

SENATE OF VIRGINIA

Senate Finance Committee

Overview of Proposed Budgets

SB 29 (Amendments to 2010-12 Budget)

SB 30 (2012-14 Biennial Budget)

January 17, 2012



SENATE FINANCE COMMITTEE

Presentation Outline

- Overview/Resources
- Health and Human Resources
- K-12 Public Education
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- Veterans Affairs and Homeland Security
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- Commerce and Trade
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Overview/Resources



Proposed Budgets for FY 2012 and FY 2012-14 Biennium

- **Two budget bills:**
 - **SB 29: “Caboose Bill”** – Amendments to the *current* 2010-12 biennial budget.
 - Reflects FY 2011 revenue surplus and adjustments to the revenue forecast for FY 2012, based on fall forecasting process.
 - **SB 30: 2012-14 Biennial Budget** – Addresses additional spending requirements for the next two years, and proposes targeted spending reductions.



SB 29 Caboose Bill

- Additional GF resources of \$386.1 million.
 - Net new revenues of \$131.0 million.
 - Reflects proposed tax policy change to continue “unwinding” AST; impact of \$50.0 million in FY 2012.
 - About \$255.0 million in balances resulting from revenue surplus, almost all of which was reserved or designated: RDF deposit, contingent appropriations, WQIF, transportation.
- Net budget savings of \$157.8 million.
- With Ch. 890 balance of \$2.1 million, \$546.0 million is available for the 2012-14 biennium.



Accelerated Sales Tax

- 2011 Session: limited AST requirement to merchants with annual sales of \$5.4 million or greater (\$45.7 million GF impact in FY 2011).
- Proposed action raises threshold to merchants with annual sales of \$26.0 million or greater (\$50.0 million GF impact in FY 2012).
 - Removes another 1,407 merchants from requirement to remit sales tax early.
 - Roughly 95.6% of merchants will be removed, with about 386 remaining.



GF Resource Changes in SB 29

	Chapter <u>890</u>	Revised <u>Amount</u>	<u>Change</u>
Unreserved Balance	\$ 491.2	\$ 1,067.0	\$575.8
Additions to Balance	229.4	(43.6)	(273.0)
Revenue Estimates*	15,595.6	15,726.6	131.0
Transfers	<u>468.6</u>	<u>420.9</u>	<u>(47.7)</u>
Addl GF Resources	\$ 16,784.8	\$ 17,170.9	\$386.1
Unappropriated Balance			2.1
SB 29 Net Budget Savings			<u>(157.8)</u>
Carry-Forward Balance			\$546.0
*Net of proposed policy adjustments			



Major GF Spending Items in SB 29

(\$ in millions)	<u>FY 2012</u>
Transportation Share of FY 2011 Surplus	\$67.2
Federal Action Contingency Fund (FACT)	30.0
Remove \$10 million HE reduction	10.0
DOC: Inmate Medical Costs	7.4
DSS: Adjust Child Welfare	6.4
Comp Board - Per diem for local/regional jails	4.6
Other Spending	<u>20.3</u>
Total, Proposed Spending	\$145.9



Major GF Savings Items in SB 29

(\$ in millions)	<u>FY 2012</u>
Move RDF Reserve from FY 2012 to FY 2014	\$(114.0)
Medicaid: Adjust utilization & inflation	(85.4)
K-12: Update Lottery proceeds	(32.6)
CSA: Reflect caseload and utilization	(24.8)
Debt Service	(11.0)
Other Savings	<u>(36.0)</u>
Total, Proposed Savings	(\$303.8)



SB 30: GF Revenue Outlook

- Revenue forecast assumes continued sluggish growth over the next two years.
 - May see some slight upside potential based on improving economics.
 - Will know within a few weeks how Christmas sales fared and whether year-end estimated payments hold up.
 - **FY 2013 = \$16,246.5 million; 3.3 percent growth rate.**
 - **FY 2014 = \$16,969.5 million; 4.5 percent growth rate.**
- \$161.7 million is removed from the revenue forecast based on proposed tax policy changes shown on the following table.



Proposed Tax Policy Changes Assumed in SB 30 GF Revenue Forecast

(\$ in millions)	<u>2012-14</u>
Increase Sales Tax to Transportation	(\$110.7)
Private School Corporate Tax Credit	(10.0)
Section 199 Domestic Production	(10.0)
Extend EITC for an Additional Year	(7.0)
Increase R&D Tax Credit Cap	(5.0)
Small Business Tax Credit	(3.0)
Increase LT Care Insurance Tax Credit	(2.4)
AST Adjustment based on SB 29 Action	<u>(13.6)</u>
Total, Tax Policy Changes	(\$161.7)



SB 30: GF Resources Available for Appropriation

- About \$1.9 billion in additional resources over the 2012 resource base available for appropriation.
 - Roughly \$500 million required to replace one-time revenues and savings supporting the current two-year budget.

(\$ in millions)	<u>2012-14</u>
Beginning Balance (from SB 29)	\$546.0
Adjustments to the Balance	\$7.2
Official GF Revenue Estimate	33,215.9
Transfers	<u>805.9</u>
GF Available for Appropriation	\$34,575.0



Proposed General Fund Budget

(\$ in millions)	<u>2012-14</u>
Resources Available for Appropriation	\$34,575.0
Ch. 890 Base Budget	\$33,096.0
Proposed Spending	2,785.9
Proposed Savings (including technicals)	<u>(1,338.4)</u>
Net New Spending	\$1,447.5
Operating Appropriations	\$34,543.6
Unappropriated Balance	\$31.4



Major Spending Items in SB 30

(\$ in millions)	<u>2012-14</u>
Medicaid Utilization and Inflation	\$650.5
Rebenchmark SOQ (Comp Index, Sales Tax, Other)	661.3
K-12 VRS Contribution Rates	342.4
Revenue Stabilization Fund Deposit	299.1
Higher Education Top Jobs Initiative	224.0
Debt Service	115.5
State Employee Health Insurance	100.3
VRS Rates for State Employees	86.2
Water Quality Improvement Fund	50.3
All Other Spending	<u>256.3</u>
Total, Proposed Spending	\$2,785.9



Major Savings Items in SB 30

(\$ in millions)	<u>2012-14</u>
Withhold Medicaid Inflation from Hospital Rates	(\$258.6)
Eliminate K-12 Nonpersonal Inflation Update	(109.0)
Modify K-12 Federal Revenue Deduct	(108.1)
Agency 2/4/6% Budget Reduction Plans	(83.6)
Reduce PreK for Nonparticipation and 4yr old count	(81.6)
Maintain Current Nursing Facility Rates	(65.3)
Remove Support Pos. from K-12 Cost of Competing	(65.0)
DMAS Savings from Federal Bonus Payment	(32.9)
Indigent Care Reductions at Teaching Hospitals	(29.9)
All Other Savings	<u>(48.4)</u>
Total, Proposed Savings	(\$882.4)



Health and Human Resources



Overview of SB 29 (Caboose)

- The introduced budget reduces **\$103.2 million GF** in FY 2012 from Chapter 890, 2011 Acts of Assembly.
 - Medicaid savings total **\$89.7 million GF**, largely attributable to lower Medicaid managed care payment rates and higher pharmacy rebates.
 - The proposed budget also includes savings of **\$24.8 million GF** -- a 9.2 percent reduction -- for lower caseload and cost trends in the Comprehensive Services Act program.
- The budget recommends a net increase of **\$6.4 million GF** for state and federally-funded adoption subsidies offset by a reduction in foster care.
- Finally, the proposed budget adds **\$3.0 million GF** to satisfy federal funding requirements related to the vocational rehabilitation program.



Overview of Health and Human Resources

- The Governor's proposed amendments in HHR include a **net increase of \$442.7 million from the general fund (4.5 percent)** and a **net increase of \$1.8 billion from non-general funds (13.6 percent)** for the 2012-14 biennial budget compared to Chapter 890.
- Proposed new general fund spending of \$1.1 billion is offset by \$651.1 million in reductions.
- Excluding forecasted growth in Medicaid spending and the restoration of base funding for the program, the proposed budget reduces general fund spending in HHR by \$471.0 million.



Summary of Major GF Changes

Major General Fund Increases (\$ in millions)	Biennium
Fund Medicaid Forecast/Restore GF Base Funding	\$913.6
Other Federal and State Mandates (e.g., FAMIS, child welfare)	56.1
High priority and discretionary spending (e.g., Trust Fund, nursing homes)	65.0
All other increases (mostly technical)	59.1
TOTAL, All GF Increases	\$1,093.8
Major General Fund Decreases (\$ in millions)	Biennium
Changes to provider rates (e.g., inflation and rebasing of rates)	(\$364.6)
Forecast-related changes (e.g., CSA, TANF collections, children's health)	(52.1)
Supplant GF spending with NGF revenues (e.g., federal funds and fees)	(42.6)
Reduce services and benefits (e.g., Medicaid eligibility and CSA funding)	(39.4)
All other decreases (mostly technical)	(152.3)
TOTAL, All GF Decreases	(\$651.1)



Mandatory Increases (DMAS)

Major GF Increases for the 2012-14 Biennium - (\$ in millions)	
Medicaid Utilization and Inflation	\$650.4
Restoration of GF Base for Medicaid	263.1
FAMIS and TDOs Utilization and Inflation	15.2
Mandatory Eligibility Reviews and Provider Screens	6.2
All other increases	<u>0.9</u>
TOTAL, GF Spending Increases	\$935.9



Mandatory Increases (DMAS)

- Mandatory increases related to Medicaid total **\$935.9 million GF** in the proposed 2012-14 budget including:
 - **\$650.5 million GF and \$1.6 billion NGF** in federal Medicaid matching funds to address projected increases in caseload and health and long-term care costs;
 - Over half of the increase (\$333.9 million GF) is the result of a mandatory inflationary adjustment for nursing homes and hospitals; this funding is removed through separate action in the proposed budget.
 - The cost of expanding Medicaid coverage under federal health care reform to 133 percent of poverty is expected to be \$90.2 million GF in FY 2014, primarily related to coverage for 49,000 children.
- The introduced budget also restores **\$263.2 million GF** that was shifted from FY 2012 to FY 2011 to generate one-time Medicaid savings from federal stimulus dollars.



Mandatory Increase (non-Medicaid)

Major GF Increases for the 2012-14 Biennium - (\$ in millions)	
Caseload and cost increases - Title IV-E Adoption Subsidies	\$10.8
Cost increase - State-funded Adoption Subsidies	9.4
Fund Mandatory Vocational Rehabilitation Services	6.8
Implement Electronic Health Records at State Facilities	6.3
All other increases	<u>0.5</u>
TOTAL, GF Spending Increases	\$33.8



Mandatory Increase (non-Medicaid)

- Mandated funding increases outside of Medicaid total **\$33.7 million GF** and include:
 - **\$10.1 million GF** each year to address the rising expenditures for state-only and Title IV-E adoption subsidies for children moving out of foster care;
 - **\$6.8 million GF** for the state's share of funding required to match federal funding for the Vocational Rehabilitation (VR) program; and
 - **\$6.3 million GF and \$20.5 million NGF** from enhanced federal Medicaid matching funds to implement electronic health records in state mental health facilities and intellectual disability training centers as required by federal health care reform.



High Priority Spending

Major GF Increases for the 2012-14 Biennium - (\$ in millions)	
Make Deposit to Behavioral Health Services Trust Fund	\$30.0
Fund Modernization of DSS Eligibility Systems	10.8
Adjust funding for Center for Behavioral Rehabilitation	6.5
Fund Growth in TANF - Unemployed Parents Program	<u>2.2</u>
TOTAL, GF Spending Increases	\$49.5



High Priority Spending

- High priority spending items within HHR total \$49.5 million GF including:
 - **\$30.0 million GF** in FY 2013 for the Behavioral Health and Developmental Services Trust fund for additional ID waiver slots and services to transition individuals from state training centers into the community.
 - \$30.0 million GF was deposited into the fund last year. Through December 2012, \$2.2 million has been spent.
 - The Governor recently announced that 60 ID waiver slots would be set aside from the fund for individuals residing in training centers.
 - **\$10.8 million GF** and \$48.9 million NGF from enhanced federal matching funds to replace and improve the eligibility system for public benefit programs; and
 - **\$6.5 million GF** to fund caseload growth in the Sexually Violent Predator Program and **\$2.2 million GF** for the TANF-Unemployed Parent Program.



Discretionary Spending

Major GF Increases for the 2012-14 Biennium - (\$ in millions)	
Restore GF Reduction for Nursing Home Capital	\$10.0
Offset Reduction to Wrap-around Services for CSA Children	1.4
Add funding for 13 Medical Facility Inspectors	1.1
Fund Audit of CSA Program and State and Local Practices	0.5
Screen Veterans on Medicaid for Other Federal Benefits	0.3
All other discretionary spending	<u>2.2</u>
TOTAL, GF Spending Increases	\$15.5



Discretionary Spending

- Discretionary spending in HHR includes:
 - **\$10.0 million GF** and \$10.0 million NGF from federal Medicaid matching funds to restore funding for nursing homes that make capital improvements, funding was reduced in FY 2012;
 - **\$1.4 million GF** for anticipated demands on local governments as a result of the proposed elimination of “wrap-around” services to children in CSA that are designed to keep children in less restrictive settings;
 - **\$1.1 million GF** to add 13 medical facility inspectors to ensure compliance with federal survey and certification mandates and state licensing and inspection requirements;
 - **\$500,000 GF** for an audit of the CSA program to ensure compliance with state and local procedures; and
 - **\$272,000 GF** to screen veterans on Medicaid to see if they qualify for other federally-funded benefits.



Provider Rates Reductions

Major GF Decreases for the 2012-14 Biennium - (\$ in millions)	
Eliminate inflation adjustment for hospitals	(\$258.6)
Eliminate inflation adjustment and rebasing for nursing homes	(75.3)
Continue reduction for indigent care costs at VCU and UVA health systems	(29.9)
All other provider rate reductions	<u>(0.8)</u>
TOTAL, GF Spending Decreases	(\$364.6)



Provider Rate Reductions

- Provider rate reductions total \$364.6 million GF and \$329.1 million NGF from federal Medicaid matching funds. These reductions include:
 - **\$258.6 million GF** and the same amount of federal Medicaid matching funds by eliminating an inflation adjustment to inpatient operating rates for acute and rehabilitation hospitals each year of the biennium in the Medicaid, FAMIS, SCHIP and TDO programs;
 - **\$75.3 million GF** and an equal amount of federal Medicaid matching funds by removing an annual inflation adjustment and cancelling the rebasing of nursing homes rates in FY 2013 as required under current Medicaid regulations; and
 - **\$29.9 million GF** for the cost of delivering indigent health care at VCU and UVA Health System.

NOTE: The Governor's proposed executive amendments corrects an error that reduced \$8.7 million GF for indigent care in the first year only.



Forecast-Related Changes

Major GF Decreases for the 2012-14 Biennium - (\$ in millions)	
Adjust CSA Funding Based on Caseload and Utilization	(\$22.4)
Reduce Funding for SCHIP (low-income children on Medicaid)	(21.4)
Reduce Child Support Operations Funding based on TANF revenue collections	(5.0)
Adjust Funding to Reflect Lower Foster Care Caseloads	<u>(3.4)</u>
TOTAL, GF Spending Decreases	(\$52.1)



Supplant GF with NGF Revenues

Major GF Decreases for the 2012-14 Biennium - (\$ in millions)	
Capture GF Savings from Federal Bonus Payment <i>(NOTE: Savings increased by \$8.2 million in executive amendments.)</i>	(\$32.9)
Transition cost of state-only Adoption Subsidies cases to federal Title IV-E adoption program	(5.3)
Supplant GF for Community Waterworks with fee increase	(1.7)
Replace GF for Poison Control with \$6.25 for Life Funds	(1.0)
Supplant GF for Environmental Health Services with Restaurant Fee Increase	(0.9)
All other supplants with NGF revenues	<u>(0.8)</u>
TOTAL, GF Spending Decreases	(\$42.6)



Service/Benefit Reductions

Major GF Decreases for the 2012-14 Biennium - (\$ in millions)	
Reduce income eligibility for long-term care services from 300 to 250 percent of Supplemental Security Income	(\$18.2)
Eliminate “wrap-around” services for children in CSA	(12.2)
Reduce personal care hours under Medicaid waivers	(2.0)
Eliminate/restructure funding for dental services	(1.9)
Eliminate funding for child advocacy centers	(1.7)
All other service and benefit reductions	<u>(3.4)</u>
TOTAL, GF Spending Decreases	(\$39.4)



Service/Benefit Reductions

- Proposed service and benefit reductions generate \$39.4 million in general fund savings including:
 - **\$18.2 million GF** and an equal amount of federal Medicaid matching funds by reducing income eligibility for long-term care services from 300 to 250 percent of SSI or \$1,745 per month;
 - This change is expected to result in 4,562 fewer individuals qualifying for nursing home care or long-term care waiver services effective January 1, 2014.
 - **\$12.2 million GF** by eliminating “wrap around” services provided to children and adolescents in home and community-based settings to prevent them from more restrictive CSA placements;
 - **\$2.0 million GF** and an equal amount of federal Medicaid matching funds by reducing the number of personal care hours provided to waiver recipients from 56 to 48 hours per week; and
 - **\$1.7 million GF** by eliminating funding for multi-disciplinary teams that assist children who have been victims of abuse.



Program Improvement/ Administrative Reductions

Major GF Decreases for the 2012-14 Biennium - (\$ in millions)	
Enroll Foster Care Populations into Managed Care	(\$5.5)
Add anti-psychotic and anti-depressants to Medicaid preferred drug list (PDL)	(3.4)
Capture DMAS administrative savings from managed care expansions	(2.9)
Increase revenues from additional Medicaid provider audits	(1.4)
All other program improvement/administrative reductions	<u>(3.7)</u>
TOTAL, GF Spending Decreases	(\$16.9)



Reduce Funding for Community-Based Providers

Major GF Decreases for the 2012-14 Biennium - (\$ in millions)	
Reduce funding for health care safety net by 50% (Virginia Health Care Foundation, free clinics, community health centers)	(\$4.8)
Eliminate funding for public health services (Teen pregnancy prevention, general medical clinics, and aid to small waterworks)	(3.0)
Reduce funding by 2% in FY 2013 and 50% in FY 2014 for 17 community-based health care providers	(1.7)
Phase-out funding for 11 community-based aging service providers	(1.2)
All other program funding for community-based providers	<u>(0.2)</u>
TOTAL, GF Spending Decreases	(\$10.9)



Other Reductions

- The proposed budget assumes an increase of **\$20.0 million** in FY 2014 to the Virginia Health Care Fund (VHCF) from Medicaid recoveries.
 - Revenues to the fund are used as the state's match for Medicaid, so that increased revenues generate general fund savings.
 - Additional staffing in the Office of the Attorney General's Medicaid Fraud Control Unit -- from 34 to 83 full-time positions -- is projected to result in \$20.0 million in additional revenues to the VHCF.



Elementary and Secondary Education



SB 29, As Introduced

- Proposed amendments to Direct Aid to Public Education decrease general funds by a net \$36.8 million while increasing nongeneral funds by \$18.5 million in FY 2012, reflecting:
 - A net increase of \$2.1 million GF based on increased **Sales Tax projections** (increase of \$4.7 million from the one and one-eighth cent sales tax dedicated to public education is offset by a \$2.6 million GF reduction to the SOQ Basic Aid payment).
 - Total savings of \$8.5 million GF based on **projected enrollment** – 1,202 fewer students than estimated in Chapter 890 – **and participation** across various programs.
 - Reflects 311 students for 2011-12 across the state in Carroll’s full-time virtual program and 165 in Buena Vista’s (about \$2.8 million).
 - Additional **projected Lottery Proceeds** of \$18.5 million in FY 2012, including \$9.0 million in Lottery Proceeds earned in FY 2011.
 - In the absence of a “balancer” Lottery account to “receive” the additional funds, the Lottery Proceeds were used to supplant GF support.



Overview of SB 30, As Introduced

Direct Aid to Localities for Public Education

	FY 2013		FY 2014	
	GF	NGF	GF	NGF
<u>Total \$ (in Millions)</u>				
Base Budget (Ch. 890)	\$4,951.8	\$1,403.3	\$4,951.8	\$1,403.3
Proposed Increases	606.8	14.7	655.8	19.4
Proposed Decreases	<u>(426.3)</u>	<u>(0.0)</u>	<u>(432.2)</u>	<u>(0.0)</u>
Net Change	\$180.5	\$14.7	\$223.6	\$19.4
SB 30, As Proposed	\$5,132.3	\$1,417.9	\$5,175.4	1,422.6
% Change	3.6%	1.1%	0.8%	0.3%
<u>\$ Per Pupil (Unadj. ADM)</u>				
Net Change	\$127	\$6	\$11	(\$3)
SB 30, As Proposed	\$4,198	\$1,160	\$4,209	\$1,157
% Change	3.1%	0.5%	0.3%	(0.3%)



Trends

Direct Aid to Localities for Public Education

- **GF State Aid Per Pupil From Prior to the Great Recession**
 - **FY 2007 to FY 2014 Proposed.** On a per pupil basis, the proposed GF level for Direct Aid is down 4.7 percent.
- **GF and NGF Appropriations Over Ten Years (GF and NGF)**
 - **FY 2002 to FY 2011.** Per JLARC's annual report on State Spending, total Direct Aid (GF and NGF) increased 41 percent while enrollment increased 6 percent and inflation increased 23 percent. This results in an inflation-adjusted per pupil increase of about 12 percent over ten years.
- **School Expenditures (All Sources) Since Last Re-benchmarking Base Year**
 - **FY 2008 to FY 2010.** Decreases in local and state spending totals from FY 2008 to FY 2010 were offset by increases in federal aid (stimulus), which when combined with some enrollment growth resulted in a slight decrease in per pupil spending statewide.



Summary of Proposed Amendments for Direct Aid to Education

(\$ in millions)	<u>2012-14</u>
Re-benchmarking: DOE Updates as of July, with Adjustments	\$305.6
Re-benchmarking: Retirement Contribution Rates	342.4
Re-benchmarking: Update Composite Index	87.8
Re-benchmarking: Net Change for Sales Tax Forecast	53.4
Re-benchmarking: Update Lottery Forecast	(27.1)
Re-benchmarking: Include Estimated PreK Participation Rate	(54.9)
Net Governor's K-12 Initiatives	5.0
Net All Other Actions	1.0
At-Risk Fours PreK: Use Kindergarten Count as Proxy	(26.7)
Eliminate No. Va. Support Cost of Competing Adjustment (COCA)	(65.0)
Include Portion of FY 10 ARRA SFSF in Federal Revenue Deduct	(108.1)
Eliminate Nonpersonal Inflation (Updating FY 10 Costs to FY 13)	<u>(109.0)</u>
Total	\$404.4



Re-benchmarking

- Although school spending (from all revenue sources) grew less than one percent from FY 2008 to FY 2010 (base year for the 2012-14 biennium), the following factors contributed to the net increase:
 - Projected enrollment growth of less than one percent per year,
 - An increase in instructional salaries of about 2.7 percent (over the two year period),
 - Funding inflation averaging 4 percent up to the beginning of the biennium (*subsequent proposed policy change eliminates the funding*),
 - Restoring textbooks to full funding,
 - An increase in health care costs of 12 percent, and
 - A 4.9 percentage point increase (to 32.0 percent) in free lunch eligibility.
- These were partially offset by decreases:
 - To remove FY 2012 one-time funding (\$107.3 million * 2), and
 - In Career and Technical and Special Education and Transportation.
- *Note: On Friday, January 13, 2012, the Governor submitted an Executive budget amendment request for consideration by the General Assembly for an additional \$23.5 million each year for the update of the K-3 Class Size Reduction program for free lunch eligibility data that was inadvertently omitted from re-benchmarking.*



Re-benchmarking

Retirement Contribution Rates

- Proposes a funded rate of 11.66 percent employer contribution, up from 6.33 percent in FY 2012, based on an amortization period of 30 years, an assumed investment return rate of 8.0 percent, and 1.43 percent for the first year's payback over ten years due to the 2010 deferral:
 - Additional local costs:
 - Excluding the additional \$342.4 million GF for the state's share of the retirement contribution rates, the proposed net increase in state aid is \$62.0 million GF statewide. Taking the additional local retirement contribution costs of about \$684.8 million into account, this is equivalent to a decrease of \$622.8 million or 6.2 percent.
 - *Examples:* The increase in Loudoun's state share for VRS is \$7.5 million in FY 2013, but the total increase in their bill is \$36.1 million. The increase in York's state share for VRS is \$1.8 million, but their total increase is about \$4 million.



Lottery Proceeds Background

- Prior to the 2000 Constitutional amendment dedicating Lottery Proceeds to public education, use of Lottery Proceeds was set out in the *Code* and Appropriation Act.
- As of the 2006-08 biennium, \$19.5 million off the top supported SOQ prevention, intervention, and remediation, then 60 percent of the remaining amount was used to pay a portion of the state's share of Basic Aid and the remaining approximately 40 percent was distributed based on a per pupil amount adjusted by the Composite Index (of these funds at least 50 percent must be used for non-recurring costs)
- During the 2008 Session, after debate about the Constitutional parameters, accounting and budgeting changes were made so that the money was deposited into the Lottery Proceeds Fund as NGF revenue and then distributed directly to localities.
 - Distributions through a number of non-SOQ programs begin after January 15 after Lottery Proceeds build in the fund. Remaining funds were designated as “Additional Support for School Construction and Operating Costs” as a “balancer.”
 - Since then, that Additional Support account has been eliminated and SOQ English as a Second Language teachers and part of SOQ textbooks are funded with Lottery Proceeds.



Lottery-Funded Programs

SB 30, As Proposed

	<u>FY 2013</u>	<u>FY 2014</u>
K-3 Primary Class Size Reduction	\$81.5	\$81.6
At-Risk Add-On to Basic Aid	78.5	78.5
Special Education – Regional Tuition	72.6	77.7
Virginia Preschool Initiative	68.2	68.5
SOQ English as a Second Language	45.8	47.7
SOQ Textbooks (split funded)	35.8	32.2
Early Intervention Reading	14.2	14.3
SOL Algebra Readiness	11.3	11.3
Foster Care, Non-Resident Students	9.9	10.5
Career & Technical Education – Categorical	10.4	10.4
Regional Alternative Education (Expelled, Etc.)	7.8	7.8
School Breakfast Program	3.3	3.8
Project Graduation	2.8	2.8
Race to GED	2.5	2.5
Individual Student Alternative Education Plan (ISAEP)	2.2	2.2
Path to Industry Certification	1.1	1.1
Mentor Teacher	1.0	1.0
Supplemental Basic Aid (Divisions < 350 Students)	0.9	0.9
Virginia Middle School Teacher Corps	<u>0.4</u>	<u>0.4</u>
Total	\$450.3	\$455.0



Virginia Preschool Initiative (VPI) for At-Risk Four-Year-Olds

- Two actions are included in an amendment totaling \$81.6 million:
 - **Re-benchmarking:** Captures \$54.9 million based on a non-participation rate of 25.4 percent, consistent with the rate included in Chapter 890 for FY 2012.
 - **Policy Change:** After technical updates for the projected number of four-year-olds and the increase in free lunch eligibility (from 27 percent in 2008 to 32 percent in 2010), proposes savings by changing the basis for the estimate of four-year-olds to the projected number of kindergarten students, with a temporary “hold harmless” in FY 2013 and FY 2014 on the number of slots by division.
 - **Ch. 890:** Based on 20 percent of VEC’s estimate of children 0 to 5 years old = 111,791 four-year-olds; **28,777** at-risk fours unserved by Head Start
 - **Proposed:** Projected kindergarten enrollment = 95,988 four-year-olds; **23,294** at-risk fours unserved by Head Start (=7,833)
 - FY 2012 VPI Actual enrollment = 16,302 students
 - FY 12 = \$63.9 million; FY 13 = \$68.2 million, FY 14= \$68.5 million (all based on the state’s share of \$6,000 per student)



Governor's Initiatives in K-12

(\$ in millions)	<u>2012-14</u>
New Grant to Communities in Schools (dropout prevention)	\$2.0
PSAT Costs for 10 th Graders	1.8
Preparation Pilot Initiative (led by public or private colleges)	0.7
Math and Science Teacher Recruitment Pilot	0.6
Workplace Readiness Skills Assessment/CTE Credential	0.6
Charter Schools	0.2
Plan New Health Science Academies	0.1
Positive Youth Development Summer Academy Pilot (working with UVA)	0.1
Increase for Summer Residential Governor's Schools and Foreign Language Academies	0.1
Direct Funds to "PlugGED In" Adult Ed/Industry Model	0.0
Eliminate Grant to Project Discovery (college access)	<u>(1.2)</u>
Total	\$5.0



Other Proposed Actions

Direct Aid

(\$ in millions)	2012-14
Race to GED Testing Costs	\$0.8
Eliminate Mentor Teachers in Hard-to-Staff Schools	(1.7)
Economics and Personal Finance Course thru Virtual Virginia	0.7
Increase Grant for Jobs for Virginia Graduates	0.5
National Board Certification	0.4

- **Proposed Language**

- Include in the annual school division report cards the percentage of each division's annual operating budget allocated to instructional costs. DOE to establish a methodology in a manner that is consistent with the funding of the SOQ. The Superintendent of Public Instruction may also report on other methods of measuring instructional spending such as those used by the U.S. Census Bureau and the U.S. Department of Education.
- Specifies that when two school divisions consolidate, regardless of whether or not it was the result of local government consolidation, that a 15-year composite index hold harmless is provided.



School for the Deaf and Blind, Office of the Secretary of Education

- **Virginia School for the Deaf and Blind (VSDB).** Adds \$434,976 GF to operate new and renovated buildings; replaces \$672,162 GF with revenue generated by leasing vacant space; and captures \$365,342 GF generated through a renegotiated agreement with VITA.
- **Educational Telecommunications and Community Service Grants for Public Broadcasting.** Currently budgeted under the Office of the Secretary of Education, eliminates \$5.2 million GF for educational telecommunications services by public broadcasting and \$2.0 million GF for community service grants for public radio and television stations.



Department of Education

- *Academic Reviews.* Adds \$499,777 GF the first year only for reviews of schools not fully accredited, which have increased with higher annual objectives for graduation rates.
- *Performance Evaluation Training.* Adds \$415,500 GF to support training for teacher and principal evaluation.
- *Create an Innovative Education Technical Advisory Group.* Provides \$201,624 GF to assist charter, college laboratory, or virtual schools.
- *Savings Related to Positions.* Removes \$1.1 million GF from vacant positions; \$542,610 GF by transferring support for 2.5 positions to nongeneral funds; and saves \$260,000 GF by eliminating the Interstate Compact on Educational Opportunity for Military Children position.
- *Eliminate Support for Virginia Career VIEW Program.* Eliminates funding of \$592,000 GF for web-based career exploration (through Virginia Tech).



Other Education

Local Library Aid, State Archives, State Museums and Arts Aid

- **Virginia Museum of Fine Art.** Proposes reductions of \$802,828 million GF by reducing support for special exhibits and various positions.
- **Science Museum.** Adds \$351,314 GF the second year to replace the IMAX dome through the state's Master Equipment Lease Purchase program.
- **Jamestown-Yorktown.** Adds \$315,860 GF for interpreter services at Yorktown Victory Center and \$41,724 GF for payroll costs.
- **Library of Virginia.** Eliminates two Library of Virginia positions for a savings of \$457,010 GF.
 - **Local Library Aid.** Reduces state aid by \$590,872, a reduction of 2.0 percent.
- **Virginia Commission for the Arts.** Reduces grants to arts organizations by \$299,586 GF, a reduction of 4.5 percent.



Higher Education



Overview of Higher Education

- SB 29: eliminates the \$10 million GF reduction in Central Accounts to higher education for FY 2012 that was approved during the 2010 Session.
- SB 30: proposed amendments result in a net **increase of \$105.7 GF** in FY 2013 and **\$106.0 million GF** in FY 2014.
 - **Includes \$77.3 million GF** per year to support initiatives identified in the *Virginia Higher Education Opportunity Act of 2011* (TJ 21).
 - \$25.5 million GF for base adequacy;
 - \$25.5 million GF for STEM degree production incentives and institution specific initiatives;
 - \$16.2 million GF for enrollment growth (per student = to TAG);
 - \$6.4 million GF for undergraduate student financial aid; and
 - \$3.8 million for research initiatives at ODU, UVA, and VT.
 - \$8.6 million GF per year for additional research initiatives.



Overview of Higher Education (continued)

- Recommends almost \$5.9 million GF annually for the Tuition Assistance Grant (TAG) program (to raise awards \$100 to \$2,750/student).
- Proposes almost \$3.6 million GF per year for additional funding at Eastern Virginia Medical School.
- Recommends \$2.8 million for the Virtual Library of Virginia (VIVA) e-textbook initiative and additional acquisitions.
- Proposes \$2.0 million GF per year for non-credit courses to enhance workforce development programs at the Virginia Community College System (VCCS).
- Recommends over \$1.6 million GF annually for additional support at the Institute of Advanced Learning and Research (IALR), Virginia Institute of Marine Science (VIMS), and the Jefferson Lab (JLab).
- The \$10.0 million GF reduction to higher education approved during the 2010 Session for FY 2012 has also been removed from Central Accounts for FY 2013 and FY 2014.



Reductions/Reallocations

- Proposes internal higher education institution **reallocations of \$34.7 million in FY 2013 and \$57.8 million in FY 2014** to go towards TJ 21 goals. Budget language states that the FY 2013 reallocation amount would be 3% of total FY 2012 Educational and General (E&G) appropriations and 5% in FY 2014. Actual percentages vary.
- Recommends **abolishing the eminent scholars program, a savings of \$1.7 million GF per year**. The program was created in 1964 to match endowment earnings on a dollar-for-dollar basis with funds used to supplement faculty salaries and attract eminent faculty.
- Proposes a **phase-out of the Virginia Women's Institute for Leadership (VWIL) program** at Mary Baldwin College, a **savings of \$76,975 GF in FY 2013 and \$153,950 GF in FY 2014**.
- Recommends a **reduction to the State Council of Higher Education for Virginia (SCHEV) of \$149,135 GF in each year**, an amount equal to four percent and more than half of the funding provided by the General Assembly during the 2011 Session to support the TJ 21 legislation requirements.



Summary of Proposed Amendments

GF Actions for the 2012-14 Biennium - (\$ in millions)	
Reductions	(\$12.6)
Base Adequacy	51.0
STEM Degree Production Incentives/Institution Specific Initiatives	51.0
Enrollment Growth	32.4
Undergraduate Financial Aid	12.7
TJ 21 Research	7.5
Other Research	17.2
Tuition Assistance Grant	11.7
VIVA	5.6
VCCS Workforce Development	4.0
EVMS, IALR, VIMS, JLab, BioPark, Plan VA Trt. Ctr, CA eliminate \$10 million	<u>31.1</u>
TOTAL	\$211.7



Other Actions

- **Language amendments:**
 - Proposes language in *§4-2.00 Revenues* section that would **prohibit an increase in financial aid funds from tuition and fee revenue generated from in-state students to support financial aid** to the level proposed in the 2012-14 biennium.
 - Recommends language to **implement TJ 21, codify and restrict the proposed funding methodologies** for base adequacy, enrollment growth, degree incentive funding and research to the process proposed in the introduced budget.
- Proposes an **allocation of \$56.1 million per year for the Higher Education Equipment Trust Fund**. Debt service for the program is \$8.8 million and begins in FY 2014.
- Under incentive payments in Commerce and Trade:
 - **Proposes \$5.0 million GF each year** for a new **life sciences initiative** to provide funding for a research consortium to be comprised of UVA, VCU, VT, GMU and EVMS.
 - **Recommends \$10.0 million GF each year** for **research and commercialization of emerging technologies**.



Compensation



Compensation and Benefits

- SB 30 proposes four major compensation and benefit actions with a combined impact equal to spending \$166.2 million GF.

- | | |
|------------------------------|--|
| 1) \$ 86.2 million GF | VRS <u>employer</u> contributions |
| \$ 50.6 million GF | Repayment of 2010-2012 Deferred contributions |
| \$ 35.6 million GF | Modified 2012-2014 VRS Contribution Rates |
| 2) \$ 101.4 million GF | Changes in Employee Compensation |
| \$ 100.3 million GF | Employee Health Insurance |
| \$ 1.1 million GF | Group Life, Disability, and Retiree Health Care Credit |
| 3) (\$ 21.4) million GF | Employee vacancy savings |
| 4) Contingent on GF balances | 3% bonus for state employees on December 1, 2012 |



Repayment of Deferred VRS Contributions

- Chapter 874 captured savings of \$621.3 million from the partial deferral of VRS **employer** retirement rates in FY 2011 and FY 2012.
 - Chapter 890 reduced the deferral for FY 2012 by \$41.8 million GF for a revised deferral of **\$579.5 million GF**.
 - Repayment of the deferred contributions is **required** over 10 years.
- SB 30 proposes \$50.5 million GF for the first two installments of the repayment.
 - \$81.2 million GF is included under Public Education for the teacher retirement portion of the repayment.

Description	FY 2011	FY 2012			Biennium
		2010 Session	2011 Session	FY 2012 Final	
VRS Deferral					
State Employees (Revenue Action)	\$163.0	\$170.1	(\$38.8)	\$131.3	\$294.4
Teachers (Appropriation Action)	<u>\$162.1</u>	<u>\$126.1</u>	<u>(\$3.0)</u>	\$123.0	<u>\$285.2</u>
Total: VRS Deferral	\$325.2	\$296.2	(\$41.8)	\$254.4	\$579.5



VRS Employer Contributions

- SB 30 proposes \$35.6 million GF for increased employer retirement contribution rates.
 - SB 30 proposes \$221.4 million GF for increased teacher retirement contribution rates under Public Education.
 - Based on an 8.0 percent rate of return, 2.5 percent inflation rate, and a thirty year amortization period.
 - The 5.5% actual rate of return (8.0% - 2.5%) is the highest of the states rated AAA by Moody's.
 - VRS board used a 7.0 percent rate of return, 2.5 percent inflation rate, and a thirty year amortization period.

Proposed Employer Retirement Contribution Rates		
	2012-14	
	<u>VRS Board</u>	<u>SB 30</u>
VRS (State Employees)	13.07%	8.76%
VRS (Teachers)	16.77%	11.66%
State Police Officers Retirement System (SPORS)	36.62%	24.74%
Va. Law Officers Retirement System (SPORS)	19.52%	14.80%
Judicial Retirement System (SPORS)	54.11%	45.44%



Employee Health Insurance

- SB 30 proposes a net increase of \$100.2 million GF for increased health insurance premiums.

<u>Action</u>	<u>GF</u>
State Employee Health Insurance Program	
Increases	\$132.8
Benefit Changes	
Equalize employer costs (Kaiser premium)	\$ (1.7)
Annual vision exam	\$ 0.0
Require outpatient settings for selected surgeries	\$ (1.6)
Eliminate co-payments for Tier 1 & 2 diabetes meds/supplies	\$ 2.9
Maintenance drugs network (50% penalty)	\$ (8.2)
Nutritional counseling	<u>\$ 0.3</u>
Total: Benefit Changes	\$ (8.3)
Federal Health Care Reform	\$ (9.1)
Reduce reserve for claims Incurred But Not Reported (IBNR)	<u>\$ (19.1)</u>
State Employee Health Insurance Program	\$ 99.3
UVa Employee Health Insurance Program	<u>\$ 1.0</u>
Employee Health Insurance Programs	\$100.3



State Employee Bonus

- Proposes a one-time bonus payment equal to 3.0% of base pay on December 1, 2012.
 - Applies to all state employees, except elected officials.
 - Requires continuous employment from April 1 to November 24, 2012.
 - Contingent on agency GF **balances** of approximately \$154.0 million GF or more - twice the estimated \$77.0 million GF cost of the bonus. (No dollars are allocated in SB 30).
 - Funding of the bonus will be on an agency-by-agency basis, with a proration of the bonus to be made for any agency that cannot cover the costs.
 - The proposed language contains no provision for a prorated bonus if statewide balances are lower than twice the estimated cost.



Public Safety



Overview of SB 29

- Department of Corrections
 - *Inmate Medical Costs.* Adds \$7.4 million for FY 2012.
 - *Lawrenceville Correctional Center.* Adds \$0.5 million for about half of the increased contract cost for Virginia's only privately-operated prison.
 - No additional funding provided in SB 30.
 - *Local Infrastructure Debt Service.* In the event a state correctional facility is closed, language directs DOC to continue to pay its proportional share of the debt service for the extension of local utilities to serve the facility, subject to the previously agreed upon schedule.
- Department of Juvenile Justice
 - *Turnover and Vacancy.* Captures a savings of \$3.0 million in FY 2012.



Overview of SB 30, As Introduced

Public Safety

	FY 2013		FY 2014	
	GF	NGF	GF	NGF
Base Budget (Adjusted)	\$1,664.7	\$866.3	\$1,665.0	\$866.3
Proposed Increases	38.7	2.8	10.0	17.5
Proposed Decreases	<u>(6.3)</u>	<u>(0.1)</u>	<u>(6.9)</u>	<u>(0.1)</u>
\$ Net Change	\$32.4	\$2.76	\$3.1	\$17.4
SB 30, As Proposed	\$1,697.2	\$868.9	\$1,668.1	883.76
% Change	2.0%	0.3%	0.2%	2.0%

- **Trend**

- **FY 2007 to FY 2014:** Including Veterans Services, recommended GF appropriations for FY 2014 are 1.4 percent higher than for FY 2007.



Corrections

- Department of Corrections
 - **Loss of out-of-state revenue** (-\$20.4 million per year)
 - Closure of Mecklenburg Correctional Center
 - Average employment level in FY 2011 was 386
 - Offset remaining loss of NGF (\$1.2 million GF in 2013, \$0.2 m in 2014)
 - **Inmate medical costs**
 - \$7.4 million in 2012, \$15.1 million in 2013
 - Reduction of \$0.4 million in 2014 (assumes cost shift to Medicaid)
 - **Reentry initiatives** (\$1.3 million in 2013, \$1.7 million in 2014)
 - 16 additional probation officers
 - New violent offender program in Richmond
 - Pilot work release program at Indian Creek Correctional Center
 - **Pilot Sentencing Program** (\$0.9 million, 12 positions each year)
 - Sanctions with Uniform Enforcement (companion legislation)
 - **Impact of Proposed Sentencing Legislation** (\$12.1 million)



Correctional Ed, DCJS, State Police

- Department of Correctional Education
 - **Consolidation** – companion amendment in Central Accounts captures savings of \$0.4 million in 2014 and \$1.1 million in 2014.
- Department of Criminal Justice Services
 - 3% reduction in **community corrections and pre-trial services**
 - Southwest Virginia and Central Virginia Regional Jails
 - **Transfer of balances** (Domestic Violence, Victim-Witness Funds)
 - **Level funding for HB 599** (\$172 million each year)
- Department of State Police
 - **Sex Offender Investigative Unit.** Adds \$2.7 million in 2013 and \$1.5 million in 2014, and 43 non-sworn surveillance officer positions.
 - **Trooper Vacancies.** Adds \$2.9 million in 2013 and \$3.1 million in 2014 to fill 40 State Trooper vacancies statewide.



Military Affairs, ABC

- Department of Military Affairs
 - **STARBASE** Youth Education Program at Winchester Armory (NGF).
 - **Military Advisory Council** (-\$50,000 each year).
 - The Council is transferred to the new Secretary of Veterans Affairs and Homeland Security.
- Department of Alcoholic Beverage Control
 - Five new stores, 10 positions in 2013, 20 positions in 2014
 - Additional \$13.9 million NGF in 2013, \$28.4 million in 2014 to purchase merchandise for resale.



Veterans Affairs and Homeland Security



Overview of SB 30, As Introduced

Veterans Affairs and Homeland Security

	FY 2013		FY 2014	
	GF	NGF	GF	NGF
Base Budget (Adjusted)	\$9.0	\$42.2	\$9.0	\$42.2
Proposed Increases	0.7	3.2	0.7	4.1
Proposed Decreases	<u>(0.1)</u>	<u>(0.0)</u>	<u>(0.1)</u>	<u>(0.0)</u>
\$ Net Change	\$0.6	\$3.2	\$0.7	\$4.1
SB 30, As Proposed	\$9.6	\$45.3	\$9.7	\$46.2
% Change	6.5%	7.5%	7.4%	9.6%

- **Trend**

- **FY 2007 to FY 2014:** General Fund support for the Department of Veterans Services has increased by 104 percent from FY 2007 to 2014 (SB 30, introduced).



Veterans Services

- New secretariat created by the 2011 General Assembly
 - Office of the Secretary formerly Office of Commonwealth Preparedness.
- Department of Veterans Services
 - Eliminates funding for **county veterans services liaison program**.
 - **Sitter and Barfoot Veterans Care Center**. Construction will begin in early fall, 2012 on the new 40-bed addition (\$2.7 million NGF in 2013, \$3.6 million NGF in 2014, 51 positions each year).
 - **Homeless Veterans Initiative**. Adds \$197,018 GF and two positions each year to provide access to services, including housing vouchers, employment support, and social services.
 - **Moving Veterans from Medicaid to Federal VA Benefits**. Provides \$128,068 GF to fill two vacant positions each year (language in DMAS).
 - **Claims Agents**. Adds \$127,068 GF and two positions each year.



Judicial Department and Executive Offices



Overview of SB 30, As Introduced

Judicial Department

	FY 2013		FY 2014	
	GF	NGF	GF	NGF
Base Budget (Adjusted)	\$406.3	\$32.5	\$406.3	\$32.5
Proposed Increases	11.1	0.1	12.4	0.1
Proposed Decreases	<u>(0.0)</u>	<u>(0.0)</u>	<u>(0.0)</u>	<u>(0.0)</u>
\$ Net Change	\$11.1	\$0.1	\$12.3	\$0.1
SB 30, As Proposed	\$417.4	\$32.6	\$418.7	32.6
% Change	2.7%	0.3%	3.0%	0.3%



SB 29 and 30, As Introduced

- Judicial Department
 - Criminal Fund.
 - \$1.7 million in SB 29.
 - \$2 million GF per year in SB 30.
 - 23 positions for General District and JDR Courts (\$3.2 million per year).
 - \$1 million GF each year to fill judicial vacancies.
 - Includes language overriding the Code to eliminate the moratorium on creation of new drug courts.
- Office of the Attorney General
 - Medicaid Fraud Control Unit. Adds \$3.9 million NGF each year and 50 new positions.
 - 75% federal, 25% state match (Oxycontin settlement).
 - Assumes \$20 million new revenue in 2014 for Virginia Health Care Fund.



Commerce and Trade



Overview of Commerce & Trade

- Governor's proposed amendments for the 2012-2014 biennium include **net increases of \$24.0 million GF** above the appropriation in Chapter 890.
 - Major increases include:
 - \$10.0 million GF to implement a Life Sciences Initiative to provide funding for a research consortium.
 - \$7.5 million GF in the first year for BRAC related payments to the City of Virginia Beach.
 - \$6.2 million GF in the first year for operating expenses of the Fort Monroe Authority.
 - \$4.1 million GF (along with \$4.1 million NGF) for interest payments to the federal government for unemployment compensation loans.
 - \$4.0 million GF to implement an Advanced Manufacturing Initiative.



Commerce & Trade

Economic Development Incentives

- Proposed Economic Development Incentive Payments total \$134.0 million GF for FY 2012-14 (GF \$ in millions):

Governor's Development Opportunity Fund	\$23.6
Commonwealth Research Commercialization Fund	\$20.0
Major Eligible Employer Grants	\$10.0
Semiconductor Manufacturing Grants	\$10.8
Motion Picture Opportunity Fund	\$7.0
VA Investment Partnership Grants	\$8.3
Aerospace Engine Facility Incentive Payments	\$19.7
Advanced Shipbuilding Training Facility Grant	\$10.0
SRI International Incentive Payments	\$1.0
VA Economic Development Incentive Grants	\$2.1
BRAC Payment to VA Beach	\$7.5
Life Sciences Initiative	\$10.0
Advanced Manufacturing Initiative	\$4.0



Department of Housing and Community Development

- Recommendations for DHCD include :
 - \$6.2 million GF in the first year for operating expenses of the Fort Monroe Authority;
 - Also included in Capital Outlay is an additional \$4.0 million in state supported debt for maintenance reserve and utility improvement projects.
 - \$1.5 million GF the first year for homeless programs; and
 - A reduction of \$1.5 million GF each year for Enterprise Zone Grants based on anticipated number of eligible claims.



Virginia Employment Commission

- Recommendations for VEC include:
 - Reduced appropriation of \$110.6 million NGF the first year and \$169.9 million NGF the second year for unemployment insurance benefits based on projected improvement in unemployment rates.
 - \$8.3 million for payment of interest to the federal government due on prior year loans for unemployment insurance benefits:
 - \$4.15 million GF.
 - \$4.15 million NGF from a proposed surcharge on the employer tax of \$1.36 for each employee in calendar year 2013.



VA Economic Development Partnership and VA Tourism Authority

- Recommendations for VEDP include:
 - An increase of \$1.0 million GF the first year to expand international marketing in Europe, Japan, China and India.
 - An increase of \$500,000 GF the first year to expand a pilot program to support regional economic development organizations.
 - A reduction of \$628,634 GF each year from the Brownfields Restoration and Economic Development Fund.
 - A reduction of \$342,851 GF the first year and \$395,251 the second year from elimination of Virginia National Defense Industrial Authority, which is a recommendation of the Governor's Commission on Government Reform and Restructuring.
- Recommendations for Tourism Authority:
 - An increase of \$1. 0 million GF each year for advertising and marketing.
 - Proposes \$575,000 GF each year to increase grants for local and regional tourism entities.



Natural Resources



Overview of Natural Resources

- Governor's proposed amendments for the 2012-2014 biennium include **increases of \$58.8 million GF** offset by **reductions of \$11.0 million GF** as compared to Chapter 890.
 - The majority of the **increase** is from a \$50.3 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 2011.
 - Proposed **decreases** include turnover and vacancy savings, transferring positions to nongeneral fund sources and other targeted savings.



Water Quality Improvement Fund

- Provides \$50.3 million GF in FY 2013 for pollution control projects to prevent sediment and nutrients from entering state waters.
 - \$5.0 million GF the first year for nonpoint source projects administered by the Department of Conservation and Recreation.
 - Also continues to provide \$9.1 million NGF each year from an existing \$10 deed recordation fee 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.
 - \$45.3 million GF the first year for point source projects administered by the Department of Environmental Quality.
 - Partially addresses the current backlog of \$104.4 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 30

- Proposes \$2.0 million GF in the Department of Historic Resources for the Civil War Historic Site Preservation Fund.
- Recommends \$1.9 million GF the first year for the Department of Conservation and Recreation to consolidate and relocate agency offices in Richmond.
- Proposes an increase of \$500,000 GF each year for the Marine Resources Commission to partially restore funding for oyster replenishment that had been reduced in prior sessions.
- Provides \$625,000 GF the first year to support the Title V Air Pollution Control program and includes language encouraging stakeholders to either reach agreement on a permanent fee structure or consider ceding the program to the U.S. EPA.



Natural Resources

Proposed Decreases in SB 30

- Proposes to transfer \$2.3 million NGF each year from the Waste Tire program in DEQ to the Highway Maintenance and Operating Fund.
- Proposes a reduction of \$2.0 million GF each year in operating funding for local Soil and Water Conservation Districts.
 - This represents a 46 percent reduction to SWCD operating funds.
- Proposes a reduction of \$650,000 GF each year in the Department of Conservation and Recreation by eliminating 13 vacant FTE positions.
 - 7 from State Parks, 4 from Stormwater Management and 2 administrative.
- Proposes a reduction of \$450,000 GF each year that is to be supplanted by increasing State Park fees.
- Proposes savings in VMRC of \$197,638 GF each year by eliminating the VA Saltwater Fishing Tournament and \$148,750 GF each year by eliminating funding for Potomac River Fisheries Commission.



Agriculture & Forestry

- Governor's proposed amendments for the 2010-2012 biennium provide **increases of \$5.5 million GF** offset by **reductions totaling \$2.3 million GF** from Chapter 890.

GF Increases Proposed for Agriculture and Forestry	
Agriculture and Forestry Development Fund	\$2.0 million
Expand International Marketing	\$670,452
VA Wine Promotion Fund	\$349,398
Forest Firefighting Equipment	\$250,000

- Proposed decreases are from turnover and vacancy savings, transferring positions to nongeneral fund sources and other targeted savings.
- Proposed fee increases include:
 - An \$8.00 Weights and Measures fee to provide \$1.0 million NGF each year in additional funding to support the program.
 - Increase of \$20.00 in annual Food Inspection fees to supplant \$223,420 GF each year.
 - Increases Poultry Products testing fees to supplant \$48,962 GF each year.



Transportation



Overview of Transportation

- Proposed amendments to SB 29 increase transportation funding in FY 2011 by **\$1.0 billion NGF**, reflecting the programming of transportation bond proceeds authorized by the 2011 General Assembly, and by **\$67.2 million GF** to reflect the statutory deposit of two-thirds of the otherwise unencumbered FY 2011 balances.
 - Recommends that the GF surplus amounts be deposited to the Virginia Transportation Infrastructure Bank.
- Proposed biennial budget for the Office of Transportation reflects the December 2011 revenue reforecast of the Commonwealth Transportation Fund with a total increase of **\$489.1 million NGF**, in FY 2013 and **\$627.7 million NGF** in FY 2014.
 - The biennial budget includes \$9.8 billion for Transportation agencies, including \$86.0 million GF and \$9.7 billion NGF.
- Proposes new NGF revenues totaling \$54.4 million in the first year and \$56.6 million in the second year by redirecting existing sales tax revenues to the Highway Maintenance and Operating Fund.
 - Separate legislation is required to implement this transfer.



Proposed Transportation Initiatives

- Proposes one-time funding of \$4.0 million GF the first year for completion of the new launch pad at the Mid-Atlantic Regional Spaceport at NASA's Wallops Island Flight Facility.
- Increases DMV fee structure to recover approximately \$9.9 million:

Proposed DMV Fees
(Revenue in Millions \$ NGF)

	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Revenue</u>
Late Fee on Registration Renewals	\$0.00	\$10.00	\$3.8
Replacement & Supplemental Titles	\$5.00	\$10.00	\$1.4
Minimum Driver's License Fee	\$4.00	\$20.00	\$0.8
Replacement Driver's License Fee	\$10.00	\$20.00	<u>\$3.9</u>
Total Revenues			\$9.9

- Implements the transfer of Motor Vehicle Rental Tax collection and disbursement from DMV to TAX by reducing NGF appropriations by \$18.0 million the first year and \$33.0 million the second year.



Other Transportation Agencies

- Authorizes the transfer of up to \$6.7 million the first year and \$19.4 million the second year from the Rail Enhancement Fund (REF) to the Intercity Passenger Rail and Capital and Operating Fund to support the operating costs of the extended Amtrak services to Lynchburg and Richmond to D.C.
 - Passenger rail operating fund was established by the 2011 Session of the General Assembly, no funding was identified for these activities.
- Authorizes “off-the-top” use of Commonwealth Mass Transit Funds for transit and transportation demand management projects on the I-95 corridor.
 - Improvements are part of the public-private agreement to construct HOT lanes on I-95 in Northern Virginia.
- Authorization is included in the Capital Section of the budget for the issuance of \$100.0 million of Port Terminal Revenue Bonds to support construction of an addition to the leased APM terminal in Portsmouth and to expand the Norfolk International Terminal.



General Government



Technology



Overview of Technology

- Proposes a total of **\$8.1 million** GF in FY 2013 and **\$5.2 million** GF in FY 2014 in the Central Appropriations to assist state agencies in addressing the costs of information technology services charged by the Virginia Information Technologies Agency (VITA).

2012-14 VITA Costs (\$ millions GF)

	<u>FY 2013</u>	<u>FY 2014</u>	<u>Total</u>
2012-14 Central Account for VITA Rates	\$3.1	\$3.4	\$6.5
Recommended for Phone Systems	<u>\$5.0</u>	<u>\$1.8</u>	<u>\$6.8</u>
2012-14 Central Account for VITA Costs	\$8.1	\$5.2	\$13.3

- Proposes \$1.0 million GF in FY 2013 and \$1.3 million GF in FY 2014 for marketing programs administered by CIT to ensure Virginia continues to remain a leader in cyber-security services and modeling and simulation.



Overview of Technology (continued)

- Provides \$1.4 million GF in each year to offset reductions in overhead charges to agency billing amounts that were double-counted during budget development.
- Proposes to eliminate a total of 27 NGF positions throughout the agency by FY 2012 to reflect the reorganization of the agency and staff attrition.
- Allocates \$2.5 million NGF in federal funds in FY 2013 for services provided to the Department of Education in support of the Virginia Longitudinal Data System.
 - Includes project management and other services to ensure the system's objectives are accomplished.
- Provides \$823,400 in FY 2013 and \$1.0 million in FY 2014 in additional nongeneral fund appropriations to account for billings to state agencies for optional collaborative services those agencies purchased from VITA's Enterprise Applications Division.



Other Technology Initiatives

- Proposes to increase the working capital advance for enterprise applications by \$60.0 million, from a total of \$30.0 million to a total of \$90.0 million. This loan is used to support systems planning and development costs of the “Cardinal” financial accounting system. Repayment of this loan is to be paid from enhanced collections, cost recoveries, and other savings.
 - Proposed language authorizes the Governor to apply up to \$2.0 million from unappropriated FY 2012 general fund balances in the event that other repayment sources are insufficient to maintain a reasonable schedule for the payback of the working capital advance.
 - Language authorizes the Department of Accounts to solicit approval from the Joint Legislative Audit and Review Commission for an Internal Service Fund rate to recover operations and development costs from the agency users of the new central accounting system.



Administration



Compensation Board

SB 29 (FY 2012)

- The proposed FY 2012 budget for locally elected constitutional officers results in a **net increase of \$3.2 million GF** compared to Chapter 890 (FY 2012) – a 0.5% increase.
 - \$4.6 million GF in FY 2012 for an increase in projected per diem payments to local and regional jails.
 - (\$1.4) million GF in savings as a result of delays in jail expansion projects.



Compensation Board

SB 30 (2012-2014 Biennium)

- The proposed 2012-14 biennial budget for locally elected constitutional officers results in a **net increase of \$11.6 million GF** compared to Chapter 890 (2012) – a 1% increase.
 - \$11.8 million GF to staff new jail beds.
 - Includes language which limits reimbursements to localities for retirement contributions to the lesser of the actual local rate or 2.13% (the state employee rate paid in FY 2011).
 - **Continues \$7.4 million GF in FY 2012 that was appropriated for Sheriffs in Chapter 890 from year-end balances.**



Compensation Board: Change in GF Support

Description	Ch 890	SB 29	SB 30		Change					
	FY 2012*	FY 2012*	FY 2013	FY 2014	Ch 890 v SB 29		Ch 890 v FY13		Ch 890 v FY14	
					\$	%	\$	%	\$	%
Local Sheriffs and Regional Jails *	406.5	405.2	412.1	412.8	-1.4	-0.34%	5.6	1.38%	6.2	1.53%
Per Diem Payments	49.9	54.5	49.9	49.9	4.6	9.21%	0	0.00%	0	0.00%
Commonwealth's Attorneys	63.9	63.9	63.9	63.9	0.0	0.00%	0	0.00%	0	0.00%
Clerks of Circuit Courts	41.5	41.5	41.5	41.5	0.0	0.00%	0	0.00%	0	0.00%
Treasurers	16.2	16.2	16.2	16.2	0.0	0.00%	0	0.00%	0	0.00%
Commissioners of the Revenue	17.0	17.0	17.0	17.0	0.0	0.00%	0	0.00%	0	0.00%
Directors of Finance	5.2	5.2	5.2	5.2	0.0	0.00%	0	0.00%	0	0.00%
Constitutional Officers Liability Insurance	0.0	0.0	0.0	0.0	0.0	NA	0	NA	0	NA
Compensation Board (Administration)	<u>2.3</u>	<u>2.3</u>	<u>2.2</u>	<u>2.2</u>	<u>0.0</u>	<u>0.00%</u>	<u>-0.1</u>	<u>-5.46%</u>	<u>-0.1</u>	<u>-5.45%</u>
Total	\$602.6	\$605.8	\$608.1	\$608.7	\$3.2	0.53%	\$5.5	0.91%	\$6.1	1.01%

* Includes \$7.4 million GF in FY 2012 from year end balances.



Finance



Overview of Finance

SB 29 (FY 2012)

- Captures savings of \$11.0 million GF from lower interest rates on new debt issuances.
- Removes \$114.0 million GF set aside in anticipation of the Revenue Stabilization Fund deposits required during the 2012-14 biennium.
 - These savings are included in the balance brought forward into FY 2013.



Overview of Finance

SB 30 (2012-2014 Biennium)

- Proposes \$115.4 million GF for additional debt service requirements.
- Proposes \$299.1 million for deposits to the revenue stabilization fund.
 - \$132.7 million for FY 2013.
 - \$166.4 million in FY 2014 (current estimate).



Capital Outlay



Overview of Capital Outlay

- Proposed GF-supported projects total \$240.1 million for two project categories:
 - \$200.5 million for Maintenance Reserve.
 - \$39.6 million for equipment for previously approved projects.
- Proposes \$14.8 million NGF for preplanning of 59 capital projects.

