

**SENATE OF VIRGINIA**

# **Senate Finance Committee**

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## **Overview of Committee Budget Amendments to SB 29 and SB 30, as Introduced**

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**February 24, 2010**

# Presentation Outline

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

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# Overview/Resources

# Budget Shortfall of \$4.5 billion

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- The budget shortfall results from:
  - Projected biennial revenues fall short of the two-year base budget by about **\$1.6 billion**.
    - In other words, revenues don't support current operations.
  - In addition, about **\$2.9 billion** in additional spending is included in the budget, largely due to restoring the ARRA dollars provided for the enhanced Medicaid match.

# SB 30, as introduced: How Shortfall was Closed

	<u>FY 2011</u>	<u>FY 2012</u>	<u>Biennial</u>
<b>Budget Shortfall</b>	\$ (2,206)	\$ (2,279)	\$ (4,485)
<b>Actions to Close Budget Shortfall</b>			
Resources	\$ 190	\$ 170	\$ 360
Budget Reductions Sept 09	\$ 280	\$ 436	\$ 716
Additional Reductions	\$ 798	\$ 734	\$ 1,532
Remove Car Tax	<u>\$ 950</u>	<u>\$ 950</u>	<u>\$ 1,900</u>
<b>Total</b>	<b>\$ 2,218</b>	<b>\$ 2,290</b>	<b>\$ 4,507</b>

# Senate Finance Committee Recommendations

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- Objectives:
  - Restore funding for car tax relief while limiting further reductions in funding for core services.
  - Address funding for a limited number of issues:
    - Fund Composite Index adjustment in first year, with hold-harmless provision in both years for those localities seeing an increase in their LCI.
    - Partial restoration of funding for constitutional officers, law enforcement, local police.
    - Employee 3 percent bonus in second year.
  - Support recommendations that retain jobs and spur job creation.

# Recommended spending items

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<b>(\$ in millions)</b>	<b><u>FY 2011</u></b>	<b><u>FY 2012</u></b>	<b><u>Biennial</u></b>
Restore Car Tax	\$950.0	\$950.0	\$1,900.0
K-12: Composite Index	145.9	116.0	261.9
Partially Restore Comp Board	114.0	115.2	229.2
Partially Restore HB599	10.3	10.3	20.6
GF for Byrne Grant (Comp Bd)	23.3	23.3	46.6
Employee Bonus, Second Year 3%	-	82.2	82.2
Higher Education Auxiliary Balances	18.8	-	18.8
Health and Human Resources	13.0	15.0	28.0
<b>Total</b>	<b><u>\$1,275.3</u></b>	<b><u>\$1,312.0</u></b>	<b><u>\$2,587.3</u></b>

# Proposed Strategies

- Strategies to fund objectives:
  - Additional budget reductions of \$834 million in FY 2011 and \$1,064 million in FY 2012.
    - Includes one-time GF savings in VRS program of about \$415 million.
  - Additional resources from interim revenue reforecast, fee bills, balances, the NGF portion of the VRS, and unappropriated balances provide about \$714 million over three years.

# Recommended net budget actions

(\$ in millions)	<u>FY 2011</u>	<u>FY 2012</u>	<u>Biennial</u>
K-12 Public Education	(37.4)	(95.6)	(133.0)
Health and Human Resources	(116.8)	(227.2)	(344.0)
Higher Education	-	(9.5)	(9.5)
Admin/Comp Board	91.1	90.0	181.1
Finance/Car Tax	947.1	889.6	1,836.7
Economic Development	(13.0)	(13.4)	(26.4)
Agriculture and Forestry	(2.4)	(2.2)	(4.6)
Natural Resources	(6.8)	(6.8)	(13.6)
Public Safety	(9.0)	(16.2)	(25.2)
Judicial	(12.3)	(15.3)	(27.6)
General Govt/VRS	(369.9)	(326.8)	(696.7)
Other	2.5	1.8	4.3
Capital Outlay	(36.8)	0.0	(36.8)
<b>Total</b>	<b>436.3</b>	<b>268.4</b>	<b>704.7</b>

# Proposed VRS Savings Actions

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- For FY2010-12, the Commonwealth would pay less than the expected VRS employer contribution rate.
  - For state employees: pay 8.04% rather than 11.58%
  - For teachers: pay 10.32% rather than 15.49%
- Modify retirement benefit program for prospective state employees and teachers to help address long term costs (SFC Sub for HB 1189).
  - Bond rating agencies may look for such action in conjunction with funding less than “typical” rate.
- Saves \$165 million GF from state employees and \$250 million GF from teachers. Also NGF component of \$93 million. **Total savings= \$508 million.**

# Recommended Resource Adjustments

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- Revenue Forecast: Governor's interim forecast adds \$82.5 million in FY 2010, and \$118.0 million to the FY 2010-12 forecast.
- Recommended adjustment to refunds of \$50 million per year to reflect slower refund activity, primarily in claims for the land preservation tax credit.
- SB 329 fee bill to help support restoration of comp board and HB 599 funding = \$101.6 million.
- Nongeneral fund component of VRS and other benefit actions = \$93 million.
- Continues fee increases and policy changes proposed in SB 29 and SB 30, as introduced (exception: IRS conformity on two provisions).

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# **K-12 Education**

# Minimizes Net Additional GF Reductions to Direct Aid to Localities for Public Education

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- **Reductions of (\$37.4 million) GF in FY 2011 and (\$95.6 million) GF in FY 2012, for a biennial total of (\$133.0 million) GF.**
- Also adds over \$57 million per year for schools by reinstating the Virginia Public School Authority educational technology grants.
- In addition, provides temporary partial relief on retirement contribution and Group Life rates to provide significant state savings (est. \$154.7 million in FY 2011 and \$168.1 million in FY 2012), and local savings (est. \$240 million in FY 2011 and \$260 million in FY 2012).
  - It is the intention that these local savings would be used to help maintain local school spending levels.

# Composite Index of Local Ability-to-Pay (LCI)

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- SB 30 as introduced “froze” the Composite Index at the 2008-10 calculations for FY 2011, rather than making the rebenchmarking update using the 2010-12 calculations.
- Senate Finance Committee amendments:
  - Add \$29.5 million GF in FY 2011 to use the updated 2010-12 LCI in FY 2011.
  - Add \$116 million in FY 2011 and \$115 million in FY 2012 to provide a **full hold harmless** to **all** school divisions in both years.

# Summary of Increases

<b>\$ in millions</b>	<b>2010-12</b>
Composite Index Hold Harmless	\$231.7
Use 2010-12 Composite Index in FY 2011	\$29.5
Debt Service to Restore \$57M VPSA Tech. Grants in FY 11 and 12	\$10.7
<i>Technical</i> – Correction to Facilities Non-Personal Support	\$8.0
Restore Education Savings from Proposed Closure of MH Facilities	\$3.4
Additional Sales Tax (SB 452)	\$1.2
New Regional Governor’s School at Innovation Park	\$0.6
Increase School Breakfast Reimbursement by 10% to 22 Cents	\$0.5

# Summary of Decreases

<b>\$ in millions</b>	<b>2010-12</b>
Include \$0 Values in Non-Personal Support LWA (GOV)	(\$78.7)
Reduce Addtl. Support for School Construction & Op. Costs (GOV)	(70.0)
Eliminate Travel, Rentals/Leases, Facilities from SOQ (GOV) – <i>Temp.</i>	(69.5)
<i>Technical</i> – Correct ADM Used to Calculate Prevailing Costs	(49.2)
Modify Federal Deduct for Percent Funded Support Costs (GOV)	(38.6)
<i>Technical</i> – Adjust Savings in the Intro. Budget Re: Regional Progs.	(17.5)
Capture Non-Participation Savings in At-Risk Preschool Initiative	(14.0)
Use Additional Literary Fund Balances for Retirement Costs (GOV)	(13.0)
Update Lottery Forecast for Powerball Game	(10.0)
Extend FY 10 VPSA Tech. Grants Term from 5 to 6 Years	(4.9)
Restore Re-benchmarking Inflation Update	(1.6)
Defer Funding for Textbooks in FY 2012	(51.4)

# Flexibility

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- Temporarily allows class sizes to increase by one, if necessary.
- Directs Board of Education to study elimination of testing not required by NCLB or verified credits.
- Directs JLARC to include schools and locals in study of “Opportunities for Regional Cooperation in Government Services”.
- Removes requirement for four annual reports by DOE.
- Specifies that support funds may be used for instruction (also requires calculation of cost of eliminating the support position cap for 2012-14 biennium).
- Advances proposal for statewide health insurance pool for school employees.
- Delays recent Standards of Accreditation until July 2011 (SB 352).
- Replaces burdensome local collection of triennial census (SB 413).

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# Higher Education

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# Summary of Proposed Amendments SB 29

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<b>Major GF Actions for the 2008-10 Biennium - (\$ in millions)</b>			
<b><i>COLLEGES/UNIVERSITIES/DIRECTLY AFFILIATED</i></b>	<b>SB 29</b>	<b>SFC</b>	<b>Diff.</b>
Across-the-Board Reductions	(\$46.7)	(\$46.7)	\$0
<b><i>OTHER HIGHER EDUCATION</i></b>			
Across-the-Board Reductions	(2.7)	(2.7)	0
<b><u>REDUCTIONS TOTAL</u></b>	<b>(\$49.4)</b>	<b>(\$49.4)</b>	<b>\$0</b>
Increase Interest Earnings and Credit Card Rebate	0.1	0.1	0
<b><u>SPENDING TOTAL</u></b>	<b>\$0.1</b>	<b>\$0.1</b>	<b>\$0</b>
<b><u>NET REDUCTIONS</u></b>	<b>(\$49.3)</b>	<b>(\$49.3)</b>	<b>\$0</b>
<b>Proposed Federal Education Stimulus Allocation</b>	<b>\$75.0</b>	<b>\$75.0</b>	<b>\$0</b>

# Overview of Actions in SB 30

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- **No additional reductions** proposed to higher education institutions above those contained in the introduced budget.
  - The lack of stimulus funding available for FY 2012 leaves reductions to higher education institutions at 13 to 15 percent, no additional reductions were proposed.
- Restored the \$18.8 million that was proposed for transfer from higher education auxiliary balances in FY 2011.
- Creates an in-state capital outlay fee based on \$2.50 per credit hour to help support authorized capital outlay projects in FY 2012, a savings of \$18.2 million.
- Proposes a reduction of almost \$10 million GF in FY 2012 to the Tuition Assistance Grant (TAG) Program.

# Summary of Proposed Amendments

## SB 30

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<b>Major GF Actions for the 2010-12 Biennium - (\$ in millions)</b>			
<b><i>COLLEGES/UNIVERSITIES/DIRECTLY AFFILATED</i></b>	<b>SB 30</b>	<b>SFC</b>	<b>Diff.</b>
Across-the-Board Reductions	(\$243.5)	(\$243.5)	\$0
Technical Base Adjustments/Other Reductions	(43.2)	(43.2)	0
<b><i>OTHER HIGHER EDUCATION</i></b>			
Across-the-Board Reductions	(5.5)	(5.5)	0
Technical Base Adjustments/Other Reductions	(10.3)	(20.3)	10.0
<b><u>REDUCTIONS TOTAL</u></b>	<b>(\$302.4*)</b>	<b>(\$312.4*)</b>	<b>(\$10.0)</b>
Increase Interest Earnings/Credit Card Rebate/Program Enhancements	1.4	1.9	0.5
<b><u>SPENDING TOTAL</u></b>	<b>\$1.4</b>	<b>\$1.9</b>	<b>\$0.5</b>
<b><u>NET REDUCTIONS</u></b>	<b>(\$301.0)</b>	<b>(\$310.5)</b>	<b>(\$9.5)</b>
<b>Proposed Federal Education Stimulus Allocation</b>	<b>\$198.3</b>	<b>\$198.3</b>	<b>\$0</b>

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

SENATE FINANCE COMMITTEE

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# Health and Human Resources

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# SB 29 (Caboose Bill)

- The introduced budget for HHR in FY 2010 (Caboose Bill) included a **net decrease** of \$110.5 million GF.
- The Committee's amendments to SB 29 include a **general fund savings** of \$14.7 million to reflect an adjustment to cigarette tax collections compared to the forecast.
  - Revenues from cigarette taxes are deposited into the Virginia Health Care Fund and used as the state share of Medicaid spending.
  - The introduced budget assumed a decline in the collection of cigarette taxes based on a 62 cents per pack federal increase that took effect on April 2009.
  - Collections data from July through December 2009 show no signs of a decrease.

# SB 30 (2010-12 Biennium)

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- The introduced budget included a **net increase** of \$1.4 billion GF for the biennium compared to Chapter 781.
  - Proposed spending of \$2.1 billion, primarily related to the forecast and backfilling federal stimulus dollars, was offset by \$688 million in reductions.
- The Committee's amendments result in a **net general fund reduction** of \$344 million comprised of:
  - \$333 million in proposed reductions;
  - \$27 million in restorations; and
  - \$38 million in revenue to the general fund.

# HHR Reductions by Agency

(\$ in millions)

<b>Comparison of Introduced Budget to SFC</b>			
<b>Agency</b>	<b>SB30</b>	<b>SFC</b>	<b>Diff.</b>
Medical Assistance Services	\$1,658.2	\$1,354.3	(\$303.9)
Social Services	2.1	(3.5)	(5.6)
Behavioral Health & Dev. Services	(118.3)	(103.8)	14.5
Comprehensive Services Act	(79.4)	(85.4)	(6.0)
Department of Health*	(28.4)	(66.1)	(37.8)
All Other HHR Agencies	<u>(14.2)</u>	<u>(19.6)</u>	<u>(5.3)</u>
<b>Total</b>	<b>\$1,420.0</b>	<b>\$1,075.9</b>	<b>(\$344.1)</b>
* Includes offsetting revenue of \$34.2 million.			

# General Fund Impact on HHR Budget

(\$ in millions)

Budget Action	Biennial Savings
Net General Fund Reduction	(\$344.1)
Medicare Part D “clawback” payment	(85.7)
Adjustment to Virginia Health Care Fund	(22.2)
Additional revenues to the GF from:	
- \$2.00 increase in \$4 for Life (Net of RSAF restoration)	(21.0)
- \$50 increase in driver’s license reinstatement fee (Net of Trauma Center restoration)	(13.2)
- Medicaid savings that had been transferred to NGF	(3.3)
<b>Net GF Impact</b>	<b>(\$198.8)</b>

# Restorations Contingent Upon the Extension of Federal Medicaid Relief

(\$ in millions)

Budget Action	Biennial Amount
Provider rate reductions of 4 percent in FY 2012 (MCOs, Hospitals, Nursing Homes, Physicians, Dentists)	\$112.7
Inflationary adjustments for Hospitals and Nursing Homes*	87.1
Change in eligibility for SSI population	72.3
Home- and community-based waivers (5 percent rate reduction*, respite care*, and freeze)	40.4
Change in eligibility for the Aged, Blind, and Disabled	36.4
All other	11.2
<b>Total Contingent Restorations</b>	<b>\$360.1</b>
<i>* Restored in FY 2011 only.</i>	

# Department of Medical Assistance Services

<b>GF Changes Compared to SB 30, As Introduced - (\$ in millions)</b>	
Reduce a) provider rates by 4%, b) pharmacy dispensing fee by \$0.25, and c) out-of-state hospital payments	(\$126.1)
Supplant GF with NGF Revenues from “Clawback” payment and Virginia Health Care Fund adjustment	(108.0)
Reduce eligibility from 300 to 250% of SSI for waiver services (FY12) and 80 to 75% for aged, blind & disabled	(73.8)
Other reductions (administrative reduction and changes to environmental modification & assistive technology)	(4.0)
Restorations for hospitals receiving DSH, podiatry services and long-stay hospitals	8.0
<b>Total GF Increases in DMAS</b>	<b>(\$303.9)</b>

# Other HHR Restorations

<b>Major GF Restorations to SB 30, as introduced - (\$ in millions)</b>	
<b>DBHDS:</b> Restored funding for the CCCA in Staunton	\$13.3
<b>DBHDS:</b> Restored funding for jail diversion services	1.4
<b>Health:</b> Restored funding for health safety net providers	1.9
<b>Health:</b> Restored funding to the Rescue Squad Assistance Fund (NGF)	3.2
<b>Health:</b> Restored funding to hospitals that operate trauma centers (NGF)	4.8
<b>DMAS:</b> Restored exemption from PDL for mental health drugs	4.0

# Other HHR Reductions

<b>Major GF Reductions to SB 30, as introduced - (\$ in millions)</b>	
<b>CSA:</b> Increase local share of Medicaid-funded residential services	(\$6.0)
<b>DRS:</b> Reduce administrative reimbursement by 5 percent	(2.3)
<b>DRS:</b> Reduce funding for centers for independent living	(0.9)
<b>DSS:</b> Reduce auxiliary grant rates by 4 percent in FY 2012	(2.4)
<b>DSS:</b> Reduce 2 <sup>nd</sup> year funding amounts for Healthy Families	(2.0)

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# Public Safety

# SB 30 (2010-12 Biennium)

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- The budget, as recommended, for the 2010-12 biennium reverses the proposed transfer of the Compensation Board to the Office of Public Safety (and restores the Comp Board to the Office of Administration).
  - Excluding the Comp Board transaction entirely, the recommended total for Public Safety is \$3.2 billion GF for the 2010-12 biennium, which is 8.5 percent lower than the 2008-10 biennium (Chapter 781).
  - Continues most of the September 2009 reductions, with certain additional reductions.

# State Police

- Supplants all of the general funds for med-flight helicopters with increased \$6-for-Life funds.
- Postpones additional Basic Trooper Schools into the 2012-14 biennium, for a savings of \$4.9 million in FY 2011 and \$6.4 million in FY 2012.
  - In order to maintain the agency's core responsibilities, sworn positions will have to be reassigned between criminal investigation and highway patrol duties.

# HB 599

- SFC amendment adds \$10.3 million GF each year (for FY 2011 and 2012) for state aid to localities with police departments.

FY 2010 (Chap. 781 of 2009)	\$197.3 million (all funds)
FY 2010 (SB 29, SFC proposed)	\$180.8
FY 2011 (SB 30, Introduced)	\$160.6
FY 2012 (SB 30, Introduced)	\$160.6
FY 2011 (SB 30, SFC proposed)	\$170.9
FY 2012 (SB 30, SFC proposed)	\$170.9

# Adult Corrections

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- Closes one additional correctional facility (savings of \$9.0 million the first year and \$11.0 million the second year).
- Supplants \$9.9 million GF each year with \$10.0 million NGF each year from an out-of-state contract.
  - DOC will house 1,000 Pennsylvania prisoners at Green Rock, and has opened 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.
- Adjusts definition of state-responsible prisoner.

# Other Reductions

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- **Department of Juvenile Justice**
  - Additional \$2.5 million from VJCCCA
  - Additional \$1.4 million from vacant positions
  - One (of three) halfway houses closed
  - Other administrative savings (-3 FTE)
  
- **Department of Correctional Education**
  - Vacancy savings (\$2.0 m/yr 1, \$2.4 m/yr 2)
  - Reorganization study
  
- **Department of Forensic Science**
  - Other administrative savings (-2 FTE)

# Alcoholic Beverage Control

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- Adds NGF to open 15 new stores in locations selected for their potential to maximize profits.
- Adds language authorizing ABC Board to determine days and hours of operation for retail stores statewide; in other words, to authorize Sunday sales – includes an opt-out provision for local governments.
- Increases ABC transfer to GF by \$1.9 million the first year and \$4.5 million the second year.

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# Judicial

# Overview of the Judicial Department

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- Reduces funding for the court system by 6.5% in FY 2011 and 7.0% in FY 2012 (below Chapter 781).
- Creates a task force, chaired by the Chief Justice, to develop strategies to maintain the administration of justice during this time of limited resources, with reports and proposed legislation to the Governor and the General Assembly.
  - Includes six judges, the Executive Secretary, representatives from Senate Courts and Senate Finance, the House of Delegates, and the Governor.

# Indigent Defense

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- Eliminates \$4.2 million per year for waivers for increased fees for court-appointed attorneys.
- Reduces the Criminal Fund by \$6.0 million in FY 2011 and \$9.0 million in FY 2012 to reflect the expectation that Commonwealth's Attorneys will not seek jail time for less serious misdemeanor offenses, in most cases.
  - Adds language requesting the Committee on District Courts to provide policy guidance in this regard.
- Reduces funding for the Indigent Defense Commission by \$1 million each year (-2%) from vacancies.

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# Technology

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# Technology Funding

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- Provides a total of \$5.0 million for creating biotechnology and life-science jobs.
  - A total of \$2.0 million for expanding funding under the GAP program administered by the CIT. Requires a return on investment of at least 11:1.
  - A total of \$3.0 million to fund the Virginia Biotechnology Wet-Laboratory Program for the development of wet lab “shell buildings.”
- Eliminates proposed \$19.4 million in funding to support IT services rates charged to agencies in FY10 (SB 29).
- Eliminates a proposed \$10 million line of credit for the Productivity Investment Fund.

# Technology Oversight Language

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- Requires the CIO to notify the Chairmen of Senate Finance and House Appropriations of the financial impact of any proposed modifications to the outsourcing contract prior to executing changes.
- Requires VITA to analyze procurement costs and options relative to IT goods and services that do not currently have established contract billing units.
- Requires VITA to provide a comprehensive plan for funding enterprise applications; proposed funding with Durable Medical Equipment savings was rejected by the HHR subcommittee.
- Authorizes JLARC to provide ongoing oversight of VITA using the model currently provided for VRS oversight.
  - Reporting would be periodic and ongoing, as directed by JLARC.

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# Transportation

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# Transportation Funding

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- Proposes to capture balances in FY 10 (SB 29) of:
  - \$5.2 million from Real ID program implementation.
  - \$2.0 million in Aviation Special Funds.
- Eliminates proposal to shift a portion of transit capital bond proceeds authorized under HB 3202 (2007) to fund land use and development grant program in VDOT.
- Includes language giving DRPT the flexibility to transfer up to 20 percent of transit capital allocations to support transit operations if state operating support falls below prior year level.

# Transportation Language

- Requires the DRPT to identify the estimated ridership and potential costs of operating daily connector bus service from Roanoke to Lynchburg as part of the three year pilot project.
- Requires VDOT to honor an agreement to provide for soundwalls along the state-controlled portion of the Dulles Access Toll Road Connector.
- Requires VDOT to work with DHR to ensure any improvements or enhancements to roads that intersect with the Georgetown Pike to respect the historic nature of the roadway.

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# **Economic Development and Natural Resources**

# Amendments Proposed for Agriculture & Forestry – SB 30

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- Restores funding of **\$1.2 million GF** and **\$2.1 million NGF** for the Interstate Meat and Poultry Inspection Program and avoids layoffs of 35 employees.
- Provides **\$1.0 million GF** and **\$4.8 million NGF** and requires annual inspections of each weights and measures device.
  - NGF from fee of one-tenth of one cent per gallon on motor fuels collected at the rack, dedicated to inspection of gas pumps (SB 261).
- Provides **\$2.6 million NGF** from wine liter tax from farm wineries to Wine Promotion Fund (SB 237).
- Restores **\$142,500 GF each year** in FY 10, FY 11 and FY 12 for coyote control program.

# Amendments Recommended for Commerce & Trade – SB 30

- Provides a total of **\$67.1 million GF** for Economic Development Incentive Payments.
  - An additional \$5.0 million in GOF “claw backs” is provided for the Mega-Projects Site Grant Fund (SB 730).
  - Funding for Computer Equipment/Software Grant (SB 130) and Motion Picture Grant Fund (SB 257) is provided out of GOF.

<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	\$12.8	\$7.5	\$20.3
VA Investment Partnership and Major Employer Grants	\$1.8	\$6.8	\$8.6
Ignite Institute (SB 644)	\$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>\$31.3</b>	<b>\$35.7</b>	<b>\$67.1</b>

# Commerce & Trade – Proposed Reductions in SB 30

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- Eliminates BRAC payments to VA Beach for mitigation of encroachment around Oceana for **savings of \$15.0 million GF.**
- Eliminates state support for regional Planning District Commissions for **savings of \$3.6 million GF.**
- Proposes agency reductions through cutting administrative expenses and other efficiencies:

<b>Commerce &amp; Trade Agency Reductions in SB 30</b> (GF \$ in millions)	<b>FY 2011</b>	<b>FY 2012</b>	<b>Total</b>
Department of Business Assistance	(\$0.4)	(\$0.5)	(\$0.9)
Department of Labor and Industry	(\$0.2)	(\$0.2)	(\$0.4)
Department of Mines, Minerals and Energy	(\$0.8)	(\$0.8)	(\$1.5)
Virginia Economic Development Partnership	(\$0.7)	(\$0.7)	(\$1.4)
<b>Total</b>	<b>(\$2.1)</b>	<b>(\$2.2)</b>	<b>(\$4.3)</b>

# Amendments Recommended for Natural Resources – SB 30

51

- Proposes **savings of \$10.0 million GF** through requiring environmental permit fees to cover greater percentage of direct permit program costs.
  - Hazardous Waste permit fees to cover 100 percent of direct costs, savings of \$500,000 GF.
  - Solid Waste permit fees to cover 75 percent of direct costs, savings of \$3.5 million GF.
  - Water Discharge permit fees to cover 55 percent of direct costs, savings of \$6.0 million GF.
- Removal of cap on Land Preservation Tax Credit transfer (SB 264) provides **\$4.0 million NGF**, to be distributed to public and private entities that hold easements to monitor and enforce provisions of easements earning tax credits.

# Funding for Agricultural Best Management Practices

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- Proposes a total of **\$24.2 million** in the 2010-2012 Biennium for Agricultural Best Management Practices to prevent sediment and nutrients from farms entering state waters:
  - \$3.0 million GF each year.
  - \$9.1 million NGF each year.
    - Increases 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 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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# General Government

# Compensation Board: Summary of Proposed Amendments

- A net total of \$182.2 million GF is included for restoration of funding for locally-elected constitutional officers.
  - \$101.8 million of this is from SB 329.

Description	FY 10	FY 11	FY 12	Biennium	Three-Year Total
<b>Net Compensation Board Restoration</b>	<b>\$3.6</b>	<b>\$88.9</b>	<b>\$89.7</b>	<b>\$178.7</b>	<b>\$182.2</b>
<b>Resources for Restoration</b>					
Fund Commonwealth's Attorneys with Fees (SB 329-Stuart)	\$0.0	\$10.2	\$10.2	\$20.4	\$20.4
Fund Sheriffs & Regional Jails with Fees (SB 329-Stuart)	<u>\$0.0</u>	<u>\$40.7</u>	<u>\$40.7</u>	<u>\$81.4</u>	<u>\$81.4</u>
<b>Total: Resources for Restoration</b>	<b>\$0.0</b>	<b>\$50.9</b>	<b>\$50.9</b>	<b>\$101.8</b>	<b>\$101.8</b>
<b>Net "Cost"</b>	<b>\$3.6</b>	<b>\$38.0</b>	<b>\$38.8</b>	<b>\$76.9</b>	<b>\$80.5</b>

# Compensation Board: Summary of Proposed Amendments

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Description	FY 10	FY 11	FY 12	Biennium	Three-Year Total
Add Back 2009 Byrne/JAG Supplant (Sheriffs & Regional Jails)	\$0.0	\$23.3	\$23.3	\$46.6	\$46.6
Restore FY 2010 5% Per Diem Reduction	\$3.6	\$0.0	\$0.0	\$0.0	\$3.6
Restore Selected Proposed Reductions	\$0.0	\$97.7	\$97.4	\$195.1	\$195.1
Restore Law-enforcement Deputies at 1:1,500	\$0.0	\$12.6	\$12.1	\$24.7	\$24.7
Restore Career Development programs	\$0.0	\$5.2	\$5.2	\$10.4	\$10.4
Across-the-Board Reductions (8% to 10%)	\$0.0	(\$43.1)	(\$42.1)	(\$85.2)	(\$85.2)
Per Diems: \$0 Awaiting Trial/\$4 Less than 1 Year/\$14 1Year or More	\$0.0	(\$6.3)	(\$6.3)	(\$12.6)	(\$12.6)
Adjust Jail Funding (Pittsylvania & Patrick Counties)	\$0.0	(\$0.5)	\$0.2	(\$0.3)	(\$0.3)
Strike Language on Local Treasurers & Commissioners	<u>\$0.0</u>	<u>Language</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
<b>Total: Compensation Board</b>	<b>\$3.6</b>	<b>\$88.9</b>	<b>\$89.7</b>	<b>\$178.7</b>	<b>\$182.2</b>

# Compensation Board Across-the-Board Reductions

- Across-the-board reductions to locally elected constitutional offices range from 7.0% to 10.0%.
  - Savings of \$85.2 million result from these reductions.
  - Actual reductions for Sheriffs, and Clerks are partially offset by NGF resources.

	FY 2011	FY 2012	Total	% Reduction
<b>Sheriffs and Regional Jails</b>	\$(29.4)	\$ (28.5)	\$(57.9)	(7.0)%
<b>Directors of Finance</b>	\$(0.7)	\$ (0.7)	\$ (1.4)	(10.0)%
<b>Commissioners of Revenue</b>	\$(2.0)	\$ (2.0)	\$ (4.1)	(10.0)%
<b>Commonwealth's Attorneys</b>	\$(4.7)	\$ (4.7)	\$ (9.3)	(7.0)%
<b>Clerks</b>	\$(4.2)	\$ (4.2)	\$ (8.4)	(10.0)%
<b>Treasurers</b>	<u>\$(2.0)</u>	<u>\$(2.0)</u>	<u>\$(4.1)</u>	(10.0)%
<b>Total: Across the Board Reductions</b>	<b>\$(43.1)</b>	<b>\$ (42.1)</b>	<b>\$(85.2)</b>	

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# Compensation and Benefits

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# Employee Compensation and Benefit Actions

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- Employee compensation and benefit actions result in net savings of (\$724.4) million for the 2010-12 biennium.
  - (\$548.3) million – Retirement savings,
  - (\$149.7) million – Other employee benefit savings,
  - (\$108.4) million – Employee furloughs; 3 days each year, and
  - \$82.0 million – 3 percent employee bonus on December 16, 2011.

# Summary of HB 1189

- HB 1189 makes eight changes in the retirement programs for state and local employees ***hired on or after July 1, 2010*** with no prior service.
- Savings of \$(70.4) million.
- Employees will resume payment for a portion of retirement costs.
  - New state employees will pick up 5%.
  - Current state employees to pick up 1% in FY 2011 and 2% in FY 2012. (SB 30).
  - Optional for localities and school divisions.

Provision	Senate Amended HB 1189
<b>Benefit Formula</b>	AFC x YRS Service x .0170
<b>AFC Calculation</b>	5 Highest years
<b>Early Retirement</b>	60 years old/30 Years service SB 232 (Watkins)
<b>Normal Retirement</b>	Conform to Social Security SB 232 (Watkins)
<b>COLA</b>	First 2% of CPI <u>+ Next 8% of CPI x 0.5</u> Cap of 6%
<b>JRS Years of Service</b>	Years of Service x 2.0 Max Age 73 SB 206 (Edwards)
<b>Employee Contribution:</b>	
<b>Current Employees</b>	0.0%
<b>New Employees</b>	5.0%
<b>Optional Retirement Plans</b>	8.9% Employer Rate 5.0% Employee Rate

# HB 1189: Actuarial Savings

- The projected actuarial savings for the general fund from HB 1189 are approximately \$70 million for the 2010-12 biennium.

	<u>FY 2011</u>	<u>FY 2012</u>	<u>Total</u>
<b>State Employees</b>			
General Fund	(\$5.8)	(\$16.0)	(\$21.8)
NGF Transfers to GF	<u>(\$4.2)</u>	<u>(\$11.5)</u>	<u>(\$15.7)</u>
<b>Total State Employees (GF)</b>	<b>(\$10.0)</b>	<b>(\$27.5)</b>	<b>(\$37.5)</b>
<b>Teachers</b>			
<b>General Fund (Direct Aid)</b>	<b>(\$11.2)</b>	<b>(\$21.7)</b>	<b>(\$32.9)</b>
Local Funds	<u>(\$22.4)</u>	<u>(\$43.2)</u>	<u>(\$65.6)</u>
Total: Teachers	(\$33.6)	(\$64.9)	(\$98.5)
<b>Total: HB 1189 (GF)</b>	<b>(\$21.2)</b>	<b>(\$49.2)</b>	<b>(\$70.4)</b>

# “Normal” Cost + 20% UAAL

- The Commonwealth would pay less than the expected retirement contribution rates for the 2010-12 biennium.
  - Pay 8.04% rather than 11.58% for state employees, and
  - Pay 10.32% rather than 15.49% for teachers.
- Total “savings” of \$508 million for the 2010-12 biennium.

<u>FY 11</u>	<u>FY 12</u>	<u>Total</u>	
(\$206)	(\$209)	(\$415)	GF Savings
<u>(\$46)</u>	<u>(\$47)</u>	<u>(\$93)</u>	NGF Transfers
<b>(\$252)</b>	<b>(\$256)</b>	<b>(\$508)</b>	<b>Total GF Impact</b>

- Local savings of about \$250 million each year (mostly from teacher retirement program).

# How does “Normal” Cost + 20% work?

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- VRS Retirement Rates are composed of two parts.
  - “Normal” Contribution Rate, and
  - Unfunded Actuarial Accrued Liability (UAAL).
- **“Normal” Contribution Rate:** The amount that must be set aside each year to pay for the promised retirement benefits over an employee’s career.
  - Assumes no benefit increases,
  - Assumes the VRS Investment return is met, and
  - Assumes contributions are made each year.
- **Unfunded Actuarial Accrued Liability (UAAL):** The amount that must be set aside each year to pay for items unforeseen when the employee started work.
  - Failure to make actuarial contributions,
  - Higher than expected salary increases,
  - Benefit increases, and
  - Investment gains and losses.
- Pay the “Normal” Contribution Rate + 20% of the Unfunded Actuarial Accrued Liability (UAAL).

# “Normal” Cost + 20% VRS Retirement Contributions

Current	State Employees			Teachers		
	Employer	Employee	Actually Paid By Employer	Employer	Employee	Actually Paid By Employer*
“Normal” Cost	2.16%	5.00%	7.16%	4.01%	5.00%	9.01%
UAAL	4.42%	0.00%	4.42%	6.48%	0.00%	6.48%
<b>Total Rate</b>	<b>6.58%</b>	<b>5.00%</b>	<b>11.58%</b>	<b>10.49%</b>	<b>5.00%</b>	<b>15.49%</b>

\* **Note:** Most localities have assumed payment of the employee contribution on behalf of their employees. Only the employer share is recognized in state funding under the Standards of Quality.

Proposal	State Employees			Teachers		
	Employer	Employee	Actually Paid By Employer	Employer	Employee	Actually Paid By Employer*
“Normal” Cost	2.16%	5.00%	7.16%	4.01%	5.00%	9.01%
UAAL	0.88%	0.00%	0.88%	1.31%	0.00%	1.31%
<b>Total Rate</b>	<b>3.04%</b>	<b>5.00%</b>	<b>8.04%</b>	<b>5.32%</b>	<b>5.00%</b>	<b>10.32%</b>

\* **Note:** Most localities have assumed payment of the employee contribution on behalf of their employees. Only the employer share is recognized in state funding under the Standards of Quality.

# Employee Compensation and Benefit Changes

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Description	FY 2011	FY 2012	Biennium
GF Impact of Retirement Actions	(\$252.1)	(\$296.2)	(\$548.3)
Employee Health Insurance	(\$8.7)	(\$45.9)	(\$54.6)
GF Impact of Other Employee Benefit Actions	(\$65.2)	(\$48.3)	(\$95.1)
Employee Furloughs: FY 2011- 3 days/FY 2012- 3 days	<u>(\$54.2)</u>	<u>(\$54.2)</u>	<u>(\$108.4)</u>
Total: Reductions	(\$380.2)	(\$444.6)	(\$806.4)
3% Employee Bonus on December 16, 2011	<u>\$0.0</u>	<u>\$82.0</u>	<u>\$82.0</u>
Total: Employee Compensation and Benefits	(\$380.2)	(\$362.6)	(\$724.4)