

SENATE OF VIRGINIA

Senate Finance Committee

Overview of Governor's Proposed Budget Amendments

SB 800, as Introduced

January 13, 2011

Presentation Outline

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- Overview/Resources
- Compensation
- K-12 Public Education
- Higher Education
- Health and Human Resources
- Public Safety
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- Econ. Development and Nat. Resources
- Transportation
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Overview/Resources

Overview of SB 800, as Introduced

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(\$ in millions)	
Additional Operating and Capital Spending	\$906.7
Targeted and Technical Spending Reductions	<u>(512.0)</u>
Net New Spending	\$394.7
Net New Resources (Revenue, Balances, T'fers)	\$395.9
Addition to Unappropriated Balance (\$2.9m in Ch. 874)	\$1.2
Revised Unappropriated Balance	\$4.1

Resource Changes in SB 800

Increase in General Fund Resources Available for Appropriation in 2010-12			
	(\$ in millions)		
	<u>Original Amount</u>	<u>Revised Amount</u>	<u>Change</u>
June 30, 2010 Balance	\$ 132.2	\$ 491.2	\$ 359.0
Additions to Balance	523.1	222.7	(300.4)
Revenue Estimates	29,886.6	30,169.6	283.0
Transfers	<u>859.1</u>	<u>913.4</u>	<u>54.3</u>
GF Available for Approp.	\$ 31,401.0	\$ 31,796.9	\$ 395.9

FY 2010 Surplus and Balances

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- FY 2010 ended with a revenue surplus of \$228.5 million.
 - About \$179.5 million of the amount was previously designated; \$49.0 million was available for transportation and one-time uses.
- Agencies generated unspent balances of \$174.0 million.
 - SB 800 proposes to revert \$87.2 million, and includes this amount in the proposed \$150.0 million transportation funding initiative.
- Balances are proposed to be reduced by \$122.0 million to reflect a partial restoration of VRS employer contributions that were deferred in Chapter 874.
 - Assumed savings were reverted as balances in Chapter 874.

Uses of FY 2010 Revenue Surplus

(\$ in millions)	
Surplus Revenues 6/30/10	\$ 228.5
Uses:	
3% bonus to state employees	\$ 82.2
Acclerated Sales Tax for TTF	27.7
Water Quality Imp. Fund - Parts A&B	36.5
Sales Tax to Public Educ.	18.7
Natural Disaster Sum Sufficient	13.2
Fed Portion of Dominion Res. Refund	<u>1.2</u>
Total, Designated Amounts	\$ 179.5
HB 3202 Transportation Clause	\$ 32.7
Non-recurring Expenditures	<u>16.3</u>
	\$ 49.0

Net Changes in GF Revenue by Source

(Incorporates tax policy changes proposed in SB 800)

Economic growth of 5.2% and 5.0%; with tax policy 3.5% and 5.0%

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(\$ in millions)	FY 2011	FY 2012	2010-12
Income Tax Withholding	\$95.3	\$170.3	\$265.6
Income Tax Non-withholding	(3.3)	(58.8)	(62.1)
Tax Refunds	2.1	(29.9)	(27.8)
Corporate	(11.3)	(14.3)	(25.6)
Sales Tax	133.8	141.3	275.1
Wills/Deeds (Recordation)	(40.0)	(19.9)	(59.9)
Insurance Premiums	3.3	(1.8)	1.5
Other	<u>(46.0)</u>	<u>(37.8)</u>	<u>(83.8)</u>
Net GF Revenue Change	\$133.9	\$149.1	\$283.0

Proposed Adjustments/Tax Policy Changes Assumed in GF Revenue Forecast

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2010-12	\$ in millions
Oct/Dec Forecast Changes	\$408.9
Reverse Brunswick Sale	(20.0)
Interest from NGF Account, Misc.	(51.7)
Tax Policy Changes	
Advance federal fixed-date conformity	(\$27.4)
Conform to EITC	(6.2)
Data Center Sales Tax Exemption	(10.3)
Virginia Port Tax Credit	(5.0)
Winery Tax Credit	(0.3)
Refundable R&D Tax Credit	<u>(5.0)</u>
Total, Revenue Changes	\$283.0

Major GF Spending Items in SB 800

(\$ in millions)	<u>2010-12</u>
K-12: 2% VRS Employer Share Rate Increase	\$ 53.2
K-12: Sales Tax Adjustment	40.5
HE: Commission/Other Initiatives	80.7
HHR: Fully-Fund Medicaid Forecast (2nd year)	157.1
HHR: Behavioral Health Services Funding	29.6
HHR: Caseload at Ctr for Behavioral Rehab	25.0
3% Salary Increase to Offset VRS Contribution	66.9
Technology: VITA Rate Increase	58.3
Administration: Comp Board, jail per diems	25.3
Natural Resources: WQIF Deposits	36.4
Ec. Development Initiatives	40.9
Transportation Initiative	150.0

Major GF Savings Items in SB 800

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(\$ in millions)	<u>2010-12</u>
K-12: Technical Adjustments	\$ 61.7
K-12: Elim. FY 12 Composite Index Hold Harmless	57.6
Debt Service Savings	31.8
Comp: Employees Pay Share of Retirement	99.9
Comp: ORP Contributions Reduced	7.1
HHR: Medicaid Forecast Adjustment (1st year)	87.6
HHR: Other Medicaid Reductions	79.9
HHR: CSA Reductions	17.4

Proposed Policy Changes in SB 800

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- Removes language requiring the mandatory carryover of unexpended general fund and nongeneral fund balances in executive branch agencies.
 - Language pertaining to legislative agencies, judicial agencies, and institutions of higher education is excluded.
- Proposes that the \$50 million in FY 2012 set aside in Chapter 874 for payment to the Revenue Stabilization Fund (which is due in FY 2013) may also be used to address unfunded federal mandates or natural disasters.

Compensation

Compensation and Benefits

- SB 800 proposes two major compensation and benefit actions with a combined impact equal to spending \$136.0 million GF.

1) \$176.1 million GF

Partial restoration of VRS employer contributions deferred in Ch 874.

2) (\$40.1) million GF

Changes in Employee Compensation

\$ 66.9 million GF
+
(\$ 99.9) million GF

3% state employee salary increase on July 1, 2011

Reinstitute the 5% state employee retirement contribution

(\$ 33.0) million GF
+
(\$ 7.1) million GF

Net change – Classified State Employees

ORP employer contribution rate

Contingent on GF balances

2% bonus for state employees on December 1, 2011

Partially Restore VRS Rates

- Chapter 874 captured savings of \$621.3 million from the partial deferral of VRS employer retirement rates in FY 2011 and FY 2012.
- SB 800 proposes to reduce the deferral for FY 2012 by \$176.1 million GF for a revised deferral of \$445.2 million.

Description	FY 2011	FY 2012	Total
2010 Session VRS Deferral			
Revenues: State	\$163.0	\$170.1	\$333.2
Appropriations: Teachers	<u>\$162.1</u>	<u>\$126.0</u>	<u>\$288.2</u>
Subtotal: 2010 Session GF Impact	\$325.2	\$296.2	\$621.3
2011 Session VRS change			
Revenues: State	\$0.0	(\$122.9)	(\$122.9)
Appropriations: Teachers	<u>\$0.0</u>	<u>(\$53.2)</u>	<u>(\$53.2)</u>
Subtotal: 2011 Session GF Impact	\$0.0	(\$176.1)	(\$176.1)
Net VRS Deferral			
Revenues: State	\$163.0	\$47.3	\$210.3
Appropriations: Teachers	<u>\$162.1</u>	<u>\$72.8</u>	<u>\$234.9</u>
Net 2011 Session GF Impact	\$325.2	\$120.1	\$445.2

Employee VRS Contribution

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- The employee contribution for VRS retirement is currently 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.
 - This assumption was affirmed for existing employees in HB 1189 and SB 232 (2010).
 - Most local employers have also assumed payment of the 5% employee contribution.
- SB 800 proposes **net** savings of \$33.0 million GF in FY 2012 by reinstatement of the employee contribution for VRS retirement.
 - \$99.9 million GF savings partially offset by \$66.9 million GF for a proposed 3% salary increase on 7/1/2011.

Optional Retirement Plan Contribution

- 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% for existing employees by the Code of Virginia.
 - This rate was affirmed for existing employees in HB 1189 and SB 232 (2010).
- Savings of \$7.1 million GF in FY 2012 are proposed from reducing the employer contribution rate for employees hired before 7/1/2010 from 10.4% to 8.5%.

State Employee Bonus

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- Proposes a one-time bonus payment equal to 2.0% of base pay on December 1, 2011.
 - Applies to all state employees of the Commonwealth, except elected officials.
 - Requires continuous employment from January 1 to December 1, 2011.
 - Contingent on agency GF **balances** of approximately \$110.0 million GF or more - twice the estimated \$55.0 million GF cost of the bonus. (No dollars are allocated in SB 800).
 - If balances are lower, the bonus payment will be prorated to a percent of base pay that equates to one-half of the amount of GF balances.

Comparison of Retirement Provisions

Provision	HB 1189 and SB 232 (2010)		SB 800 Introduced (2011)		
	(Hired Before 7/1/2010) Plan 1	(Hired After 7/1/2010) Plan 2	(Hired Before 7/1/2010) Plan 1	(Hired After 7/1/2010) Plan 2	FY 2011 Savings (\$ Millions GF)
Employee Contribution: State Employees	0.0%	5.0%	5.0% Contribution with 3.0% Offsetting Salary Increase	No Change	(\$99.9) <u>66.9</u> (\$33.0) net
Teachers	0.0%	local option of 5.0% Contribution frozen at no less than FY 2010 status	<u>local option</u> of 5.0% Contribution unfrozen if there is a minimum of 3.0% Offsetting Salary Increase	<u>local option</u> of 5.0% Contribution with minimum of 3.0% Offsetting Salary Increase. <u>Mandatory</u> 5.0% contribution by employees hired after 7/1/11 with no offsetting salary requirement	\$0.0 \$0.0

Comparison of Retirement Provisions

Provision	HB 1189 and SB 232 (2010)		SB 800 Introduced (2011)		
	(Hired Before 7/1/2010) Plan 1	(Hired After 7/1/2010) Plan 2	(Hired Before 7/1/2010) Plan 1	(Hired After 7/1/2010) Plan 2	FY 2011 Savings (\$ Millions GF)
Local Employees & Non-teaching School Division Employees	0.0%	local option of 5.0% Contribution frozen at no less than FY 2010 status	<u>local option</u> of 5.0% Contribution unfrozen if there is a minimum of 3.0% Offsetting Salary Increase	<u>local option</u> of 5.0% Contribution with minimum of 3.0% Offsetting Salary Increase. <u>Mandatory</u> 5.0% contribution by employees hired after 7/1/11 with no offsetting salary requirement	\$0.0 \$0.0
Optional Retirement Plans (ORP) Faculty & Appointed Officials	10.4% Employer Rate 0.0% Employee Rate	8.5% Employer Rate (Option for an additional 0.4%) 5.0% Employee Rate	8.5% Employer Rate (Option for an additional 0.4%) 0.0% Employee Rate	No change	\$7.1

K-12 Public Education

Overview of Proposed Amendments to Public Education

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- The Governor's proposed amendments to Direct Aid to Public Education would result in a **net decrease of \$24.8 million GF for FY 2011 and \$25.3 million GF for FY 2012** when compared to Chapter 874, 2010 Session.
 - Results in a total appropriation of **\$4,714.5 million GF for FY 2011 and \$4,877.8 million for FY 2012.**
 - **Where were we in FY 10?** The original appropriation of \$5,923.9 million GF in the 2008 Session was reduced to \$4,769.8 million by the 2010 Session.
 - Below the final FY 2007 appropriation of \$5,226.4 million GF.

One-Time Federal Stimulus Funding

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- Federal American Recovery and Reinvestment Act (ARRA)
State Fiscal Stabilization Funds (SFSF) (February 2009)
 - **FY 10:** \$584.2 million
 - **FY 11:** \$122.9 million
 - **FY 12:** \$0

- Federal EduJobs Fund (August 2010)
 - **FY 11 or FY 12:** \$249.5 million
 - Appropriated administratively, not reflected in SB 800 amendments

Summary of Direct Aid to Education Proposed GF Amendments

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(\$ in millions)	FY 2011	FY 2012
2.0 Percent VRS Employer Share Rate Increase	\$0.0	\$53.2
Update Sales Tax Projections	19.5	21.0
Offset Federal ARRA Funds Shifted to HE	3.4	0.0
Pilot Performance Pay in Hard-to-Staff Schools	0.0	3.0
Update Literary Fund Forecast	2.0	(2.0)
Update Incentive and Categorical Programs	(4.3)	(3.8)
Update FY11 LCI Hold Harmless	(8.4)	0.0
Update Lottery Programs, Use to Cover More GF	(19.8)	(13.2)
Update Fall Membership and ADM Projections	(17.3)	(26.0)
Eliminate FY 12 Composite Index Hold Harmless	<u>0.0</u>	<u>(57.6)</u>
Net GF Change	(\$24.8)	(\$25.3)

Summary of Direct Aid to Education Proposed GF Amendments

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- Several technical updates, including sales tax (up) and enrollment projections (slower statewide, but higher in virtual program) and actual participation data.
 - Recommends using savings from technical updates to the Lottery programs to cover more General Fund programs.
- A handful of policy changes proposed:
 - Accelerate funding for VRS by increasing the employer rate (see Compensation section).
 - Allow VRS member contribution to be paid by current teachers, required for all new teachers (see Compensation section).
 - New performance pay pilot in hard-to-staff schools.
 - Eliminate second year Composite Index Hold Harmless.

Technical Updates

- Net increase of \$40.5 million over the biennium due to an increase in sales tax revenue projections.
- Adds \$3.4 million GF in FY 2011 to offset a like reduction in federal ARRA funds for K-12 due to required revisions to the K-12/Higher Education split calculation based on federal guidelines and the final actions adopted in Chapter 874.
- Captures \$43.2 million due to slower net projected enrollment growth.
 - Includes an increase of \$4.5 million over the biennium for Carroll County, which currently has enrolled about 350 students from outside the division in its contracted virtual program, including about 150 who were previously home schooled or enrolled in private school.
- Also saves \$8.4 million in FY 2011 by updating the first year composite index hold harmless funding for enrollment projections as well as final actions in Chapter 874.

Lottery Proceeds

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- Recommends using \$33.0 million over the biennium in savings in Lottery funded programs from technical updates and an increase of \$675,000 in projected revenue in FY 12 to cover portions of accounts previously funded with General Funds.
- Proposes new language directing DOE to prorate textbook funding in the event of a Lottery Proceeds revenue shortfall.
 - Actions adopted in Chapter 874, 2010 Session eliminated a “balancer” account.
- **Virginia Preschool Initiative:** Proposes increasing the assumed non-participation rate in FY 2012 to 23.08 percent from 21.70 percent. New proposed language clarifies that VPI funding may not be used for capital outlay.

Lottery Proceeds Funded Programs in SB 800

	<u>FY 2011</u>	<u>FY 2012</u>
Foster Care	\$10.4	\$11.3
At-Risk Add-on	64.0	64.0
Virginia Preschool Initiative	60.5	67.1
Early Reading Intervention	13.4	13.4
Mentor Teacher	1.0	1.0
K-3 Primary Class Size	72.7	75.3
School Breakfast Program	2.5	2.9
SOL Algebra Readiness	9.1	9.1
Alternative Education	6.7	7.0
ISAEP	2.2	2.2
Special Education - Regional Tuition	71.0	76.0
Career and Technical Education - Categorical	10.4	10.4
No Child Left Behind/Education for a Lifetime	4.7	4.7
Project Graduation	2.8	2.8
Supplemental Basic Aid	0.9	0.9
Remedial Summer School	20.8	21.5
English as a Second Language	37.5	40.2
Textbooks (split funded)	24.8	26.0
Composite Index Hold Harmless Supplement (split funded)	<u>19.8</u>	<u>0.0</u>
Total	\$435.2	\$435.9

FY 2012 Composite Index Hold Harmless Re-programmed to VRS & Performance Pay

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- Chapter 874 included \$116.5 million GF in FY 2011 and \$57.6 million GF in FY 2012 for 'hold harmless' supplemental grants of 100 percent and 50 percent, respectively, for the 97 school divisions whose composite index had increased from the 2008-10 biennium to the 2010-12 biennium as a result of the routine re-benchmarking process updating data from 2005 to 2007. (For the 2012-14 biennium, 2009 tax data will be used.)
- The Governor recommends eliminating the \$57.6 million GF in FY 2012 from the 'hold harmless' funding account to instead support the state's share of the 2 percent increase in the employer contribution rate for retirement and \$3.0 million GF for the teacher performance pay pilot initiative in hard-to-staff schools.

Public Broadcasting

Moved to Secretary of Education in Ch. 874

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- Proposes reducing state funding through the Virginia Public Broadcasting Board by half in FY 2012, with the intention of eliminating the support beginning in FY 2013.

	Ch. 874	SB 800 Reductions
Community Service Grants (CSGs) – Public TV stations	\$1,444,192	(\$957,872)
Community Service Grants (CSGs) – Public radio stations	471,551	0.0
Instructional telecommunications thru Regional Schools Contracting and Planning Committees (RSCPSs)	2,101,173	(\$1,110,668)
Radio reading service – Virginia Voice, WMRA, WVTF, WHRO, Washington Ear	<u>120,163</u>	<u>0.0</u>
	\$4,137,079	(\$2,068,540)

Other Proposed Actions

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- **Secretary of Education** - Proposes \$600,000 GF in FY 2012 for institutions of higher education, as selected by the Secretary of Education, to plan for the development of College Partnership Laboratory Schools, as defined in Chapter 871 of the 2010 Acts of Assembly.
- **Department of Education (Central Office)** - Net reduction of \$1.1 million GF and a net decrease of 2.5 positions.
- **Other Education Agencies** - Recommends \$163,420 GF savings at the Virginia Museum of Fine Arts, \$210,361 GF at the Jamestown-Yorktown Foundation, \$140,328 GF at the Library of Virginia, \$92,671 at the Science Museum of Virginia, and \$75,896 by reducing Virginia Commission for the Arts grants to community arts organizations.

Higher Education

Overview of Higher Education

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- Governor's proposed amendments result in a net **increase of \$216,501 GF** in FY 2011 and **\$80.2 million GF** in FY 2012.
 - **Includes \$50.0 million GF** budgeted under Central Appropriations to address program initiatives under consideration by the Higher Education Commission.
 - \$33.0 million for proposals for enhancing student enrollment, retention and graduation, base operations, and increasing the number of STEM (Science, Technology, Engineering and Mathematics plus Health) graduates;
 - \$13.0 million for undergraduate student financial assistance;
 - \$3.0 million for online course availability and enhancements; and
 - \$1.0 million for academic transformation through technology.
 - This funding is not appropriated by institution and would allow institutions to apply for funding through a grant process.

Overview of Higher Education (continued)

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- The Governor's Commission on Higher Education Reform, Innovation and Investment was created in March of 2010 and was charged with considering the current state of Virginia's public and private higher education system. The Commission was to provide recommendations on the following:
 - Increasing the number of higher education degrees;
 - Expanding degrees in STEM and other disciplines where unmet demand is anticipated;
 - Crafting a sustainable higher education funding model;
 - Developing innovative ways to deliver quality instruction;
 - Evaluating strategies to reduce costs through testing and accelerated degree completion; and
 - Creating effective workforce development programs.

Overview of Higher Education (continued)

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- Proposes additional stimulus funding of \$3.4 million in FY 2011.
- Recommends \$5.0 million GF each for Old Dominion University, Virginia Commonwealth University and Eastern Virginia Medical School to address various initiatives in FY 2012.
- Proposes \$3.0 million GF for workforce development programs at the Virginia Community College System in FY 2012, a recommendation of the Governor's Commission on Economic Development and Job Creation.
- Recommends \$2.5 million GF for the Tuition Assistance Grant (TAG) program in FY 2012 (to raise awards \$100 to \$2,700/student).
- Higher education institutions and affiliated agencies received reductions of \$324.0 million GF for the biennium during the 2010 Session.
 - The \$10.0 million GF reduction to higher education approved for FY 2012 during the 2010 Session remains in Central Accounts and has not been distributed to individual institutions.

Summary of Proposed Amendments

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GF Actions for the 2010-12 Biennium - (\$ in millions)	
Higher Education Commission Initiatives	\$50.0
Higher Education Interest Earnings/Credit Card Rebate	7.9
Old Dominion University Base Funding and TELETECHNET	5.1
Virginia Commonwealth University Massey Cancer Center	5.0
Eastern Virginia Medical School Instruction Funding	5.0
Virginia Community College System Workforce Development	3.0
Tuition Assistance Grant	2.5
University of Mary Washington Dahlgren Center	1.0
Virginia Tech/Virginia State Extension Funding	1.0
Southwest VA Higher Ed. Center Pond Repair	0.3
Reductions	(0.3)
Total	\$80.4

Cooperative Extension Funding

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- **Virginia Cooperative Extension Program Funding (Virginia Tech).**
 - Proposes \$494,410 GF in FY 2012 to support the restructuring plan required by the 2010 General Assembly.
 - Changes approved in budget conference during the 2010 Session required a restructuring plan and an additional targeted reduction of \$1.0 million GF in FY 2012 (a decrease in appropriations to Extension funding from original FY 2010 of almost \$9.0 million GF).

- **Virginia State University Extension Services Funding.**
 - Recommends \$530,000 GF in FY 2012 to match federal grant funds for extension services at Virginia State University.

Other Actions

Actions Impacting Higher Education - (\$ in millions)	FY 2012
State Employee Optional Retirement Plan Contributions	(\$7.1)
Research and Technology Investment Fund (Comm. & Trade)	25.0

- **Adjust Nongeneral Fund to Reflect FY 2011 Tuition and Fee Actions.** Recommends \$201.7 million NGF in FY 2011 and \$184.4 million NGF in FY 2012 to account for tuition actions taken by the Boards of Visitors in the *Spring* of 2010.
 - The proposed adjustments are based on requests for all institutions except VCU.
 - The proposed second year adjustment for VCU reflects 50 percent of the FY 2011 level in order to allow VCU to re-evaluate its Spring, 2010 tuition increase of 32 percent.

Health and Human Resources

Overview of Health and Human Resources

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- The Governor's proposed amendments in HHR include a **net increase of \$76.4 million from the general fund (0.9 percent)** and a **net increase of \$698.7 million from non-general funds (5.2 percent)** for the 2010-12 biennial budget.
- Key fiscal policy issues in HHR include:
 - Fully funding Medicaid health and long-term care services;
 - Adding resources for behavioral health services;
 - Addressing the operating and capital needs of the Virginia Center for Behavioral Rehabilitation;
 - Funding caseload and cost increases in the ADAP program;
 - Restoring funding for agencies or prior-year reductions; and
 - Implementing Medicaid cost-containment measures.

Summary of Major GF Changes

Major General Fund Increases (\$ in millions)	Biennium
Fully fund Medicaid Forecast/Adjust Virginia Health Care Fund Revenues	\$79.8
Add Behavioral Health Services Funding	29.6
Address Caseload at Virginia Center for Behavioral Rehabilitation	25.0
All other increases	55.4
TOTAL, All GF Increases	\$189.8
Major General Fund Decreases (\$ in millions)	Biennium
Apply rebates to Medicaid managed care organizations	(\$18.2)
Eliminate non-mandated services and increase local share of CSA spending	(17.4)
Federal bonus for CHIPRA enrollment initiatives	(9.0)
All other decreases	(68.8)
TOTAL, All GF Decreases	(\$113.4)

Department of Behavioral Health and Developmental Services (DBHDS)

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Major GF Increases for the 2010-12 Biennium - (\$ in millions)	
Funding for the Center for Behavioral Rehabilitation	\$24.4
Expand community-based mental health services	11.4
Restore funding to increase ID training center staff ratios	7.1
Replace lost federal funding for Hancock decertification	5.2
Maintain current operations at SWVMHI in Marion	2.0
Other increases	<u>2.2</u>
TOTAL, GF Spending Increases	\$52.3

DBHDS – Center for Behavioral Rehabilitation

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- The proposed amendments to DBHDS include **\$24.4 million GF** for 339 new positions at the Virginia Center for Behavioral Rehabilitation.
 - Rising enrollment in the program requires new funding and staff to operate the last 100 beds at the 300 bed facility in Nottoway County.
 - Funding will also be used to re-open the original VCBR site located in Dinwiddie County.
 - Changes made to the program in 2006 have significantly increased the number of individuals committed to the program. Commitments vary from 5 to 8 each month.
 - In Capital Outlay, \$43.5 million is included to renovate Brunswick Correctional Center to make available an additional 300 beds. Additional beds may be needed by 2017.

DBHDS – Community-based MH Services

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- Proposed amendments include **\$11.4 million GF** to increase access to community-based mental health services including:
 - \$5.0 million to expand crisis intervention services for individuals with co-occurring intellectual disabilities and behavioral disorders to prevent admissions to state facilities;
 - \$4.0 million to increase local capacity for inpatient and crisis stabilization services for persons with behavioral disorders; and
 - \$2.4 million for flexible funding in the Tidewater region to expand the capacity to serve individuals with mental illness in the community and reduce the reliance upon Eastern State Hospital.

DBHDS – ID Training Centers

- Chapter 874 assumes **net savings of \$10.0 million GF** in FY 2012 by closing 57 beds and eliminating 200 positions at the state’s intellectual disability (ID) training centers.
- Proposed amendments to the budget include \$7.1 million GF in FY 2012 to restore staff at the Commonwealth’s five intellectual disability training centers to increase staff to patient ratios and improve quality of care.
 - It is estimated that 150 to 160 positions may be placed in state ID training centers based on facility-specific staffing conditions that have yet to be determined.

DBHDS – All Other Spending

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- \$5.2 million GF to replace the loss of federal Medicaid matching funds when the Hancock Geriatric Unit at ESH was decertified last year and \$394,200 to hire eight staff positions at the facility;
- \$2.0 million GF to maintain current operations at the geriatric unit at Southwestern Virginia Mental Health Institute in Marion that was approved for closure last session; and
- \$1.4 million GF for additional staff including:
 - Six additional licensing specialists to address caseload issues;
 - Two central office staff for facility medical and quality concerns; and
 - Six staff consultants and trainers at ID training centers to ensure compliance with federal regulations, improve patient care, and facilitate appropriate discharge planning.

Department of Medical Assistance Services

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Major GF Increases for the 2010-12 Biennium - (\$ in millions)	
Medicaid utilization and inflation	\$69.5
Adjust funding for Virginia Health Care Fund	10.3
Add 275 new MR/ID waiver slots	9.8
Mandatory health information technology changes	7.0
Restore funding for nursing homes	5.0
Add GF for Children's Hospital of the King's Daughters	1.0
All other spending	<u>2.0</u>
TOTAL, GF Spending Increases	\$104.6

DMAS – Discretionary Spending

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- The proposed budget adds 275 new MR/ID waiver slots at a cost of \$9.8 million GF in FY 2012.
 - Funding for 250 additional waivers was included in the current budget.
- The budget also includes a proposal to restore \$5.0 million GF in FY 2012 for nursing homes.
 - Rather than a 3.0 percent reduction, nursing home reimbursement rates will be reduced by 2.0 percent on July 1, 2011.
- Two amendments recommend \$1.0 million GF for hospitals that have Medicaid volumes exceeding 50 percent of patient days.
 - Children’s Hospital of the King’s Daughters is the only hospital that qualifies for this funding.

DMAS – Overview of Savings

Major GF Decreases for the 2010-12 Biennium - (\$ in millions)	
Align GF Appropriation with Anticipated Spending	(\$39.1)
Administrative/Efficiency Savings	(19.8)
Implement a Provider Tax for ICF/MRs	(8.5)
Provider rate reductions	<u>(4.1)</u>
TOTAL, GF Spending Decreases	(\$71.6)

DMAS – Administrative & Efficiency Savings

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- \$9.0 million GF in net savings from a federal bonus resulting from efforts to increase enrollment and retention initiatives in Medicaid and FAMIS;
- \$6.3 million GF by requiring an independent assessment prior to the delivery of children’s mental health services; and
- \$3.5 million GF through better care coordination for community mental health services (\$2.4 million), elderly and disabled with consumer-direction (EDCD) waiver services (\$0.9 million) and acute health care provided to all waiver recipients (\$0.2 million).

DMAS - Provider Rate Changes

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- The number of provider rate reductions included in the budget is significantly less than the past two years. Additional reductions include:
 - \$2.4 million GF by further reducing reimbursements for nursing homes' capital investments; and
 - \$1.4 million GF by reducing reimbursements to pharmacies for prescription drug acquisition costs.
- The proposed amendments also impose a tax on ICF/MR providers that will generate additional general fund revenue of \$8.5 million each year beginning July 1, 2011.

DMAS – FMAP Restoration

- With the exception of \$5.0 million GF for nursing homes, the proposed amendments do not include funding to restore reductions slated for July 1, 2011 for Medicaid providers and home and community-based waiver services.
 - DPB estimates that an additional \$123.7 million GF is necessary to eliminate the service and rate reductions in FY 2012.
 - Separate reductions are slated for the General Relief program and local DSS operating costs totaling \$7.0 million and children’s mental health services of \$2.1 million.

Comprehensive Services Act

53

- General fund reductions in CSA include:
 - \$11.4 million by increasing the local share of funding for therapeutic foster care services and special education services; and
 - \$5.0 million by eliminating services for at-risk youth who are not mandated for services under the CSA program.
 - 1,375 children received services in this “non-mandated” treatment category in FY 2010.

Other HHR Agencies –Spending

Major GF Spending for the 2010-12 Biennium - (\$ in millions)	
DSS: Restore GF for Child Support & Payment Collections	\$13.4
VDH: Address Cost Pressures in ADAP Program	7.2
VDH: Restore GF budget gaps (OCME, Shellfish & Marina)	2.7
DSS: Restore Auxiliary Grant Reduction	2.4
DBVI: Add GF to Stabilize Vocational Rehabilitation Funding	2.0
SHHR: Operational and Program Audit of Large Agencies	1.4
VDH: Operation Smile for Construction Costs	0.5
DSS: Federation of Virginia Food Banks	0.5

Other HHR Agencies - Reductions

55

Major GF Reductions for the 2010-12 Biennium - (\$ in millions)	
DSS: Supplant GF with TANF/Child Care Funds	(\$14.6)
VDH: Reduce administrative costs	(3.9)
DSS: Capture excess auxiliary grant funding	(1.0)
DSS: Trim central office operating costs by 7.7 percent	(1.0)
DRS: Reduce employment support for disabled individuals	(0.7)

Public Safety

State Police

57

- Proposes a **net increase of \$5.3 million GF** (and reallocates existing funds) to accelerate the opening dates for Basic Trooper Schools (175 troopers) and provide for STARS maintenance in FY 2012.
 - 116th school (from January 2011 to October 2010);
 - 117th school (from February 2012 to May 2011); and,
 - 118th school (from FY 2013 to February 2012).
- Including the reallocation of existing funds, these actions provide \$6.7 million GF to maintain the State Agencies Radio System (STARS) in FY 2012.

Adult Corrections

58

- Recommends **\$8.1 million GF** and 18 positions for increased inmate health care costs, along with further study.
- Proposes **\$2.2 million GF** (plus \$1 million NGF from drug offender assessment fund) to add 45 probation officers to implement the new prisoner re-entry plan.
- Recommends **\$3.0 million NGF** in additional revenues from housing Pennsylvania inmates. Of this total, half is proposed to support a new automated inmate medical records system and the other half is transferred to the general fund.

Military Affairs

59

- Proposes **\$2.4 million NGF** in FY 2012 from federal funds for energy upgrades at National Guard and Air National Guard armories statewide.
- Recommends **\$6.9 million NGF** in VPBA bonds for armory repairs statewide, included within Maintenance Reserve, to be matched by an equal amount of federal funds.
- Proposes to transfer HQ for the Adjutant General from the Washington Building in Capitol Square to existing facilities at Sandston next to the Richmond airport.

Veterans Services

60

- Includes language granting authority to DVS to apply for federal grant funding for construction of a new veterans care center in Southwest Virginia. The total estimated capital cost is \$30 million (\$10.5 million state share).
- Proposes **\$280,000 NGF** for purchase of burial vaults, which may then be purchased at cost by families for burials at the Amelia and Suffolk Veterans Cemeteries.
- Recommends **\$387,000 GF** to ensure that the state veterans cemeteries meet national standards.
- Proposes **\$82,000 GF** to assist localities in establishing county veterans services officer programs.

Judicial

Judicial Department

62

- Proposes to add **\$5.4 million GF each year** to meet projected costs incurred by the Criminal Fund.
 - Includes language directing the Supreme Court to study options to moderate the growth in expenditures for guardians ad litem under the Criminal Fund.
- Recommends restoration of **\$1.7 million GF in FY 2012** to reduce the size of the Judicial Reversion Clearing Account (from -\$6.5 to -\$4.8 million), to reflect the current projection of judicial vacancy savings.
- Proposes to transfer a cash balance of **\$5.0 million NGF** from the Virginia State Bar to the general fund.

Economic Development and Natural Resources

Overview of Commerce & Trade

64

- Governor's proposed amendments for the 2010-2012 biennium include **increases of \$68.2 million GF** offset by **reductions of \$9.8 million GF** over the original appropriation in Chapter 874.
 - The majority of the increase is from the implementation of recommendations proposed by the Governor's Commission on Economic Development and Job Creation.
 - Recommended **decreases** from Chapter 874 include:
 - \$5.5 million GF that was provided for Ignite Institute (an economic development project that did not come to fruition);
 - \$1.1 million GF from various agency turnover, vacancy and other savings;
 - \$600,000 GF from second year wet laboratory space funding; and
 - \$300,000 GF from a delay in biofuel production grants.

Commerce & Trade – Increases Related to the Governor’s Commission

- Recommendations of the Governor’s Commission on Economic Development and Job Creation total \$40.9 million GF for FY 2012
(GF \$ in millions)

Establish Research and Technology Investment Fund	\$25.0
Recapitalize Small Business Loan Programs	\$5.0
Rehabilitation of Derelict Structures/Main St. Program	\$4.5
Establish Tourism Development Loan Fund	\$2.0
Motion Picture Opportunity Fund	\$2.0
Expand Tourism Marketing	\$1.0
Increase Funding for Enterprise Zones	\$1.0
Regional Economic Development Collaboration	\$0.4

Other Recommendations of the Governor's Commission

66

- Included in the revenue track for FY 2012 are **GF reductions totaling \$10.3 million** for three initiatives that will be proposed in separate legislation:
 - \$5.0 million for a Refundable Research and Development Tax Credit targeted at start-up and early stage R&D companies;
 - \$5.0 million for a Virginia Port Tax Incentive to attract businesses to import and export goods through the Port of Virginia; and
 - \$250,000 for a Virginia Winery and Vineyard Development Tax Credit to establish a refundable tax credit for vineyard establishment and winery expansion.

Commerce & Trade – Other Increases Proposed in SB 800

67

- Provides \$8.9 million GF and \$3.0 million NGF in FY 2012 for interest payments owed to the federal government from loans to meet shortfalls in the Unemployment Trust Fund.
 - The source of the NGF is from penalties and interest collected by VEC on employer underpayments to the Fund.
- Proposes \$7.5 million GF in FY 2012 for the City of Virginia Beach to match local funds for costs related to the Base Realignment and Closure process to mitigate encroachment around the U. S. Navy Master Jet Base at Oceana.
- Increases funding for Semiconductor Manufacturing Performance and Investment Partnership Grants by \$2.4 million GF in FY 2012.
- Provides \$1.9 million GF in FY 2012 for continued operations of the Fort Monroe Authority, which becomes state property in Sept. 2011.
 - An amendment in Capital Outlay provides \$2.0 million for utility and building repairs needed for reuse of the facility.

Overview of Natural Resources

68

- Governor's proposed amendments for the 2010-2012 biennium include **increases of \$39.0 million GF** offset by **reductions of \$2.3 million GF** as compared to Chapter 874.
 - The majority of the **increase** is from a \$36.4 million statutorily-required deposit to the Water Quality Improvement Fund, which represents ten percent of GF revenues above official forecasts and 10 percent of agency year-end balances from FY 2010.
 - Proposed **decreases** include turnover and vacancy savings, transferring positions to nongeneral fund sources and other administrative savings.

Water Quality Improvement Fund

69

- Provides \$36.4 million GF in FY 2011 for pollution control projects to prevent sediment and nutrients from entering state waters.
 - \$32.8 million GF for nonpoint source projects administered by the Department of Conservation and Recreation.
 - \$18.8 million GF in the Water Quality Improvement Fund to be used for a variety of nonpoint source projects.
 - \$14.0 million GF transferred to the Natural Resources Commitment Fund, which is dedicated to agricultural best management practices.
 - Eight percent of this amount is required to be distributed to soil and water conservation districts for technical assistance.
 - \$3.6 million GF for point source projects administered by the Department of Environmental Quality.
 - Does not address the current backlog of \$104.0 million for sewage treatment plant upgrades already under construction for which DEQ has signed commitments to reimburse local governments and regional authorities.

Natural Resources – Other Proposed Increases in SB 800

70

- Proposes \$2.0 million GF in the Department of Conservation and Recreation for the Virginia Land Conservation Fund.
 - \$1.0 million GF is transferred to the Department of Historic Resources for the Civil War Historic Site Preservation Fund.
- Recommends \$1.8 million NGF for the Department of Game and Inland Fisheries to enhance boating safety and education.
 - The source of the NGF is from watercraft sales and use taxes and boat titling and registration fees.
- Proposes an increase of \$240,000 GF for the Marine Resources Commission to restore funding for marine law enforcement that had been reduced in prior sessions.

Agriculture & Forestry

- Governor’s proposed amendments for the 2010-2012 biennium provide **increases of \$1.5 million GF** offset by **reductions totaling \$927,252 GF** from the original appropriation in Chapter 874.

GF Increases Proposed for Agriculture and Forestry	
Promotion of Virginia Farm Wineries	\$557,416
Farmland Preservation	\$400,000
Forest Firefighting Equipment	\$286,719
Agriculture Stewardship Act Program	\$185,962

- Proposed decreases are from turnover and vacancy savings, transferring positions to nongeneral fund sources and other administrative savings.

Transportation

Overview of Transportation

73

- Proposed amendments to FY 2010 transportation funding reflect the December 2010 revenue reforecast of the Commonwealth Transportation Fund and total **\$104.3 million NGF**, in FY 2011 and **\$408.5 million NGF** in FY 2012.
 - The biennial budget includes \$8.7 billion for Transportation agencies, including \$231.9 million GF and \$8.5 billion NGF.
- Amendments provide funding for a proposed State Transportation Infrastructure Bank of \$150.0 million GF and \$250.0 million NGF.
 - \$32.7 million from mandatory deposit of 2/3 FY 2010 balances.
 - \$16.4 million from a proposed 1/3 of unencumbered 2010 GF balances.
 - \$101.0 million from other FY 2010 GF balances.
 - Language specifically excludes this funding from going through State funding formulas.
 - Specific details of the proposed Fund to be included in separate legislation.
- Proposes to create a “PPTA Czar” position within the Office of the Secretary through the transfer of 1 FTE from VDOT.

Other Proposed Transportation Initiatives

74

- Proposes to dedicate \$50.0 million in FY 2012 from Highway Construction to the Transportation Partnership Opportunity Fund.
- Recommends an increase of \$35.0 million in FY 2012 for the Highway Construction funds dedicated to the local revenue sharing program.
- Proposes to increase by \$10.0 million in FY 2012 the funding allocated for Transportation Research.
- Recommends language allowing an unspecified amount of funding in FY 2012 to be spent for “state-only” construction projects selected by the Commonwealth Transportation Board.
- Proposes to realign the VDOT maintenance budget funding to separate operations costs from roadway system expenditures.

Other Transportation Agencies

75

- Proposes to increase the appropriation to the Virginia Port Authority by \$47.7 million NGF in FY 2012 from port operations revenues.
 - \$46.8 million for lease payments to APM Maersk facility.
 - \$0.9 million for security expenses at the new facility.
- Recommends eliminating language requiring the mandatory reappropriation of unexpended Port construction balances.
- Proposes to realign the disbursement of WMATC funds from the Department of Rail and Public Transportation to the Department of Motor Vehicles to accurately reflect programmatic responsibilities.
 - FY 2012 amount is \$297,052
- Recommends an increase to the NGF appropriation to the Motor Vehicle Dealer Board of \$42,650 to adequately fund VITA rates.

General Government

Technology

Overview of Technology

78

- The proposed amendments in FY 2011 and FY 2012 include **new spending totaling \$52.4 million GF** within Central Accounts to address increased technology costs.
 - Impact of rate structure on small and mid-sized agencies - \$14.0 million
 - Impact of funds not appropriated in FY 2010 - \$9.7 million
 - Cost of Living Adjustment for Northrop Grumman - \$7.1 million
 - Recovery of agency reserve - \$6.0 million
- The proposed funding primarily benefits 11 GF agencies including: DEQ, DGS, DOA, TAX, DOC, DJJ, VDEM, DMME, VDH, DBHDS, and DFS.
- The proposed funding does not address an estimated \$25.0 million in identified funding increases for NGF agencies.

Overview of Technology (continued)

79

- Proposed budget provides \$1.0 million GF in FY 2012 to offset reductions in overhead charges to agency billing amounts that were double-counted during budget execution.
- Proposes to eliminate a total of 50 NGF positions throughout the agency by FY 2012 to reflect the reorganization of the agency and staff attrition.
- Recommends the expenditure of \$90,000 NGF for the procurement and implementation of a new automated system to manage information technology procurements.
- Proposes an increase of \$250,000 GF for the funding of Productivity Incentive Fund projects to evaluate and implement proposals for operational efficiencies and to provide funding for rewards for reporting Waste, Fraud, and Abuse Whistle Blower Protection Act.

Summary of Proposed Savings in Technology

80

GF Decreases for the 2010-12 Biennium – (\$ in millions)	
Reduce Federal Government Advocacy Contract (IEIA)	(\$ 0.1)
Capture Turnover and Vacancy Savings (VITA)	(0.1)
Supplant funding for certain positions (VITA)	(0.1)
Total	(\$0.3)

- Proposes to eliminate NGF funding of \$1.5 million in FY 2011 and \$1.8 million in FY 2012 for repayment of a working capital advance from the reimbursements for durable medical equipment purchased by the Departments of Medical Assistance Services and Behavioral Health and Developmental Services.
 - This approach was rejected by the 2010 General Assembly, however the assumed transfer of NGF dollars was not eliminated.

Other Technology Actions

81

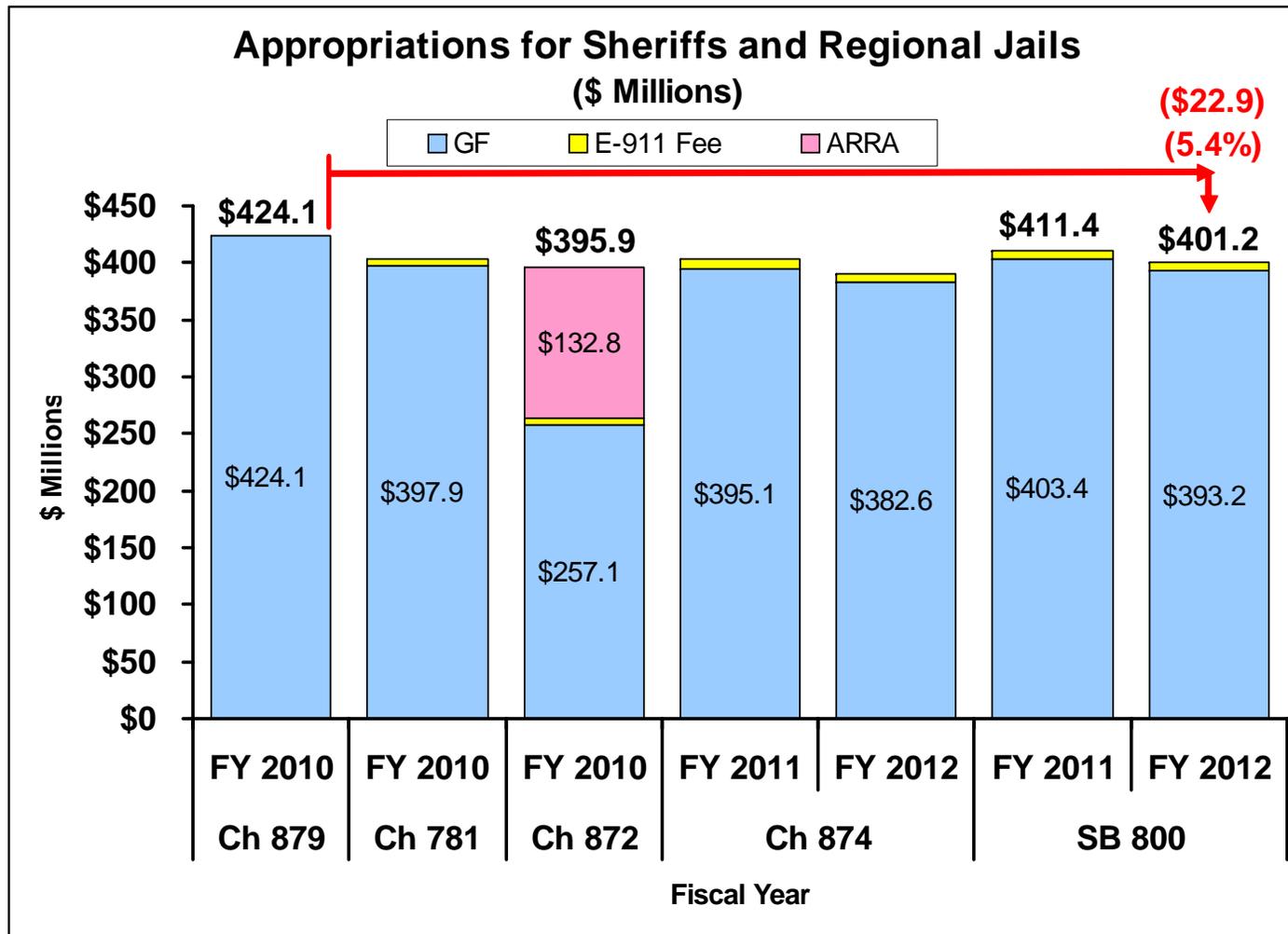
- Recommends language that permits the Wireless E-911 Services Board to shift up to \$4.0 million NGF from existing emergency 911 communications systems services to wireless E-911 services.
- Recommends language permitting the Wireless E-911 and Geographic Information Services funds of \$1.8 million in FY 2011 and FY 2012 to be used for the development of an Emergency Response System using geographic data to support E-911 services.
- Proposes to eliminate language describing the membership of the E-911 Services Board that was codified in the 2010 Session.

Administration

Compensation Board

- The proposed 2010-12 biennial budget for locally elected constitutional officers results in a **net increase of \$23.6 million GF** compared to Chapter 874 (2010) – a 2% increase.
 - \$16.6 million GF in lieu of the Public Safety fund proposed in 2010.
 - \$7.4 million GF for per diem payments for prisoners in local and regional jails.
 - \$1.3 million GF to staff new jail beds.
 - (\$1.7) million GF from elimination of state support for liability insurance and surety bonds.

Change in Compensation Board Funding



Compensation Board: Change in GF Support

Description	Ch 879	Ch 781	Ch 872	Ch 874		SB 800		FY 2012 Change			
	FY 2010	FY 2010	FY 2010	FY 2011	FY 2012	FY 2011	FY 2012	Ch 874 v SB 800		Ch 879 v SB 800	
								\$	%	\$	%
Local Sheriffs and Regional Jails (Staff)	424.1	397.9	257.1	395.1	382.6	403.4	393.2	10.6	2.8%	-30.9	-7.3%
Per Diem Payments	79.8	71.7	68.1	47.6	49.9	55.0	49.9	0	0.0%	-29.9	-37.5%
Commonwealth's Attorneys	67.4	66.2	62.5	63.9	63.9	63.9	63.9	0	0.0%	-3.5	-5.2%
Clerks of Circuit Courts	41.1	42.1	37.2	41.5	41.5	41.5	41.5	0	0.0%	0.4	1.0%
Treasurers	19.9	20.2	18.3	16.2	16.2	16.2	16.2	0	0.0%	-3.7	-18.6%
Commissioners of the Revenue	20.2	20.4	18.4	17.0	17.0	17.0	17.0	0	0.0%	-3.2	-15.8%
Directors of Finance	6.7	6.8	5.8	5.2	5.2	5.2	5.2	0	0.0%	-1.5	-22.4%
Constitutional Officers Liability Insurance	3.4	1.3	1.3	1.7	1.7	1.7	0	-1.7	-100.0%	-3.4	-100.0%
Compensation Board (Administration)	<u>3.6</u>	<u>4.5</u>	<u>4.2</u>	<u>3.4</u>	<u>3.4</u>	<u>3.4</u>	<u>2.3</u>	<u>-1.1</u>	<u>-32.4%</u>	<u>-1.3</u>	<u>-36.1%</u>
Total	\$666.2	\$631.1	\$472.9	\$591.6	\$581.4	\$607.3	\$589.2	-7.8	1.3%	-77.0	-11.6%

Finance

Overview of Finance

87

- \$10.5 million GF for additional debt service requirements.
- (\$31.8) million GF debt service savings to reflect lower interest rates.
- Language allows the use of the \$50.0 million GF reserved for deposit to the Revenue Stabilization Fund for the costs of federal mandates.

Capital Outlay

Overview of Capital Outlay

- Proposed GF supported projects total \$117.2 million for six projects/project categories:

<u>Major Project or Category</u>	(\$ in millions)	
	<u>GF</u>	<u>GF Bonds</u>
Equipment for Previously Approved Projects	\$0.0	\$44.5
New Sexually Violent Predator Facility	0.0	43.5
DGIF Headquarters Building (Replace NGF Cash with Tax-Supported Debt)	0.0	10.0
Maintenance Reserve	0.0	8.6
Project Supplement for Washington Building (DGS)	0.0	7.3
<u>Acquisition of property from VCU</u>	<u>3.3</u>	<u>0.0</u>
Total, GF/GF Supported Capital Projects	\$3.3	\$113.9