhancements	<u>1.4</u>
<b>SPENDING TOTAL</b>	<b>\$1.4</b>
<b>NET REDUCTIONS</b>	<b>(\$301.0)</b>
<b>Proposed Federal Education Stimulus Allocation</b>	<b>\$198.3</b>

\* Rounding of individual areas would result in a different total.

# Other Funding in Higher Education

43

- **Virginia State University:**
  - Adds \$300,000 GF per year of the biennium for the manufacturing engineering and logistics technology programs.
- **Longwood University:**
  - \$185,673 GF in FY 2011 and \$289,991 GF in FY 2012 for additional support to the Bachelor of Science in nursing program.
- **University of Mary Washington:**
  - \$250,000 GF in FY 2012 for the operation of the Dahlgren Education and Research Center.

# Other Funding in Higher Education (continued)

44

- **Higher Education Research Initiative:**

- \$3.0 million GF in FY 2011 for the Jefferson Lab (this is a reduction compared to FY 2010 but is the amount needed to leverage federal support).
- \$510,000 GF in each year of the biennium for the proton cancer center at Hampton University (this is a reduction of 15 percent in each year compared to FY 2010).

- **Higher Education Equipment Trust Fund:**

- \$50 million in each year to support the purchase of additional equipment to enhance instructional and research activity.
- The program is supported through the issuance of debt which will be subject to the development of a debt plan by the Secretary of Finance prior to the 2011 Session.

# Proposals Related to EVMS

45

- Two proposals in the introduced budget are directly related to the Eastern Virginia Medical School (EVMS).
  - Transfer of \$568,910 GF in FY 2011 and FY 2012 from the Tuition Assistance Grant (TAG) program to EVMS for graduate financial aid. Students at EVMS will have access to these funds as student financial aid and will therefore no longer be eligible for the TAG program.
  - Language is proposed under SCHEV to treat EVMS like the other two medical schools for funding calculations.

# Other Actions Impacting Higher Education

46

- ***Transfer from Higher Education Auxiliary Enterprises.*** Proposes a transfer of \$18.8 million NGF to the general fund from auxiliary enterprises at higher education institutions by taking five percent of auxiliary balances in FY 2011.
- ***Higher Education Auxiliary Enterprises Interest Earnings.*** Proposes to withhold interest earnings on auxiliary enterprise balances of \$5.4 million NGF in FY 2010 and \$7.2 million NGF in each year of the 2010-2012 biennium.
- Additional transfers will also occur if they remain in the budget (i.e. furlough day, various premium holidays, etc.)
- ***State Employee Optional Retirement Plan Contributions.*** Proposes to save \$3.4 million GF the first year and \$7.0 million GF the second year by instituting an employee contribution for the optional retirement plans.
  - At present, the state contribution to these programs is statutorily set at 10.4 percent of salary. There is no mandatory employee contribution.
  - As proposed faculty and other affected employees will begin to pay the first 1 percent of this contribution on July 1, 2010, and 2.0 percent on July 1, 2011.
  - In addition, \$3.9 million NGF the first year and \$8.0 million NGF the first year saved from eligible nongeneral fund sources will be transferred to the general fund for a total impact of \$22.3 million.

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# Health and Human Resources

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# SB 29 (FY 2010)

- The Governor's proposed budget for HHR in FY 2010 (Caboose Bill) includes a **net decrease of \$110.5 million GF**.
- General fund spending of \$113.2 million is offset by \$223.8 million in proposed reductions.
- Most of the proposed GF reductions were announced in September 2009 with the following notable exceptions:
  - \$7.5 million in CSA for enhanced Medicaid funding;
  - \$5.2 million to adjust funding for FAMIS;
  - \$3.4 million by reducing rates paid for in-home services; and
  - \$1.2 million by eliminating remaining 100 MR waiver slots.

# SB 29 (FY 2010)

<b>Major GF Decreases for the 2008-10 Biennium - (\$ in millions)</b>	
Enhanced federal Medicaid Funding (DMAS & CSA)	(\$104.5)
Reduce Projected CSA Spending to Current Trends	(36.6)
Capture Agency Balances	(13.9)
Reduce CSB funding by 5 percent	(12.2)
Reduce indigent care funding by 3 percent	(7.0)
All other reductions	<u>(49.6)</u>
<b>Total</b>	<b>(\$223.8)</b>

# SB 29 (FY 2010)

<b>Major GF Increases for the 2008-10 Biennium - (\$ in millions)</b>	
Adds Funds for Medicaid and SCHIP Forecast	\$83.2
Adjust funding for Virginia Health Care Fund	14.8
Fund Growth in the Unemployed Parents Program	5.4
Fund medical services for involuntary mental commitments	3.1
Add administrative funding for mandatory programs	<u>3.3</u>
<b>Total</b>	<b>\$113.2</b>

# SB 30 (2010-12 Biennium)

51

- The Governor's proposed HHR budget in 2010-12 includes a **net increase of \$1.4 billion GF** or an **increase of 18.0 percent** compared to Chapter 781.
  - Comparing the introduced budget to Chapter 879 (2008 Acts of Assembly), prior to the inclusion of enhanced Medicaid funding, the biennial increase is \$510 million or **5.9 percent**.
- New general fund spending of \$2.1 billion, primarily related to mandatory spending, is offset by \$688.7 million in reductions.
- The single largest expenditure item within the budget is a restoration of \$1.2 billion GF for Medicaid that was supplanted with federal economic stimulus funds.

# Summary of Proposed Amendments

<b>Major Changes for the 2010-12 Biennium - (\$ in millions)*</b>		
	<b>GF</b>	<b>NGF</b>
Department of Medical Assistance Services	\$1,658.2	(\$138.0)
Department of Social Services	2.1	33.2
Department of Behavioral Health & Dev. Services	(118.3)	17.6
Comprehensive Services Act for Youth & Families	(79.4)	3.1
Department of Health	(28.4)	11.6
All Other HHR Agencies	<u>(14.2)</u>	<u>9.9</u>
<b>Total</b>	<b>\$1,420.0</b>	<b>(\$62.6)</b>
* Biennial change compared to Chapter 781, 2009 Acts of Assembly.		

# Department of Medical Assistance Services

53

<b>Major GF Increases for the 2010-12 Biennium - (\$ in millions)</b>	
Backfill Loss of Enhanced Federal Funding for Medicaid	\$1,191.5
Fully fund Medicaid Forecast	777.7
Fully fund FAMIS and SCHIP Forecast	38.6
Adjust funding for Virginia Health Care Fund	32.6
Fully fund GF Share of Medicaid Costs for State Facilities	31.9
Fully fund Growth of Involuntary Mental Commitments	6.1
Add Funding for Medicaid Coverage for Pregnant Women	<u>1.3</u>
<b>Total GF Increases in DMAS</b>	<b>\$2,079.8</b>

# Department of Medical Assistance Services

54

<b>Major GF Decreases for the 2010-12 Biennium - (\$ in millions)</b>	
Reduce reimbursement rates for Medicaid providers	(\$226.1)
Impose service reductions or program limitations	(101.0)
Reduce eligibility for elderly and disabled	(53.3)
Add administrative reductions and program efficiencies	(18.5)
Other reductions	<u>(22.7)</u>
<b>Total GF Decreases in DMAS</b>	<b>(\$421.7)</b>

# DMAS - Provider Rate Changes

55

- 53.6 percent of the reductions within DMAS totaling \$226.1 million GF and \$227.1 million from federal Medicaid matching funds are related to provider rates.
- Withholding inflationary adjustments or maintaining payment rates at FY 2010 levels result in biennial savings of \$136.2 million GF and \$147.1 million in federal matching funds.
- Hospitals (\$101.2 million GF) and nursing homes (\$29.5 million GF) are the largest provider groups affected by this proposal.

# DMAS - Provider Rate Changes

56

- Other provider rate changes totaling \$89.9 million GF include:
  - 5 percent reduction for home and community-based waiver services (\$36.1 million GF);
  - 14 percent reduction in the hourly rate paid for intensive in-home mental health services (\$19.8 million GF);
  - 3 percent less for indigent care costs incurred at the Commonwealth's teaching hospitals (\$15.0 million GF);
  - New requirements for out-of-state hospitals to qualify for disproportionate share hospital (DSH) payments (\$5.1 million GF); and
  - Lower reimbursement rates for durable medical equipment (\$3.0 million), laboratory services (\$3.0 million) and assisted living programs (\$2.9 million).

# DMAS - Service Reductions

57

- Proposed reductions in services are estimated to save \$101.0 million GF and \$107.9 million in federal Medicaid matching funds by:
  - Withholding statutory increases in the number of available MR and DD waiver slots (\$39.2 million GF);
  - Reducing from 720 to 240 hours a year the amount of respite care a caregiver can receive for a Medicaid waiver recipient (\$26.4 million GF);
  - Freezing enrollment in most Medicaid community-based waiver programs during calendar year 2011 (\$17.1 million GF);
  - Continuing savings from eliminating 200 MR waiver slots that were slated to be allocated on January 1, 2010 (\$11.7 million GF); and
  - Limiting intensive in-home, dental, and therapy services and eliminating coverage of optometry (adults only) and podiatry services.

# DMAS - Eligibility Reductions

- One of the largest savings proposals in DMAS would affect individuals who qualify for long-term care services if they have income less than 300 percent of Supplemental Security Income (SSI).
- The introduced budget reduces income eligibility from 300 percent of SSI or \$2,022 each month to 275 percent or \$1,854 each month, resulting in fewer individuals qualifying for long-term care services primarily provided through home- and community-based Medicaid waiver programs.
- Biennial savings are estimated to be \$53.3 million GF and \$53.3 million from matching federal Medicaid funds.
- Current maintenance of effort requirements may nullify this strategy if federal legislation extends enhanced Medicaid stimulus funds.

# DMAS – Admin. Reductions & Efficiencies

59

- The proposed budget includes a number of changes resulting in administrative or efficiency savings of \$18.5 million GF including:
  - \$10.7 million GF from pharmacy management strategies including:
    - Reducing reimbursements for pharmacy ingredient costs to the average Medicaid level of other states;
    - Making additional drug therapies subject to the preferred drug list including anti-psychotics, anti-depressants and anti-anxiety medications; and
    - Making more drugs subject to Maximum Allowable Cost methodologies.
  - \$3.9 million GF by directing tobacco settlement funding to FAMIS instead of the Virginia Healthy Youth Foundation; and
  - \$1.4 million GF by using federal dollars instead of general funds for children who legally reside in the U.S. who are on Medicaid.

# DMAS - Other Reductions

60

- Other reductions include:
  - \$12.7 million GF in savings by implementing a tax on the providers of ICF/MR services; and
  - \$7.2 million GF in savings by repealing the dealer discount on tobacco products which affects revenues that flow into the Virginia Health Care Fund.

# Department of Behavioral Health and Developmental Services (DBHDS)

61

<b>Major GF Changes for the 2010-12 Biennium - (\$ in millions)</b>	
<b>Spending Increases</b>	
Fund Private Acute Care for Children & Adolescents	<u>\$4.2</u>
<b>Spending Reductions</b>	
Funding at state mental health facilities	(\$50.6)
Funding for community services boards	(27.2)
Funding at state intellectual disability training centers	(21.9)
Funding for central office activities	(6.6)
All other reductions	<u>(16.2)</u>
<b>Net change</b>	<b>(\$118.3)</b>

# DBHDS – State Mental Health Facilities

62

- The proposed budget includes general fund savings of \$50.6 million by:
  - Closing 48 beds, affecting 100 FTEs, at the Commonwealth Center for Children and Adolescents (\$13.3 million);
  - Closing 16 adolescent treatment beds, affecting 28 FTEs, at Southwestern Virginia Mental Health Institute (SWVMHI) in Marion (\$2.1 million);
  - Closing 40 geriatric treatment beds, affecting 50 FTEs, at SWVMHI and moving patients and services to the Piedmont Geriatric Center at Burkeville (\$2.0 million);
  - Eliminating 13 direct care (\$4.0 million) and 70 support staff (\$8.0 million) at state facilities;
  - Implementing various pharmacy management strategies (\$8.5 million); and
  - Reducing services not related to direct care, implementing administrative efficiencies, and consolidating services at certain facilities (\$14.7 million).

# DBHDS – Intellectual Disability Training Centers

63

- The introduced budget includes savings of \$21.9 million GF by:
  - Removing 57 beds from state intellectual disability training centers (\$10.0 million) and discharging individuals into community-based intellectual disability waiver slots that have been previously approved or funded through the Money Follows the Person program;
  - Closing a 24-bed living unit, affecting 50 FTEs, at Central Virginia Training Center (\$2.3 million) and reducing 32 beds, affecting 50 FTEs, at Southeastern Virginia Training Center (\$1.0 million); and
  - Consolidating administration and support services (\$2.6 million) and reducing services not directly related to patient care (\$5.9 million).

# DBHDS – Other Reductions

64

- The introduced budget also includes a number of different strategies to achieve general fund savings including:
  - Continuing a 5 percent reduction in funding for community services boards announced in September 2009 (\$24.4 million);
  - Further reducing services provided to individuals with mental illness who are interacting with the criminal justice system (\$1.4 million);  
and
  - Additional layoffs in the Department’s central office (\$4.3 million) and elimination of direct management of the Community Resource Pharmacy (\$1.2 million).

# Other HHR Agencies - Spending

65

<b>Major GF Spending for the 2010-12 Biennium - (\$ in millions)</b>	
<b>DSS:</b> Offset Reduction for Programs Previously Funded with TANF (Healthy Families and Local Domestic Violence Services)	\$8.1
<b>DSS:</b> Fund Growth of Unemployed Parents Cash Assistance Program	7.3
<b>DSS:</b> Adjust Funding for Child Welfare Services	3.7
<b>DSS:</b> Federation of Virginia Food Banks	1.0
<b>VDH:</b> Address Anticipated Caseload Increase in OCME	1.9
<b>VDH:</b> Replace GF for Reduction in TANF for CHIP	1.4

# Other HHR Agencies - Reductions

<b>Major GF Reductions for the 2010-12 Biennium - (\$ in millions)</b>	
<b>DSS:</b> Reduce locally-provided services including chore and companion services	(\$3.0)
<b>DSS:</b> Reduce training for local DSS employees by 50%	(2.8)
<b>DSS:</b> Trim local DSS operating funding by 1 percent	(2.3)
<b>DSS:</b> Eliminate TANF for previously funded programs (NGF)	(21.6)
<b>VDH:</b> Supplant GF with Fee Revenues & Federal Funds	(17.3)
<b>VDH:</b> Reduce or eliminate services provided through the Health Department or community-based providers	(8.1)

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# Public Safety

# SB 29 (FY 2010)

- The budget for FY 2010 as introduced reduces public safety by net of \$68.5 million GF (or -3.9%), including increases of \$3.8 million and decreases of \$72.3 million.
- Based on September 2009 plan, including, for example:
  - Across-the-board agency reductions;
  - Closure of Brunswick, Botetourt Adult Correctional Facilities and Natural Bridge Juvenile Facility; and,
  - Postponement of 116<sup>th</sup> State Police Trooper School, deferral of purchase of patrol cars, and layoff of 104 wage positions in regional and area offices.

# SB 29 (Continued)

69

- ABC Stores: 2% markup (February 1, 2010);
- Additional \$197,000 for forensic labs (Melendez-Diaz);
- Reductions in numerous criminal justice programs, including regional law enforcement training academies;
- Technical reduction in HB 599, based on lower GF revenue forecast, from \$197.3 million to \$180.8 million);
- Reductions of 5% in juvenile grants and local detention centers, and 23.5 positions in court services units;
- One-time elimination of \$9 million for DOC equipment; and
- One-time move to line-of-credit for Fire Programs Fund.

# SB 29 (Continued)

70

- **National Guard** armories closed (Richmond, Roanoke), and \$180,000 state recruitment incentives eliminated;
- **State Police** aviation fleet reduced by \$1.8 million (one fixed-wing aircraft, one non-med-flight helicopter) and supplanting GF with aviation special funds;
- \$1.0 million GF for Medevac supplanted with \$4-for-Life;

# SB 30 (2010-12 Biennium)

71

- The budget as introduced for the 2010-12 biennium reduces public safety by a net of \$490.4 million GF (or by -10.3 percent), including increases of \$56.0 million offset by decreases totaling \$546.4 million.
  - Continues most of the September 2009 reductions, with certain exceptions;
  - Transfers the Compensation Board and the Board of Towing and Recovery to public safety; and,
  - Supplants GF with a proposed tax increase on property and casualty insurance premiums.

# Virginia Public Safety Fund

72

- SB 30, as introduced, supplants GF for law enforcement programs with a proposed 0.5 percent tax increase on property/casualty insurance premiums. (The current 1.0 percent tax supports the Fire Programs Fund.)
  - \$15.0 million – Sheriffs’ local law enforcement;
  - \$15.0 million – Sheriffs’ courtroom security;
  - \$15.0 million – HB 599 for police departments; and
  - \$ 9.6 million – State Police counter-terrorism.

# State Police

73

- Postpones the 116<sup>th</sup> Basic Trooper School to January 2011, the 117<sup>th</sup> Basic School to January 2012, and the 118<sup>th</sup> Basic School to January 2013, for a savings of \$3.7 million in FY 2011 and \$5.1 million in FY 2012.
  - In order to maintain the agency's core responsibilities, sworn positions from other operational areas may have to be reassigned to highway patrol duties.

# Military Affairs and Veterans

74

- Eliminates \$180,000 each year for state incentives for National Guard recruitment, and adds \$212,703 each year for National Guard state tuition assistance.
- Includes language authorizing application for federal funds for construction of second phase of the Albert G. Horton, Jr. Memorial Veterans Cemetery in Suffolk.
- Includes \$200,000 NGF in Part 2 (Capital Outlay) for maintenance reserve for state veterans' care centers, from the daily rate supplement added to charges for the centers (\$150,000 federal and \$50,000 special funds).

# HB 599

- Reduces state aid to localities with police departments by \$40.9 million in FY 2011 and \$47.6 million in 2012.
  - Adds back \$4.2 million in FY 2011 and \$10.8 million in FY 2012 from proposed tax increase on insurance premiums
  
- **Proposed GF funding level for FY 2012 is 27% below the original appropriation for FY 2010:**
  - FY 2010 (Chap. 879 of 2008)      \$205.0 million
  - FY 2010 (Chap. 781 of 2009)      \$197.3
  - FY 2010 (SB 29, introduced)      \$180.8
  - FY 2011 (SB 30, introduced)      \$156.4
  - FY 2012 (SB 30, introduced)      \$149.7

# Other Criminal Justice Grants

76

- Regional law enforcement training academies (-42%)
- Victim-witness programs (-15%)
- Sexual Assault Crisis Centers (-15%)
- School resource officers (-31%)
- Offender re-entry and transition programs (-15%)
- Court-Appointed Special Advocate (CASA) (-13.5%)

# Forensic Science

77

- Adds \$789,175 GF each year for increased costs of court testimony by forensic scientists.
  - Includes overtime, travel, training, and retention, and filling three unfunded toxicology positions.
- Supreme Court 2009 decision in Melendez-Diaz requires that state law must afford defendants the opportunity to require prosecution to present scientific analyses through direct testimony of forensic scientists.

# Corrections

78

- Replaces equipment funding and lost NGF revenue from Wyoming prisoners in base budget.
- Supplants \$9.9 million GF each year with \$10.0 million NGF each year from expected out-of-state contract.
  - DOC would house 1,000 out-of-state prisoners at Green Rock, and open St. Brides Phase 2.
- Includes language authorizing early release of non-violent offenders (90 days instead of 60 days early).
- Includes language revising jail approval process.
- Payments in lieu of taxes (-\$1.4 m/yr; Code override).

# Alternatives for Nonviolent Offenders

79

- Includes series of language amendments implementing selected recommendations of Task Force on Alternatives for Nonviolent Offenders created in Chapter 781:
  - Electronic monitoring and GPS;
  - \$150,000 NGF for evidence-based training for probation officers (from drug assessment funds);
  - Continuation of task force.
- Includes language directing Secretary of Public Safety to study feasibility of risk assessment instrument as one factor in parole decision-making.

# Other Provisions in Public Safety

80

- Includes no further reductions in Department of Juvenile Justice beyond the September 2009 plan.
- Includes new provisions for Department of Emergency Services to collect amounts which may have been overpaid to localities in the process of reimbursing those localities for expenses incurred in disaster assistance to other states (Emergency Mgmt. Assistance Compact).
- Converts the remaining Parole Board members to part-time status. (Of the five board members, only the chairman would remain full-time.)

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# Technology

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# Overview of Technology

82

- Governor's proposed amendments for FY 2010 result in a net **decrease of \$2.3 million** GF and a **decrease of \$3.7 million** NGF.
  - **\$1.0 million** GF of this decrease reflects the September 2009 budget reduction strategies and **\$1.3 million** GF reflects reduced IT services costs.
- The proposed budget provides about **\$8.8 million** GF in total information technology funding.
  - Taken with the September 2009 decreases, this results in a net **decrease of about 28%** over the previous biennium.

# Summary of Proposed Amendments

<b>Major GF Decreases for the 2010-12 Biennium - (\$ in millions)</b>	
Technology and Life Science Research Funds (IEIA)	(\$ 1.3)
Reduce Overhead Charges for Technology Services* (VITA)	(4.0)
Reduce Information Technology Expenses* (VITA)	(2.8)
Governor's September 2009 Budget Reductions (VITA)	(1.0)
Consolidate Support Positions in the Cabinet	( <u>&lt;0.1</u> )
<b>Total</b>	<b>(\$9.2)</b>

\* Includes both GF reductions and NGF transfers to the General Fund

# Overview of Technology

- The proposed amendments in FY 2010 include new one-time spending of \$19.4 million GF within Central Accounts to address increased technology costs.
  - Impact of 2007 rate structure on small and mid-sized agencies of \$16.6 million.
  - Impact of December 2009 proposed rates of \$2.8 million. These rates were not approved by JLARC.
- Proposed budget provides \$1.5 million GF in FY 2011 and \$1.8 million GF in FY 2012 toward repayment of the Enterprise Applications Division's working capital advance.
  - Used for development of new central accounting and budgeting systems.

# Overview of Technology

85

- Proposes the creation of a \$10.0 million line of credit for the funding of Productivity Incentive Fund projects.
- The source of the funding for repayment of both the capital advance and proposed line of credit is savings from the reimbursements for durable medical equipment purchased by the Departments of Medical Assistance Services and Behavioral Health and Developmental Services.
  - Typically, any savings from these items would be deposited into the general fund.

# Other Technology Actions

86

- Proposes to increase by \$2.0 million the transfer from the Wireless E-911 fund to the Compensation Board to support sheriff's dispatchers in FY 2010, FY 2011, and FY 2012.
  - Brings the total transfer to Compensation Board in each year to \$8.0 million.
- Includes NGF reductions to Wireless E-911 and Geographic Information Services funds of \$1.6 million in FY 2011 and FY 2012.
  - Includes the planned transfer of \$125,000 each year to the general fund.

# Proposed FY 2011-2012 Technology Reductions

87

- Eliminates an appropriation of \$1.8 million NGF in both FY 2011 and FY 2012 provided to the Enterprise Applications Division for the Virginia Election and Registration Information System.
  - Responsibility for this system has been transferred to the State Board of Elections.
- Proposes to increase the line of credit available to the Virginia Information Technologies Agency by \$10.0 million to a total of \$40.0 million.

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# Transportation

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# Overview of Transportation

89

- Proposed amendments to FY2010 transportation funding reflect the September 2009 reduction plan and total **\$14.3 million GF**, or 34.8 percent, and **\$155.6 million NGF**.
  - Reversion of \$13.2 million in GF balances from the Route 58 Corridor Development Fund.
  - Reversion of about \$600,000 GF from Port Authority and \$500,000 from DRPT to be offset by administrative efficiencies.
- The biennial budget includes \$8.1 billion for Transportation agencies, including \$81.9 million GF and \$8.0 billion NGF
  - Represents a total reduction of \$851 million over Chapter 781.
  - Reduction includes \$519.0 million for Dulles Metro that has been transferred to MWAA.
- Defers a portion of the transfer of recordation tax revenues to the Northern Virginia Transportation District in the first year. Also defers \$28.0 million in GF support to the Route 58 Corridor Development Fund.

# Nongeneral Fund Reductions for Transportation

90

- Department of Transportation reductions reflect December revisions in the Commonwealth Transportation Fund revenue forecast.
  - FY2011 (\$259.5 million)
  - FY2012 (\$244.6 million)
- Includes a proposed one year deferral of \$7.0 million NGF from the road, rail, and recreational access programs with funding reinstated in FY11.
- Department of Rail and Public Transportation reductions reflect transfer of programmatic responsibilities.
  - FY2011 (\$217.8 million)
  - FY2012 (\$187.6 million)
- Excluding the transfer of Dulles Metro funds, the net effect of DRPT programs is an increase of \$41.7 million NGF in FY 2011 and \$71.9 million NGF in FY 2012.

# Other Transportation Agencies

91

- Transfers \$3.2 million in balances from the Uninsured Motorist Fund maintained by DMV to the general fund in each year, totaling 9.6 million.
- Annual distributions to the Department of Aviation are increased by \$8.9 million NGF to reflect the appropriate formula allocation.

# Other Transportation Initiatives

92

- Language is included within the Office of the Secretary, VDOT, and DRPT to implement the land-use and planning recommendations of Governor's Subcabinet on Community Investment.
  - Restricts state matching funding for MPOs to those that have established regional land use performance measures.
  - Dedicates up to 10% of 2007 CPR bond revenues from Transit Capital Improvements to Intermodal Planning and Development for projects that have complimentary land use requirements, also dedicates \$500k from Toll Revenues to support planning for this program.
  - Requires any future funding for rail service along the Route 29 corridor to have areas surrounding train stations to be dedicated as Urban Development Areas.

# Other Transportation Initiatives

93

- Budget reflects the proposed transfer of the Towing and Recovery Operations Board from Transportation to the Secretariat of Public Safety.
  - Superintendent of State Police currently serves as Board chairman.
- Includes a NGF and FTE reduction for the Secretary of Transportation Office by eliminating a Deputy Secretary position.
  - There are currently two Deputy Secretary positions.

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# **Economic Development and Natural Resources**

# Overview of Agriculture & Forestry – SB 29 (FY 2010)

95

- Governor's proposed amendments for FY 2010 result in a net **decrease of \$3.9 million GF** or a **9 percent decrease** over the original appropriation for Chapter 781.
  - **Reductions of \$2.3 million GF** to the Department of Agriculture and Consumer Services:
    - Reduction strategies include eliminating 22 positions (resulting in 12 layoffs) throughout the agency, eliminating state funding for coyote control and agricultural statistics survey and reducing funds for farmland preservation.
  - **Reductions of \$1.6 million GF** to the Department of Forestry:
    - Reduction strategies include eliminating 8 vacant positions, deferring equipment purchases and reducing funds for the timberland reforestation program.

# Overview of Agriculture & Forestry – SB 30 (2010-12)

96

- Governor's proposed amendments for the 2010-2012 biennium result in a net **decrease of \$10.2 million GF** or an **11 percent decrease** from the original appropriation for Chapter 781.
  - The majority of these reductions result from continuation of the strategies in SB 29 throughout FY 2011 and FY 2012.
- Proposes transferring the Interstate Meat and Poultry Inspection Program to the U.S. Department of Agriculture, which results in a **reduction of \$1.2 million GF** and elimination of 35 positions.
- Proposes establishing a fee of \$17.50 for the annual inspection of each weights and measures device, which will provide an additional \$2.1 million NGF each year to supplement this program.

# Overview of Commerce & Trade – SB 29 (FY 2010)

- Governor’s proposed amendments for FY 2010 result in a net **decrease of \$4.4 million GF** over the original appropriation for Chapter 781.
  - **Reductions of \$7.6 million GF** are offset by **increases of \$3.2 million GF** to replace ARRA funding.
    - Chapter 781 provided federal stimulus funds for Governor’s Opportunity Fund and Fort Monroe Federal Area Development Authority (ARRA funds are now used in the Compensation Board).

<b>Major Commerce &amp; Trade Agency Reductions in SB 29</b> (GF \$ in millions)	<b>FY 2010</b>
Department of Housing and Community Development	(\$3.3)
Virginia Tourism Authority	(\$1.6)
Virginia Economic Development Partnership	(\$1.5)
Department of Mines, Minerals and Energy	(\$0.6)
Department of Business Assistance	(\$0.3)

# Overview of Commerce & Trade – HB/SB 30

- Governor’s proposed amendments for the 2010-2012 biennium result in a net **increase of \$50.9 million GF** or a **22 percent increase** over the original appropriation for Chapter 781.
  - The majority of this increase results from creation of the Economic Development Incentive Payments, a new holding account and transfer of funds to this account previously in Central Appropriations.

<b>Economic Development Incentive Payments</b> (GF \$ in millions)	<b>FY 2011</b>	<b>FY 2012</b>	<b>Total</b>
GOF and Motion Picture Opportunity Fund	\$12.1	\$12.1	\$24.2
Incentives to Rolls-Royce (from Cent. Appropriations.)	\$12.8	\$7.5	\$20.3
Oceana BRAC Payments (from Cent. Appropriations.)	\$7.5	\$7.5	\$15.0
VA Investment Partnership and Major Employer Grants	\$1.8	\$7.8	\$9.6
Ignite Institute (New Incentive)	\$0.0	\$5.5	\$5.5
Semiconductor Manufacturing Grants to Micron	\$1.6	\$3.8	\$5.4
SRI International (Final Payment)	<u>\$3.0</u>	<u>\$0.0</u>	<u>\$3.0</u>
<b>Total Payments</b>	<b>\$38.8</b>	<b>\$44.2</b>	<b>\$83.0</b>

# Commerce & Trade – Other Increases Proposed in HB/SB 30

99

- An **increase of \$3.2 million GF in FY 2011 and \$4.4 GF million in FY 2012** in the Department of Housing and Community Development for Homeless Programs.
  - These programs were previously funded at \$4.9 million NGF per year from TANF funds, which are no longer available for this purpose.
- Proposes \$2.1 million GF for the Fort Monroe Federal Area Development Authority in the first year only.
  - This is an **increase of \$0.5 million GF** over FY 2010.
- Recommends an **increase of \$1.3 million GF each year** for operating expenses for the Commercial Space Flight Authority.
  - VCSPA previously received \$16.0 million in 2008 bond bill for capital projects at Wallops Island facilities.
- Provides an **increase of \$82.7 million NGF in FY2011** but a **decrease of \$129.1 million NGF in FY 2012** for unemployment insurance benefits in the Virginia Employment Commission.
  - Based on projected unemployment claims.

# Commerce & Trade – Proposed Decreases in HB/SB 30

100

- Continues agency reductions initiated in HB/SB 29:

<b>Major Commerce &amp; Trade Agency Reductions in HB/SB 30</b> (GF \$ in millions)	<b>FY 2011</b>	<b>FY 2012</b>	<b>Total</b>
Department of Housing and Community Development	(\$3.9)	(\$3.9)	(\$7.8)
Virginia Tourism Authority	(\$1.6)	(\$1.6)	(\$3.2)
Virginia Economic Development Partnership	(\$1.5)	(\$1.6)	(\$3.1)
Department of Mines, Minerals and Energy	(\$0.7)	(\$0.8)	(\$1.5)
Department of Business Assistance	(\$0.6)	(\$0.5)	(\$1.1)

- Strategies in DHCD include a reduction of 27 positions and annual reductions of:
  - (\$1.0 million) GF to Enterprise Zone Grants (8%);
  - (\$594,000) GF to the Southeast Rural Community Assistance Project (52%);
  - (\$500,000) GF to Indoor Plumbing Rehabilitation Program (23%);
  - (\$450,000) GF to the Homeless Prevention Program (11%);
  - (\$319,139) GF for Planning District Commissions (16%), and;
  - (\$238,765) GF for Southwest Virginia Water Construction Grants (11%)

# Commerce & Trade – Proposed Fees in HB/SB 30

101

- Proposes the following new or increased fees in the Department of Labor and Industry and the Department of Mines, Minerals and Energy:
  - New Apprenticeship Program annual application fee of \$55, used to supplant \$235,550 GF each year (DOLI).
  - Increase Boiler Inspection fee from \$20 to \$30, assumes \$350,000 each year that is deposited in the GF (DOLI).
  - New annual renewal fee for Gas and Oil Well Permits of \$50, used to supplant \$320,000 GF each year (DMME).
  - Increase Coal and Mineral Mine Safety Program fees from \$180 to \$350 per year, used to supplant \$108,620 GF each year (DMME).

# Overview of Natural Resources – HB/SB 29

- Amendments proposed for FY 2010 include a **decrease of \$9.3 million GF**, which represents a **9.5 percent decrease** from Chapter 781.
- Provides an **increase of \$17.2 million GF** to replace ARRA funding.
  - Chapter 781 provided \$15.2 million in federal stimulus funds for Agricultural Best Management Practices and \$2.0 million NGF for the Virginia Land Conservation Foundation (ARRA funds are now used in the Compensation Board).

<b>Major Natural Resources Agency Reductions in SB 29</b> (GF \$ in millions)	<b>FY 2010</b>
Department of Conservation and Recreation	(\$4.3)
Department of Environmental Quality	(\$2.7)
Department of Game and Inland Fisheries (reduced GF transfer)	(\$2.0)
Marine Resources Commission	(\$1.4)
Department of Historic Resources	(\$0.5)

# Overview of Natural Resources – HB/SB 30

103

- Governor’s proposed amendments for the 2010-2012 biennium result in **decreases of \$21.2 million** GF, offset by **increases of \$13.6 million** from the original appropriation for Chapter 781.
  - The majority of the GF decreases result from continuation of the strategies initiated in SB 29 throughout FY 2011 and FY 2012.
  - The GF increases include providing \$5.0 million GF each year for Agricultural Best Management Practices, restoring \$1.0 million GF or half of the base budget for the Virginia Land Conservation Foundation, and restoring one-time savings to the base budget for the Conservation Reserve Enhancement Program and State Parks.

# Natural Resources – Proposed Decreases in HB/SB 30

- Continues agency reductions initiated in HB/SB 29:

<b>Major Natural Resources Agency Reductions in HB/SB 30</b> (GF \$ in millions)	<b>FY 2011</b>	<b>FY 2012</b>	<b>Total</b>
Department of Conservation and Recreation	(\$3.8)	(\$3.8)	(\$7.6)
Department of Environmental Quality	(\$3.2)	(\$3.2)	(\$6.4)
Department of Game and Inland Fisheries (reduced GF transfer)	(\$2.0)	(\$2.0)	(\$4.0)
Marine Resources Commission	(\$1.4)	(\$1.4)	(\$2.8)
Department of Historic Resources	(\$0.6)	(\$0.6)	(\$1.2)

- Strategies in DCR include a reduction of 26 positions and annual reductions of:
  - (\$2.0 million) GF to State Parks (13%);
  - (\$587,455) GF to Soil and Water Conservation Districts (29%);
- Strategies in DEQ include annual reductions of:
  - (\$847,720) GF from the Water Facilities Revolving Loan Program (28%)
  - (\$364,830) GF from eliminating a contract for fish tissue analysis, and;
  - (\$255,000) GF for local litter control grants (15%).

# Funding for Agricultural Best Management Practices

105

- Proposes a total of \$28.2 million in the 2010-2012 Biennium for Agricultural Best Management Practices to prevent sediment and nutrients from farms entering state waters:
  - \$5.0 million GF each year.
  - \$9.1 million NGF each year.
    - Proposes to increase the Recordation Fee from \$10.00 to \$20.00 for each deed recorded, with the revenue from the increase deposited to the Water Quality Improvement Fund.
    - Language in Part 3 of SB/HB 30 accomplishes this increase.
      - The balance of the \$10.00 Recordation Fee, which was established in budget language in the 2002 Session, will still be deposited to the general fund.

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# Judicial Department

# Overview

107

- **SB 29**, as introduced, includes one change - an increase of \$300,000 in FY 2010 for the involuntary mental commitment fund.
- **SB 30**, as introduced, provides an additional \$150,000 each year in the 2010-12 biennium for the involuntary mental commitment fund.
- **SB 30** results in a net decrease of \$6.5 million GF (0.8 percent below base budget). Of this reduction, \$5.8 million represents cuts made last year.

# Indigent Defense

108

- SB 30, as introduced, includes \$9.0 million in FY 2011 and \$8.5 million in FY 2012 to establish three new public defender offices: in Chesterfield, Henrico, and Prince William Counties.
  - Funding for these offices is provided by reducing the Criminal Fund by \$9.2 million each year.
- Funding for the Virginia Legal Services Corporation (legal aid) through the Virginia State Bar is reduced by \$100,000 GF (4%) each year

# Other Proposals

109

- Includes \$30,240 GF each year for court-appointed counsel for persons in state juvenile correctional facilities. (Companion legislation will be introduced.)
- Includes two language amendments recommended by the Task Force on Alternatives for Nonviolent Offenders:
  - Directing that no funds be used to support drug courts that serve first-time substance abuse offenders only, or do not include probation violators.
  - Establishing, in two circuit courts, pilot programs for dealing with probation violators.

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# Administration

# Overview of Administration

111

- Amendments for the Office of Administration result in a net decrease of \$164.2 million GF for FY 2010 compared to Chapter 781 (2009) – a 24% decrease.
  - A reduction of \$158.0 million GF for locally elected constitutional officers.
  - \$109.0 million of this is replaced with federal stimulus funds.
- The proposed 2010-12 biennial budget for the programs **currently** under the Office of Administration results in a net decrease of \$260.2 million GF compared Chapter 781 (2009) – a 19% decrease.
  - A reduction of \$246.0 million GF for locally elected constitutional officers – a 20% decrease.
  - A reduction of \$7.2 million GF for the Dept. of General Services – a 16% decrease.

# Major Organizational Changes

112

- SB 30, as introduced, contains three significant reorganization proposals:
  - Transfer of the Compensation Board to the Office of Public Safety.
  - Transfer of grants for public television and radio to the Secretary of Education and Workforce.
  - Merger of the Department of Employment Dispute Resolution into the Department of Human Resources Management.

# Compensation Board

113

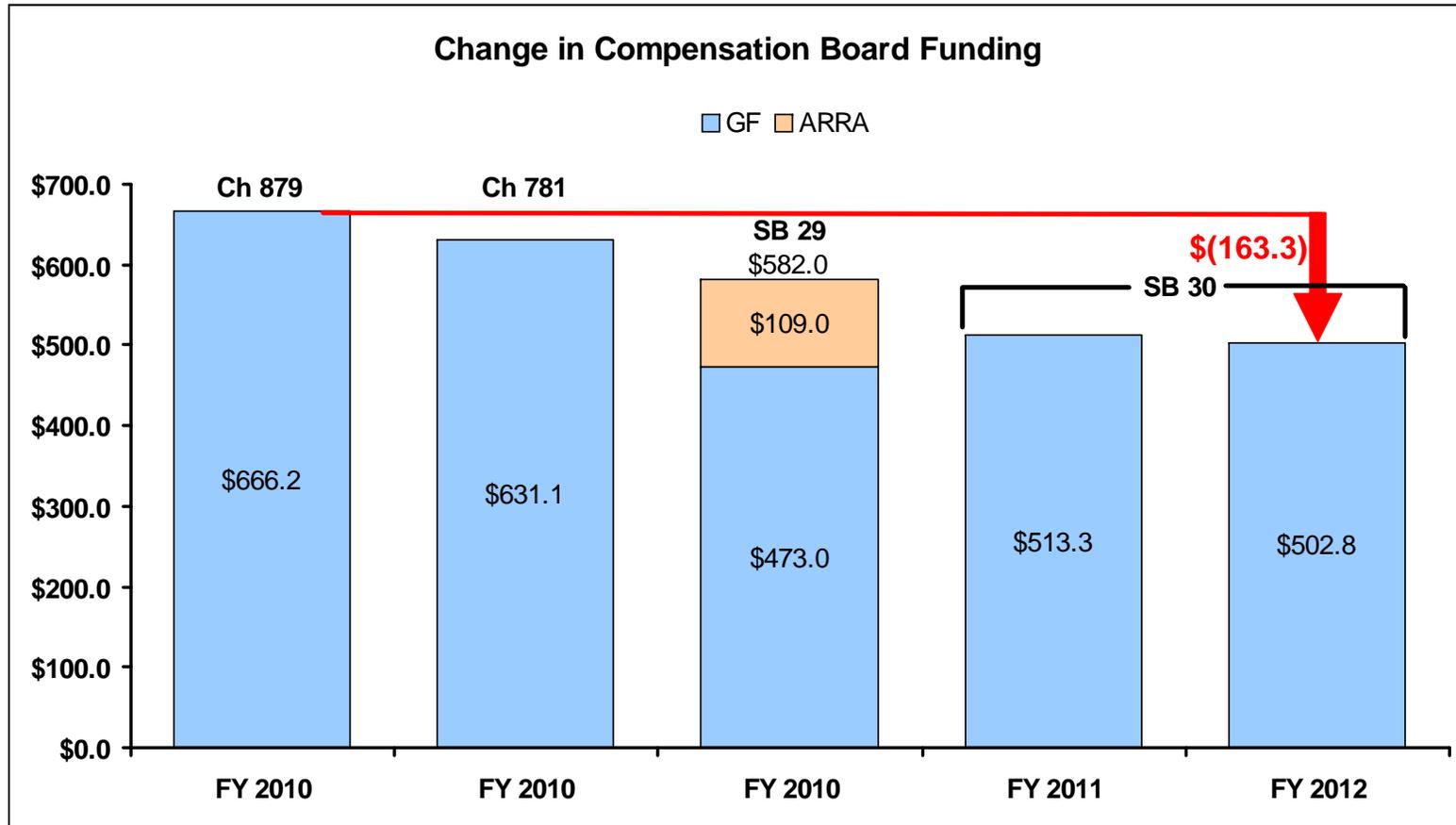
- Amendments for locally elected constitutional officers result in a reduction of \$158.0 million GF for in FY 2010 compared to Chapter 781 (2009) – a 25% decrease.
  - A reduction of \$193.1 million GF compared to Chapter 879 (2008) – a 29% decrease.
  - \$109.0 million of this is replaced with federal stimulus funds.
- The proposed 2010-12 biennial budget for locally elected constitutional officers results in a decrease of \$246.0 million GF compared Chapter 781 (2009) – a 20% decrease.
  - A decrease of \$316.2 million GF compared to Chapter 879 (2008) – a 24% decrease.

# Compensation Board Policy Changes

114

- SB 30, as introduced, contains six significant policy proposals:
  - Transfer of the Compensation Board to the Office of Public Safety.
  - Reduces the ratio of deputy sheriffs from the requirement of 1 to 1,500 of population in § 15.2-1609.1 to 1 to 2,000.
  - Discontinues funding for employee benefits.
  - Allow localities to replace Treasurers and Commissioners with Directors of Finance (Item 425).
  - Discontinues funding of staff for local Treasurers, Commissioners of the Revenue, and Directors of Finance.
  - Decrease the per diem rate for maintenance of state and local prisoners in local and regional jails.

# Change in Compensation Board Funding



# Compensation Board: Change in Funding

Description	Ch 879	Ch 781	SB 29	SB 30		Change FY 10 to FY 12			
	FY 2010	FY 2010	FY 2010	FY 2011	FY 2012	Ch 781 v SB 30		Ch 879 v SB 30	
						\$	%	\$	%
Local Sheriffs and Regional Jails (Staff)	424.1	397.9	257.1	350.8	338.1	(59.8)	(15%)	(86.0)	(20%)
Per Diem Payments	79.8	71.7	68.1	51.1	53.4	(18.4)	(26%)	(26.4)	(33%)
Commonwealth's Attorneys	67.4	66.2	62.5	55.3	55.3	(10.9)	(17%)	(12.1)	(18%)
Clerks of Circuit Courts	41.1	42.1	37.2	32.6	32.6	(9.5)	(23%)	(8.5)	(21%)
Treasurers	19.9	20.2	18.3	8.5	8.5	(11.7)	(58%)	(11.4)	(57%)
Commissioners of the Revenue	20.2	20.4	18.4	9.4	9.4	(11.0)	(54%)	(10.9)	(54%)
Directors of Finance	6.7	6.8	5.8	0.6	0.6	(6.2)	(91%)	(6.1)	(91%)
Constitutional Officers Liability Insurance	3.4	1.3	1.3	1.7	1.7	0.4	31%	(1.7)	(50%)
Compensation Board (Administration)	<u>3.6</u>	<u>4.5</u>	<u>4.2</u>	<u>3.3</u>	<u>3.3</u>	<u>(1.2)</u>	<u>(26%)</u>	<u>(0.3)</u>	<u>(8%)</u>
<b>Total</b>	<b>\$666.2</b>	<b>\$631.1</b>	<b>\$473.0</b>	<b>\$513.3</b>	<b>\$502.8</b>	<b>(128.2)</b>	<b>(20%)</b>	<b>(163.3)</b>	<b>(25%)</b>

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# Finance

# Overview of Finance

118

- The proposed amendments to FY 2010 for the Finance secretariat result in a net decrease of \$37.1 million GF - a 5.4 percent decrease compared to Chapter 781 (2009).
  - Savings of \$39.8 million GF.
  - An increase of \$2.6 million GF.
- The proposed budget for the 2010-12 biennium includes a net increase of \$171.4 million GF compared to Chapter 781 (2009)- a 12.6 percent increase.
  - Savings of \$40.5 million GF.
  - Increases of \$211.9 million GF for three items.

# Major Changes in SB 29 ( FY 2010)

119

- \$2.6 million GF to restore debt service for the state share of local and regional jail projects.
- Net savings of \$30.4 million GF from refinancing of debt.

# Changes in SB 29 ( FY 2010)

120

Description	Ch 781 FY 2010	SB 29 FY 2010	Proposed Change	
			\$	%
<b>Increase</b>				
Restore Local & Regional Jails Debt Service (Treasury Board)	\$0.0	\$2.6	\$2.6	NA
<b>Decreases</b>				
Treasury Board-State Debt Service Adjustment	\$501.9	\$471.5	(\$30.4)	(6.1%)
Accounts	11.1	9.5	(1.5)	(14.0%)
Line of Duty Act (DOA)	10.1	7.8	(2.3)	(22.9%)
Local ABC Profits & Local Share of Taxes (DOA)	46.9	46.3	(0.6)	(1.3%)
Planning and Budget	7.3	6.1	(1.2)	(16.9%)
Taxation	89.9	86.5	(3.4)	(3.8%)
Treasury	8.6	8.3	(0.3)	(3.3%)
<b>Subtotal</b>	<u>681.7</u>	<u>641.9</u>	<u>(39.8)</u>	<u>(5.8%)</u>
<b>Total: GF Operating Budget in 2008-2010</b>	<b>\$681.7</b>	<b>\$644.6</b>	<b>(\$37.1)</b>	<b>(5.4%)</b>

SENATE FINANCE COMMITTEE

# Major Changes in SB 30 ( 2010-12)

121

- \$165.7 million GF for additional debt service requirements.
- \$40.0 million GF for a deposit to the Revenue Stabilization Fund.
- \$3.0 million GF for the local share of ABC profits and wine taxes.
- Eliminate \$20.1 million GF for the Line of Duty program.
  - Supplant with revenues from a new E-911 surcharge and the retiree health credit and group life insurance programs.

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# Compensation

# Compensation and Benefits

123

- Increases of \$98.5 million GF are recommended for three employee benefit programs.
- Savings of \$207.9 million GF are proposed over three years from nine compensation and benefit actions.
- Proposed benefit changes include:
  - Increasing the early retirement age for VRS-covered employees,
  - Modification of the COLAs provided for VRS retirees, and
  - Extension of severance benefits to local employees.

# Compensation and Benefit Increases

- Increases of \$98.5 million GF are recommended in SB 30 for three employee benefit programs:
  - \$77.8 million GF for the employers' share of the increase in health insurance premiums. (5% in FY11 and 10% in FY12.)
  - \$6.8 million GF to fund the increase in Workers' Compensation Insurance premiums.
  - \$14.0 million GF for revised state employer VRS retirement contribution rates.

DESCRIPTION	FY 2011	FY 2012	Total
State Health Insurance Premiums	19.0	56.3	75.3
U.Va. Health Insurance Plan	1.2	1.2	2.4
Workers Compensation Insurance Premiums	3.1	3.7	6.8
VRS Contribution Rates	6.8	7.1	14.0
<b>Total: Compensation and Benefits SB 30</b>	<b>\$ 30.2</b>	<b>\$ 68.3</b>	<b>\$ 98.5</b>

# Compensation and Benefit Savings

- Savings of \$207.9 million GF and \$122.4 million NGF are proposed over three years from nine compensation and benefit actions.

DESCRIPTION	SB 29 FY 2010	SB 30 2010-12	Total
One day State Employee Furlough	(\$9.3)	\$0.0	(\$9.3)
State-supported Local Employee one day Furlough	(1.3)	0.0	(1.3)
Suspend Deferred Compensation Match ( Up to \$20 per pay period)	(2.5)	(23.7)	(26.2)
Record 4th Quarter VRS Contributions in July	(19.8)	(33.9)	(53.7)
Suspend 4th Quarter VRS Contributions	(36.1)	0.0	(36.1)
Suspend 4th Quarter Benefit Contributions	(13.2)	0.0	(13.2)
Other Employee Benefit Contribution Rates	0.0	(2.0)	(2.0)
Employee VRS Retirement Contribution (1% FY11/ 2% FY12)	0.0	(55.7)	(55.7)
Employee ORP Retirement Contribution (1% FY11/ 2% FY12)	<u>0.0</u>	<u>(10.5)</u>	<u>(10.5)</u>
<b>Total: Compensation and Benefits</b>	<b>(\$82.2)</b>	<b>(\$125.8)</b>	<b>(\$207.9)</b>
NGF Transfers to the GF	<u>\$50.6</u>	<u>\$71.3</u>	<u>\$122.4</u>
<b>Total GF Impact: Compensation and Benefits</b>	<b>(\$132.8)</b>	<b>(\$198.1)</b>	<b>(\$207.9)</b>

# Early Retirement Age

126

- Proposed language will increase the early retirement requirements for state employees, teachers, and employees of political subdivisions hired on or after July 1, 2010.
  - Under the Virginia Retirement System (VRS) and the Judicial Retirement System (JRS): move from the current age 50 with 30 years of service to age 55 with 30 years of service.
  - Under the State Police Officers Retirement System (SPORS) and Virginia Law Officers Retirement System (VALORS): move from the current age 50 with 25 years of service to age 55 with 25 years of service.
  - Savings will not be available until future biennia.
  - Current employees will not be affected by these changes.

# Employee VRS Contribution

127

- The employee contribution for VRS retirement is set at 5% by §51.1-144 of the Code of Virginia.
  - The Commonwealth assumed payment of this 5% contribution in lieu of a salary increase in 1983.
  - Most local employers have also assumed payment of the 5% employee contribution.
- Proposes to save \$18.3 million GF in FY 2011 and \$37.4 million GF in FY 2012 by partial reinstatement of the employee contribution for VRS retirement.
  - 1% contribution on July 1, 2010, and
  - 2% on July 1, 2011.

# Optional Retirement Plan Contribution

128

- The Code of Virginia provides for three optional retirement plans:
  - Faculty,
  - State appointed officials, and
  - School superintendents.
- These are defined contribution plans.
- The employer contribution rates are set at 10.4% by §§51.1-126, 51.1-126.5, 51.1-126.6, of the Code of Virginia.
- Savings of \$3.4 million GF in FY 2011 and \$7.0 million GF in FY 2012 are proposed from a new employee contribution by participants in the defined contribution retirement plans.
  - 1% contribution on July 1, 2010, and
  - 2% on July 1, 2011.

# VRS Cost of Living Increase

- Proposed language alters the annual cost of living adjustments (COLAs) provided under the Virginia Retirement System (VRS), the Judicial Retirement System (JRS), the State Police Officers Retirement System (SPORS), and Virginia Law Officers Retirement System (VALORS).
- Applies to state and local employees hired on or after July 1, 2010.
- Savings will not be available until future biennia.

	Examples of CPI Increase		
	10.0%	5.0%	3.0%
<b>Current COLA (Max 5.0%):</b>			
Fully recognize the first 3%	3.0%	3.0%	3.0%
1/2 of the next 4%	<u>2.0%</u>	<u>1.0%</u>	<u>0.0%</u>
<b>Total COLA</b>	<b>5.0%</b>	<b>4.0%</b>	<b>3.0%</b>
<b>Proposed COLA ( Max 4.0%):</b>			
Fully recognize the first 2%	2.0%	2.0%	2.0%
1/2 of the next 4%	<u>2.0%</u>	<u>1.5%</u>	<u>0.5%</u>
<b>Total COLA</b>	<b>4.0%</b>	<b>3.5%</b>	<b>2.5%</b>

# Impact of Actions on Net Income

130

- Two compensation actions will have an impact on employee net (income for FY 2011 and FY 2012):
  - Proposed increase in the employee cost of health insurance (5% in FY11 and 10% in FY12), and
  - Reinstitution of an employee contribution for retirement (1% in FY11 and 2% in FY12).
- Net income for an employee with family health insurance will be reduced by:
  - 3.6% for the lowest paid employees,
  - 1.7% for average employees, and
  - 1.8% for more highly paid employees.

# Local Severance Program

131

- Language would extend severance benefits provided to state employees under the Workforce Transition Act of 1995 to employees of school boards and other political subdivisions who are involuntarily separated from employment.
  - Severance pay would vary from 4 to 36 weeks, based on length of service.
  - Group health and life insurance coverage would continue for up to 12 months, with the employer paying the employer's premium.
  - Eligible employees aged 50 or over may elect to purchase VRS service or age credit and retire.
- Local governing bodies would be required to pass a resolution electing to participate in this program.
- No additional funding is provided.
- The additional cost of retirement benefits would be charged to the respective local pool, or the state-wide teacher retirement pool.

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# Capital Outlay

# Proposed Capital Outlay Funding

Fund Type	SB 29 FY 2010	SB 30 2010-12	Total
General Fund Cash	\$0.0	\$39.2	\$39.2
VPBA / VCBA Tax-Supported Bonds	0.0	1,248.6	1,248.6
9(c) Revenue Bonds	0.0	206.9	206.9
9(d) NGF Revenue Bonds	67.0	142.7	209.7
Virginia Port Authority Bonds	0.0	0.0	0.0
Nongeneral Fund Cash	<u>5.4</u>	<u>231.2</u>	<u>236.6</u>
<b>GRAND TOTAL: CAPITAL</b>	<b>\$72.4</b>	<b>\$1,868.5</b>	<b>\$1,940.9</b>

# Funding by Project Category

- Proposed GF projects total \$1,287.7 million for five project categories:

<u>Category</u>	<u>GF</u>	<u>Bonds</u>
29 New Construction and Renovation Projects	\$0.0	\$1,087.6
Maintenance Reserve	15.0	100.0
Energy Conservation Project Pool	0.0	35.2
Equipment for 18 Previously Approved Projects	0.9	25.8
Restore Planning for 14 projects	<u>23.3</u>	<u>0.0</u>
<b>Total: GF/GF Supported Capital Projects</b>	<b>\$39.2</b>	<b>\$1,248.6</b>

# Capital Outlay Policy Issues

135

- The Commonwealth's available debt capacity under the existing Debt Capacity Model is zero for FY 2010, FY 2011, FY 2012, and FY 2013.
  
- Language requires that projects be funded in priority order:
  - Priority 1: Maintenance Reserve
  - Priority 2: Higher Education Equipment Trust Fund
  - Priority 3: Equipment for Previously Funded Projects
  - Priority 4: Improvements: Energy Conservation
  - Priority 5: Construction funds for projects with completed planning