

SENATE OF VIRGINIA

Senate Finance Committee

Overview of Proposed Budget Amendments

SB 800 (2012-14 Biennial Budget)

January 15, 2013



SENATE FINANCE COMMITTEE

Presentation Outline

- Resources and Budget Overview
- K-12
- Higher Education
- Health and Human Resources
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- General Government
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Resources and Budget Overview



Resource Changes in SB 800 as Introduced

2012-14 General Fund, \$ in millions			
	Original <u>Ch. 3</u>	Revised <u>Amount</u>	<u>Change</u>
June 30, 2012 Balance	\$ 675.5	\$ 976.0	\$ 300.5
Additions to Balance	7.0	(191.4)	(198.4)
Net Balance Addition			\$ 102.1
Revenue Estimate*	33,354.8	33,453.5	98.7
Transfers	<u>811.9</u>	<u>830.7</u>	<u>18.8</u>
GF Resources	\$ 34,849.2	\$ 35,068.8	\$ 219.6
Unapprop. Bal. in Ch. 3			<u>6.3</u>
Addl. GF Resources			\$ 225.9
* Net of policy changes			



Net Changes in GF Revenue, by Source

(Incorporates tax policy changes proposed in SB 800)

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- **Economic revenue growth rates of 3.6% in FY 2013 and 4.2% in FY 2014. (With tax policy changes, 3.6% and 3.8%.)**

(\$ in millions)	FY 2013	FY 2014	2012-14
Net Individual Income Tax	\$181.1	\$156.1	\$337.2
Corporate	(65.1)	(67.4)	(132.5)
Sales	40.9	(28.0)	12.9
Insurance	(38.0)	(33.8)	(71.8)
Recordation	13.6	13.6	27.2
All Other	<u>(29.1)</u>	<u>(45.1)</u>	<u>(74.2)</u>
Net GF Revenue Change	\$103.4	(\$4.7)	\$98.7



Proposed Adjustments/Tax Policy Changes Assumed in GF Revenue Forecast

2012-14, \$ in millions	
December Forecast Changes	\$185.9
Increase Sales Tax Dedicated to Transportation	(\$48.1)
Phase-out Accelerated Sales Tax (June 2014)	(20.8)
Reduce Proceeds from Sale of Brunswick Facility	(10.0)
Extend Enhanced EITC to Tax Year 2012	(7.0)
Phase-out Retained NGF Interest Earnings	(3.8)
Other	<u>2.5</u>
Total, Revenue Adjustments	\$98.7



Primary Uses of FY 2012 Balances

Change in FY 2012 Balance	\$ 300.5
Uses:	
Rainy Day Fund (FY 2012 Activity)	\$ (78.3)
Contingent Employee Bonus (Dec. 2012)	(77.2)
FACT Fund Reappropriation	(30.0)
Natural Disaster Sum Sufficient	(29.9)
TTF Share of Accelerated Sales Tax	(20.9)
Net, Other Adjustments	<u>37.9</u>
Total, Net Balance Adjustment	\$ 102.1



Overview of SB 800 as Introduced

General Fund, \$ in millions	
	<u>2012-14</u>
Additional Operating and Capital Spending	\$739.3
Targeted and Technical Spending Reductions	<u>(524.2)</u>
Net New Spending	\$ 215.1
Net New Resources	\$ 219.6
Addition to Unappropriated Balance (\$6.3 m in Ch.3)	<u>\$4.6</u>
Revised Unappropriated Balance	\$ 10.9



Major GF Spending Items in SB 800

(\$ in millions)	<u>2012-14</u>
Medicaid Utilization and Inflation	\$ 114.6
Add'l Mandatory Rainy Day Fund Deposit	78.3
State Employee Health Insurance	69.7
Incentive Funding for Teacher Salary 2% Increase	58.7
Reserve for 2015 Rainy Day Fund Deposit	50.0
Eliminate Local Aid Reversion Account	45.0
Children's Health Insurance Utilization and Inflation	20.7
FAMIS Utilization and Inflation	20.2
Higher Education "Top Jobs" Funding	19.5
Natural Resources: WQIF Deposits	16.9
DOC Inmate Medical Costs	15.5
Strategic Compensation for Teachers	15.0
DOC: Open River North Correctional Center	14.3



Major GF Savings Items in SB 800

(\$ in millions)	<u>2012-14</u>
Medicaid: Savings from Pharmacy Rebates	\$ 205.5
K-12: Update Lottery for Balances and Participation	51.4
CSA: Caseload & Spending Forecast Change	41.6
Debt Service Savings	30.0
DMAS: Maintain Disp. Share at 2013 Level	21.7
K-12: SOQ Updates - Technical	21.3
K-12: Elim. Cost of Competing for Support Positions	12.2



K-12



Overview of Direct Aid to Public Education

- For FY 2013, the Governor's proposed amendments reflect a net **decrease of \$61.3 million GF and an increase of \$81.0 million NGF** as compared to Chapter 3.
 - Reflects updates for slower enrollment growth and program participation, the increased Sales Tax forecast, a “truing up” of expected federal funds, and additional Lottery Proceeds and Literary Fund revenue used to cover other GF costs.
- For FY 2014, proposed amendments reflect a net **increase of \$64.3 million GF and \$36.8 million NGF** due to the “truing up” of expected federal funds.
 - This would bring the GF total for Direct Aid to Public Education up to \$5.3 billion, or about \$4,341 per pupil on average, below FY 2007 levels on a per pupil basis.



Summary of Proposed Amendments

GF Increases for the 2012-14 Biennium - (\$ in millions)		
Direct Aid:	FY 2013	FY 2014
2% Teacher Salary Increase (SOQ Instructional Positions Only) – <i>Contingent on passage of Educator Fairness Act</i>	\$0.0	\$58.7
Strategic Compensation Grants Initiative – Proposals Due 7/15/13	0.0	15.0
Technical Update to Sales Tax and School-Aged Population	4.0	5.7
Consolidation of Bedford School Divisions (Under 15-Year LCI)	0.0	6.2
Funding for Blind/Visually Impaired Staffing	0.0	4.9
New Targeted Reading Specialists Initiative	0.0	1.4
Math/Science Recruitment and Retention Pilot Initiative	0.0	0.7
Effective School-Wide Discipline Initiative (Suspension/Expulsion)	0.0	0.3
Increase Funding for Industry Certifications Costs	0.0	0.3
New Summer Regional Governor’s School for Entrepreneurship	0.0	0.2
Second Year Funding for Charter School Grants (Patrick Henry)	0.0	0.1



Summary of Proposed Amendments

GF Decreases for the 2012-14 Biennium - (\$ in millions)		
Direct Aid:	FY 2013	FY 2014
Adjust Early Intervention Reading Funding Methodology	\$0.0	(\$0.4)
Eliminate Virginia Teaching Scholarship Loan Program (Reprogram to Math/Science Recruitment and Retention Initiative)	0.0	(0.7)
Technical Update to Incentive and Categorical Programs	(1.0)	(0.5)
Supplant GF with Additional Literary Fund Revenue	(9.0)	0.0
Eliminate Northern Virginia Cost of Competing Adjustment (COCA) for Support Positions	0.0	(12.2)
Technical Update for Lottery-Funded Programs	(11.2)	(4.8)
Technical Update for SOQ Programs (ADM and Fall Membership)	(8.9)	(10.7)
Fund GF Supported Programs with Additional Lottery Revenue (\$23.0M FY 2012 balances, \$12.2M accumulated residual balances)	(35.2)	0.0



Direct Aid to Public Education

Proposed Language

- *School Nurse Funding Methodology for 2014-16 Biennium.* Specifies that the funding standard for the next re-benchmarking will be based on one nurse per school with fewer than 1,500 students and two nurses per school with 1,500 students or more. Encourages the Board of Education to consider adopting a staffing standard for school nurses in the SOQ that is consistent with the proposed funding methodology. Beginning in FY 2015 removes the requirement that school divisions spend 100 percent of budgeted allocations related to health services.
- *Reduces Required Local Effort Data Reporting Requirements.* In lieu of reporting budgeted expenditure data annually, specifies that division superintendents will certify at the beginning of each school year that sufficient funds have been budgeted to meet all required local effort and applicable required match amounts. No change is proposed to the reporting of actual required local effort.
- *Reporting Due Dates for National Board Certification and K-3 Class Size Reduction.*
- *Workplace Readiness Skills Assessment Flexibility.*



Summary of Proposed Amendments

GF Increases for the 2012-14 Biennium - (\$ in millions)		
	FY 2013	FY 2014
Sec. of Education – Implement College Partnership Lab Schools	\$0.0	\$0.6
DOE – Establish New Statewide School District	0.0	0.6
DOE – Second Year Funding for Academic Reviews	0.0	0.5
DOE – Effective School-wide Discipline Training	0.0	0.3
DOE – New Center for Excellence in Teaching at Higher Ed.	0.0	0.2
DOE – Administration of New Tax Credit Program	0.0	0.2
DOE – Operation of Virginia Longitudinal Data System	0.0	0.2
DOE – Phonological Awareness Literacy Screening (UVA)	0.0	0.1
DOE – Increase Innovative Education Technical Advisory Group	0.0	0.1
VA School for Deaf and Blind – Security Staff (4.0 FTE)	0.0	0.2
VA School for Deaf and Blind – School Bus Financing	0.0	<0.1



Higher Education



Overview of Higher Education

- Governor's proposed amendments for the 2012-14 biennium include **increases of about \$30.9 million GF** as compared to Chapter 3.
 - **\$19.5 million GF** in FY 2014 to support initiatives of the *Virginia Higher Education Opportunity Act of 2011* (TJ 21).
 - \$7.8 million GF for degree incentives (40%);
 - \$4.9 million GF for enrollment growth (25%);
 - \$3.9 million GF for base adequacy (20%);
 - \$1.9 million GF for undergraduate student financial aid (10%); and
 - \$972,883 for initiatives, one research project at VT (5%).
 - **\$5.7 million GF** in FY 2014 for Workforce Development.
 - \$3.7 million GF for a capital project at Danville Community College for the expansion of the manufacturing training program;
 - \$1.8 million GF to support regional career pathways; and
 - Smaller amounts for a Longitudinal Data System (\$135,295) and a planning grant at Thomas Nelson Community College (\$125,000).



TJ 21 Initiative Funding

Higher Education TJ 21 FY 2014 Additional Allocations

<u>Institution</u>	<u>Degree Incentives</u>	<u>Enrollment</u>	<u>Base Funding</u>	<u>Financial Aid</u>	<u>Research</u>
Christopher Newport	\$160,212	\$54,733	\$0	\$56,344	\$0
William & Mary	180,122	73,939	0	39,830	0
George Mason	850,066	326,919	0	191,237	0
James Madison	586,975	397,062	0	91,323	0
Longwood	121,790	80,350	0	51,411	0
Mary Washington	147,448	71,869	0	22,424	0
Norfolk State	147,483	292,572	0	96,179	0
Old Dominion	681,537	472,692	3,891,533	205,482	0
Radford	292,034	413,980	0	91,293	0
University of Virginia	516,045	116,432	0	71,101	0
UVA at Wise	47,677	33,084	0	25,849	0
VA Commonwealth	861,041	389,386	0	260,598	0
VA Military Institute	33,664	21,743	0	10,720	0
Virginia State	107,764	72,469	0	73,940	0
Virginia Tech	908,669	363,003	0	186,087	972,833
Richard Bland	29,356	15,582	0	5,590	0
VCCS	<u>2,111,183</u>	<u>1,668,601</u>	<u>0</u>	<u>466,358</u>	<u>0</u>
Total	\$7,783,066	\$4,864,416	\$3,891,533	\$1,945,766	\$972,833



Overview of Higher Education (continued)

- Proposed additional funding of \$2.4 million in FY 2013 and \$1.8 million in FY 2014 under central appropriations for interest earnings and credit card rebates.
- Recommends a balance transfer of about \$3.8 million GF from FY 2013 to FY 2014 for the Tuition Assistance Grant (TAG) program (to raise awards \$300 to \$3,800/undergraduate student and \$200 to \$1,500/graduate student).
- Proposes \$600,000 in FY 2014 for unique military activities at Virginia Tech.
- Recommends \$600,000 GF in FY 2014 for the Military Survivors program in the State Council of Higher Education.
- Proposes \$250,000 GF in FY 2014 to support the Parkinson's and Movement Disorders Center at Virginia Commonwealth University.
- Recommends \$117,500 GF in FY 2014 for operational and maintenance funding for a new research facility at the Southwest Virginia Higher Education Center.



Other Actions

- Recommends an additional allocation of \$2.0 million GF in FY 2014 under the Higher Education Equipment Trust Fund (HEETF) for workforce development equipment needs. (Note: the FY 2013 HEETF allocation has been delayed.)
- Proposes internal higher education institution **reallocations of \$60.2 million in FY 2014** to go towards TJ 21 goals (**an increase of \$37.1 million GF over Chapter 3**). The reallocation is based on the FY 2012 Educational and General (E&G) appropriation and would increase from 2% of this amount to 5% in FY 2014.
- Central Appropriations contains turnover and vacancy savings requirements that have been applied to higher education, resulting in a reduction of \$5.7 million GF per year.



Summary of Proposed Amendments

GF Actions for the 2012-14 Biennium - (\$ in millions)	
Degree Incentives	\$7.8
Enrollment Growth	4.9
Base Adequacy	3.9
Undergraduate Financial Aid	1.9
Research	1.0
Interest Earnings/Credit Card Rebate Increase	4.2
Workforce Development Facility at Danville Community College	3.7
VCCS Workforce Development	1.8
VT UMA, SCHEV Military Survivors & Data System, and TNCC Planning Grant	1.7
INSTITUTION SUBTOTAL	\$30.9
SWVHEC	0.1
HE TOTAL	\$31.0
ADDITIONAL REALLOCATION (total of \$60.2 million GF in FY 2014, \$ stays in the institution)	(\$37.1)



Part IV Amendments

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- **Language amendments:**
 - Proposes language in Part IV that would **allow work study as an option for distributing financial aid.**
 - Recommends modifications to language in Part IV to **align with new performance measures created under the Top Jobs legislation.**
 - Proposes language in Part IV that would **allow for additional VITA oversight of technology projects under \$1.0 million if the project is complex, has high risks, or is critical to the safety of Virginia.**



Health and Human Resources



Overview of Health and Human Resources

- The Governor's amendments in HHR propose a **net decrease of \$110.4 million (-1.1 percent) from the general fund and \$764.9 million (-5.0 percent) from non-general funds** for the 2012-14 biennium compared Chapter 3.
- Proposed general fund spending of \$211.4 million is offset by \$321.8 million in reductions.
 - Almost two-thirds (\$205 million) of the “reductions” result from additional revenue to the Virginia Health Care Fund, which offset general fund spending on Medicaid.
 - Additional savings of \$42 million GF are proposed in the CSA program based on current trends in caseload and cost.
- The proposed budget removes \$1.1 billion NGF from federal matching funds in FY 2014 to expand Medicaid up to 138 percent of poverty.



Summary of HHR GF Changes

Major General Fund Increases (\$ in millions)	FY13	FY14
Mandatory Spending on Health Care and DOJ Settlement	\$51.1	\$109.4
High Priority Spending Proposals	3.0	16.3
Discretionary Spending Proposals	3.7	9.1
Technical Transfers	0	18.6
TOTAL, All GF Increases	\$57.8	\$153.5
Major General Fund Decreases (\$ in millions)	FY13	FY14
Align GF Appropriations to Reflect Current Spending	(\$171.7)	(\$83.5)
Agency Budget Reduction Strategies	0.0	(35.4)
Supplant GF Spending with NGF Revenues	(5.0)	(6.9)
Other Savings Proposals	0.0	(0.3)
Technical Transfers	0	(19.0)
TOTAL, All GF Decreases	(\$176.7)	(\$145.1)



Mandatory Increases

Major GF Increases for the 2012-14 Biennium - (\$ in millions)		
	FY13	FY14
Provide Additional GF for Medicaid Utilization and Inflation	\$46.2	\$68.4
Provide Additional GF for Medical Assistance for Children	(0.2)	20.9
Provide Additional GF for FAMIS Utilization and Inflation	5.1	15.1
DOJ – Expand Access to Crisis Services for Adults	0.0	3.8
DOJ – Create Access to Crisis Services for Children	<u>0.0</u>	<u>1.3</u>
TOTAL, Mandatory GF Spending Increases	\$51.1	\$109.4



Explanation of Mandatory Increases

- The proposed budget includes \$114.6 million GF due to higher Medicaid costs related to:
 - Delayed payments for the state’s teaching hospitals and state facilities from FY 2012 to FY 2013;
 - Loss of anticipated budget savings from the implementation of managed behavioral health care services;
 - Periodic rebasing of hospital operating costs as required by regulation; and
 - Higher costs for personal care services provided under home- and community-based waiver services and community mental health services for adults.
- Additional GF appropriations are proposed for the FAMIS program (\$20.2 million) due to higher managed care rates and the “woodwork effect” and the SCHIP program (\$20.7 million) resulting from a restoration of funding shifted to Medicaid last session.



High Priority Spending Proposals

Major GF Increases for the 2012-14 Biennium - (\$ in millions)		
	FY13	FY14
Correct Second Year Funding for State Teaching Hospitals (UVA and VCU Health Systems)	\$0.0	\$11.3
Add Funding for Part C – Early Intervention Services	2.3	3.0
Add Funding for Part C – Early Intervention Services for Data Collection and Accountability	0.8	0.0
Shift the Cost of Inpatient Hospital Services to Medicaid for DOC Inmates who are Aged, Disabled, or Pregnant	0.0	1.4
Restore Funding for Inpatient Bed capacity at NVMHI	<u>0.0</u>	<u>0.7</u>
TOTAL, High Priority GF Spending Increases	\$3.0	\$16.3



Discretionary Spending

Major GF Increases for the 2012-14 Biennium - (\$ in millions)		
	FY13	FY14
Provide One-Time Funding for Center for Health Innovation	\$3.0	\$0.0
Establish Pilot Program to Increase Adoption of Foster Children	0.0	2.0
Add Funding for Children's Mental Health Services	0.0	1.0
Increase Staffing in Finance and Audit Division (DBHDS)	0.2	0.9
Modify Occupancy Standard for NF Reimbursements	0.0	0.9
Restore Funding for Early Childhood Foundation	0.0	0.8
Increase Funding for Discharge Assistance Planning	0.0	0.8
All Other Discretionary Spending	<u>1.3</u>	<u>2.7</u>
TOTAL, Discretionary GF Spending Increases	\$4.5	\$9.1



Forecast-Related Reductions

Major GF Decreases for the 2012-14 Biennium - (\$ in millions)		
	FY13	FY14
Reduce GF Spending on Medicaid with Net Revenue Increase to the Virginia Health Care Fund	(\$145.5)	(\$60.0)
Adjust CSA Funding Based on Caseload and Utilization	(21.9)	(19.7)
Adjust Appropriation for Child Welfare Services	(1.8)	(1.8)
Adjust Appropriation for Medical Care Services related to Involuntary Mental Health Commitments	(1.3)	(0.8)
Adjust Appropriation for Unemployed Parents Program	(1.1)	(0.8)
Adjust Funding for Auxiliary Grant Program	<u>0.0</u>	<u>(0.5)</u>
TOTAL, Forecast-Related GF Spending Decreases	(\$171.7)	(\$83.5)



Virginia Health Care Fund

- Since its creation in 2004, revenues to the Fund have been used as the state's match for the Medicaid program.
- As revenues to the Fund fluctuate, general funds required as match for Medicaid also change. Additional revenues to the Fund decrease the reliance upon general funds for Medicaid. Revenues are comprised of:
 - Tobacco taxes;
 - 41.5% of Master Tobacco Settlement Agreement revenues; and
 - Medicaid recoveries.
- The proposed budget assumes a significant increase in revenues of \$205.5 million, primarily related to pharmacy rebates required from Medicaid managed care organizations consistent with the Affordable Care Act.



Change in Virginia Health Care Fund Revenues

Actual and Projected Revenue Changes - Virginia Health Care Fund (in millions)

	Actual FY 2012	Proj. FY 2013	Proj. FY 2014
Master Tobacco Settlement Agreement	\$1.0	\$1.0	\$1.0
Tobacco Taxes	13.3	7.7	2.1
Medicaid Recoveries (Normal)	2.6	6.6	(8.1)
Medicaid Recoveries (Pharmacy Rebates)	84.1	65.0	65.0
Medicaid Recoveries (Revenue maximization)	8.3	0	0
TOTAL, Projected Revenues Changes	\$109.2	\$80.2	\$60.0

- Recoveries from pharmacy rebates are projected to increase by \$130 million in FY 2012-14 with an additional \$65.3 million carried forward from FY 2012 balances.



Proposed Budget Savings

Major GF Decreases for the 2012-14 Biennium - (\$ in millions)		
	FY13	FY14
Eliminate Rebasing of Medicaid Disproportionate Share Hospital (DSH) Payments	\$0.0	(\$21.7)
Reduce Anticipated Spending on CSA through Comprehensive Data Analytics	0.0	(9.9)
Reduce Discretionary Spending at State Mental Health Facilities	0.0	(1.5)
Reduce Cost of PERM Eligibility Review Contract	0.0	(1.1)
All Other Service and Benefit Reductions	<u>0.0</u>	<u>(1.1)</u>
TOTAL, GF Spending Decreases	\$0.0	(\$35.4)



Supplant GF with NGF Revenues

Major GF Decreases for the 2012-14 Biennium - (\$ in millions)		
	FY13	FY14
Supplant GF with TANF for Program Services	(\$5.0)	(\$5.0)
Supplant GF with TANF for Community Action Agencies and Healthy Families of Virginia	0.0	(0.7)
Supplant GF with Federal Funding for Resource Mothers	0.0	(0.5)
Shift Cost of School Health Services to Norfolk City Schools	0.0	(0.4)
All Other Supplants with NGF	<u>0.0</u>	<u>(0.3)</u>
TOTAL, GF Spending Decreases	(\$5.0)	(\$6.9)



Federal TANF Block Grant

- Proposed spending from the federal Temporary Assistance for Needy Families (TANF) block grant in FY 2014 (\$177.6 million) exceeds the annual grant amount (\$158.3 million) by \$19.3 million.
 - Assuming no significant changes in TANF caseloads, the proposed TANF budget for the 2014-16 biennium will require that spending be reduced by \$19.3 million annually.
 - Programs that may be affected include:
 - Core benefits and services,
 - State and local administration, and
 - Child care services and other local social services.



Public Safety



Overview of Public Safety

- Governor's proposed amendments for the 2012-14 biennium include **increases of \$89.0 million GF** offset by **reductions of \$59.6 million GF** as compared to Chapter 3.
 - Includes a reduction of \$48.2 million, reflecting elimination of the Department of Correctional Education by the 2012 General Assembly, and the corresponding addition of \$47.0 million to the Departments of Corrections and Juvenile Justice to continue existing educational programs.
 - Taking this technical transfer into account, the remaining **increases** total \$42.7 million and the remaining **decreases** total \$11.4 million.
 - Decreases include transfers of \$1.5 million and 16 positions from Corrections and Juvenile Justice to the new Office of the State Inspector General.



Major Items in Public Safety

- Adds \$14.3 million GF and 325 positions to open River North Correctional Center in Grayson County in January 2014.
 - This facility has been mothballed since it was completed in 2011.
- Includes \$15.5 million in FY 2014 for inmate medical care to fill a second year hole, and a recommended savings of \$2.7 million by covering inmates under Medicaid for off-site hospitalization.
 - No change in current Medicaid eligibility standards is proposed.
 - The Administration believes the combination of additional funds and Medicaid coverage for inmate hospitalization will cover expected costs in FY 2014.
- Proposes \$1.2 million and 12 positions to operate the new State Police driver training facility at Fort Pickett.



Juvenile Justice

- Achieves a savings of \$7.1 million GF and 101 positions by consolidating state juvenile facilities, in response to the continued reduction in the number of offenders in those facilities.
 - Average daily population declined 36 percent between 2002 to 2012, from 1,218 to 757 committed juveniles.
 - No indications in forecast that this trend will reverse.
 - Barrett Juvenile Correctional Center (JCC) closed in 2005.
 - Natural Bridge JCC closed in 2009.
 - Under the current proposal:
 - Reception & Diagnostic Center (RDC) at Bon Air will close;
 - RDC functions will move to the smaller Oak Ridge facility at Bon Air;
 - Intellectually disabled juveniles at Oak Ridge will be moved to other units;
 - Hanover JCC will be closed, but may serve other purposes:
 - DOC farm program will continue at Pamunkey Farm; and,
 - Hanover may be used for training purposes.



Veterans Affairs and Homeland Security



Major Items in VA/HS

- Proposes \$6.2 million GF and \$1.3 million NGF in FY 2014 in the Office of the Secretary of Veterans Affairs and Homeland Security to continue state funding for reducing encroachment at U.S. Navy Master Jet Base Oceana in Virginia Beach.
 - Source of NGF is state share of proceeds of sales of properties previously acquired and sold under the program.
- Recommends \$150,000 to enhance the Virginia Values Veterans (V3) initiative, to encourage employers to hire veterans.
- Proposes \$200,000 to replace VHDA funds (which are no longer available) for the Granting Freedom Program, for grants to disabled veterans for home modifications.



General Government



Judicial Department and Executive Offices



Judicial Department

- Allocates \$3.1 million GF in FY 2014 from extra savings, beyond the required amounts, from frozen judgeships, to “unfreeze” 15 judgeships, including five circuit, eight general district, and two J&DR judgeships:
 - In the 5th, 15th, 22nd, 25th, and 26th circuits.
 - In the 2nd, 4th, 11th, 12th, 14th, 15th, 28th, and 29th districts (general district).
 - In the 16th and 31st districts (J&DR).
- Currently, there are 43 vacancies (10.7 percent) projected as of June 30, 2013, out of 402 authorized judgeships. Filling these 15 vacancies would leave 28 remaining vacancies (7.0 percent).
 - The judgeships are proposed to be filled on the basis of workload.
- Adds \$3.0 million over two years for the Criminal Fund.



Executive Offices

- Adds \$2.1 million NGF each year from federal Medicaid funds (90% federal match rate) and the Oxycontin settlement (10% state match) and 14 positions for the **Medicaid Fraud Control Unit** in the Office of the Attorney General (49 positions were added last year).
 - No increase in Medicaid recoveries is projected in the proposed budget in the current biennium from this increased staffing, but the AG's office expects additional Medicaid savings in future years.
- Transfers \$2.2 million GF, \$1.9 million NGF, and 37 positions from existing agencies to the new **Office of the State Inspector General** and adds six new positions.
 - This new office was established by the 2011 General Assembly.
 - The 37 existing positions and funds are transferred from the Departments of Accounts, Behavioral Health and Developmental Services, Corrections, Juvenile Justice, and Transportation.



Administration



Overview of Administration

- The Governor's proposed amendments in Administration includes a net **increase of \$8.3 million GF** as well as an **increase of \$131.1 million NGF** for the 2012-14 biennial budget compared to Chapter 3.
 - The GF **increases** largely result from proposed increases to the Compensation Board for jail per diem costs and proposed salary adjustments for Assistant Commonwealth's Attorneys.
- Includes an increase in the NGF appropriation for the optional Local Choice Program from \$225.0 million to \$290.0 million in each year to reflect increases in local participation.
 - The Local Choice Program is a health benefits program offered to local governments and school systems across the Commonwealth.



Compensation Board

- Proposes \$6.3 million GF the first year to fully fund jail per diems.
- Includes \$2.1 million GF the second year to increase the salaries of all Assistant Commonwealth's Attorneys (but no salary increase is included for the elected Commonwealth's Attorney).
 - Currently, the entry level salary for an Assistant is about \$45,000 per year (not including local supplements).
 - The proposed amendment provides funds for a \$3,308 salary increase, plus related fringe benefit costs, for Assistants.
 - This is intended to be the first of two installments to raise the starting salary for Assistants to about \$52,000.



Other Initiatives in Administration

- Several proposed amendments reflect the merger and consolidation of agencies approved in Chapters 803 and 835 of the 2012 Acts of Assembly, including:
 - Human Rights Council into the Office of the Attorney General.
 - Employment Dispute Resolution into the Department of Human Resources Management.
- Proposed initiatives within the Department of General Services reflect increased federal funding for:
 - Expanding programs in Division of Consolidated Laboratory Services to test infants for severe combined immune deficiency. Testing is expected to start in July of 2014.
 - Establishing a Quality Assurance Office to meet the requirements of the federal Food Safety Modernization Act which was passed in 2011 and which requires accreditation of laboratories performing food testing under the FDA.



Finance



Overview of Finance

- Governor's proposed amendments for the 2012-14 biennium include **increases of \$135.1 million GF** offset by **reductions of \$31.0 million GF** as compared to Chapter 3.
 - Assumes savings of \$30.0 million GF resulting from lower than assumed interest rates on Virginia College Building Authority and Virginia Public Building Authority bonds as well as savings from delaying the sale of Virginia College Building Authority's higher education equipment.



Revenue Stabilization Fund Actions

- Provides an additional \$78.3 million GF for the FY 2014 required revenue stabilization deposit.
 - Increases funding for the FY 2014 deposit from \$166.4 million GF, as included in Chapter 3, to \$244.7 million GF.
 - The additional \$78.3 million GF is funded completely from FY 2012 year-end surplus funds that were set aside for the required deposit.
- Proposes \$50.0 million GF in the second year to make an advance payment towards the expected deposits into the Revenue Stabilization Fund that will be required during the 2014-16 biennium.
 - Based on current revenue projections, required deposits for the next biennium will be in excess of \$130 million in FY 2015 and \$240 million in FY 2016.



Accounting and Personnel Systems

- Proposes several actions related to the implementation of Cardinal (the new financial system), including:
 - Staffing and funding to implement requirements included in the 2012 Appropriation Act for the development of a standardized vendor database to ensure consistent expenditure data is captured and reported across state government.
 - Staffing support for the implementation and maintenance of Cardinal.
- Provides a sum sufficient appropriation to support the cost for implementing and operating a new Time, Attendance, and Leave System.
 - Participation in the new system will be optional for state agencies.
 - Agencies choosing to use the system will be charged a fee to support the operation of the system.



Planning and Budget

- Proposes a \$100,000 GF reduction in FY 2014 in funding for the School Efficiency Review Program.
 - Includes language which would allow localities the option of contracting for a school efficiency review immediately if they are willing to pay for 100% of the cost of the review.
 - The amendment includes a \$300,000 NGF appropriation to reflect the new option.
 - There is a waiting list for the current program under which the locality reimburses half of the cost of the review.
- Proposes the elimination of the \$250,000 NGF appropriation in the second year within the Department of Planning and Budget earmarked to support the Competition Council.
 - Abolished pursuant to Chapters 803 and 835 of the 2012 Acts of Assembly.



Other General Government Actions

- Proposes \$45.0 million GF in the second year to eliminate the Local Aid Reversion beginning in FY 2014.
- Proposes to distribute Line of Duty Act appropriations to impacted agencies and increase the available funding from \$1.7 million to \$3.4 million.
- Proposes a total of \$3.3 million to support the Gubernatorial transition costs in January 2014.
 - Workforce Transition Act costs for Governor's Cabinet - \$2.4 million,
 - Transition Team Expenses - \$0.6 million, and
 - Inaugural Expenses - \$0.3 million.
- Language in Part IV prohibits wage employees from working more than 29 hours per week.



Employee Health Insurance

- Proposes a net increase of \$65.4 million GF for increased health insurance premiums.
 - Premiums for state employees are expected to increase by approximately 20 percent.
 - Language in Part 3 increases the HIF line of credit from \$50.0 million to \$150.0 million.

	<u>GF (in millions)</u>
State Employee Health Insurance Program	FY 2014
Increases	\$69.7
Benefit Changes	
Maintenance Drug Network	\$ (4.9)
Increased ER Copayment	\$ (0.4)
Total: Benefit Changes	\$ (5.3)
State Employee Health Insurance Program	\$ 64.4
UVa Employee Health Insurance Program	<u>\$ 1.0</u>
Employee Health Insurance Programs	\$65.4



Technology



Overview of Technology

- The Governor's proposed amendments in Technology include **increases of \$1.8 million GF** as well as a **decrease of \$21.1 million NGF** for the 2012-14 biennial budget compared to Chapter 3.
 - The **NGF decrease** results from the transfer of responsibility for calculating and distributing to localities payments related to the E-911 fee from VITA to the DOA Transfer Payments.
- Savings from the Innovation and Entrepreneurship Investment Authority result from eliminating funding for the replacement of audio-visual equipment and office furniture, and eliminating the development and implementation of an interactive map of the agency's programs and client services for the agency's website.



IT Rate Charges

- Increases all of the sum sufficient appropriations state agencies must pay for services provided by VITA and Northrop Grumman by \$26.8 million GF in the first year and \$24.6 million the second year above the amounts included in Chapter 3.
 - Required due to contractual increases in network, data center, desktop, and security services.
- Proposed amendments affecting the budgets of 47 state agencies are included to reflect JLARC-approved rates for assessing Oracle licensing charges.
 - Established rates apply only to those agencies that have Oracle licenses rather than all state agencies.
 - A total of 39 agencies experienced budget reductions of \$481,906.
 - Eight agencies received additional funding totaling \$757,585.



Other Technology Initiatives

- Proposes the funding required to dedicate an existing position as an Information Security Officer in agencies with fewer than 100 employees.
 - VITA requires that all state agencies comply with security standards, but does not provide security staff for state agencies' systems.
- Proposes to reduce funding for the comprehensive research, analysis, and preparation of VITA's Recommended Technology Investment Projects (RTIP).
 - The RTIP will continue to be produced on a smaller scale with more targeted research and analysis.



Transportation



Overview of Transportation

- Governor's proposed amendments for the 2012-14 biennium include **increases of \$543.7 million NGF** offset by **reductions of \$147.6 million NGF** as compared to Chapter 3.
 - The majority of the **increase** is from the December 2012 Commonwealth Transportation Fund reforecast.
 - Includes **\$48.1 million** as **NGF revenue from the proposed redirection of 0.05 percent of sales tax proceeds from the General Fund** to transportation maintenance.
 - Separate legislation will include a phased increase of State Sales and Use Tax revenues dedicated to transportation.
 - Language directing the mechanics of the transfer is included in § 3-5.09.
 - Proposed **decreases** are primarily from delayed bond sales in the second year.
- Total appropriations for Transportation agencies is **\$10.2 billion**, including \$82.0 million GF and \$10.1 billion NGF.



Commercial Aerospace Initiatives

- Proposes the use of \$800,000 NGF in the second year from the Transportation Trust Fund to meet NASA requirements for shoreline protection at the Virginia Commercial Space Flight Authority on Wallops Island.
 - This is in addition to the \$9.5 million authorized by Chapters 779 and 817 of the 2012 Acts of Assembly.
- Proposes to allow the use of any unencumbered amounts identified by the Secretary from among the transportation agencies to complete the re-purchase of components of Launchpad O-A and liquid fueling facilities improvements at the Mid-Atlantic Regional Spaceport.
 - Language adopted by the 2012 General Assembly authorized the use of unencumbered balances from the Highway Maintenance and Operating Fund.



Other Transportation Initiatives

- Includes an appropriation of \$79.8 million NGF in the second year to reflect the transfer of the Northern Virginia regional motor fuel sales tax collection responsibility from the Department of Taxation to the Department of Motor Vehicles.
 - This action was approved by Chapters 803 and 835 of the 2012 Acts of Assembly. Includes language allowing DMV to recover administrative costs.
- Proposed VDOT reductions reflect the transfer of \$1.7 million NGF and 14.0 FTE positions from the department to the Office of the State Inspector General created by the 2011 General Assembly.
- Authorizes \$20.0 million NGF in the second year for umbrella capital outlay projects to renovate facilities at VDOT district, residency, area headquarters, and central office facilities.



Commerce and Trade



Overview of Commerce and Trade

- Governor's proposed amendments for the 2012-14 biennium include **increases of \$6.2 million GF** offset by **reductions of \$5.0 million GF** as compared to Chapter 3.
 - Proposed **GF increases** include \$5.1 million in the second year for the Fort Monroe Authority (offset by a \$1.5 million decrease in the first year), \$500,000 for an on-line job recruitment website at VEC, \$481,500 for a defense industry trade initiative at VEDP, and \$250,000 for the Heartwood Artisan Center.
 - Proposed **GF decreases** include \$2.0 million from the Virginia Investment Partnership grants due to reduced demand, and several smaller savings from a variety of agency efficiency and discretionary expenditure reductions.



Agriculture and Forestry



Overview of Agriculture and Forestry

- Governor's proposed amendments for the 2012-14 biennium include **increases of \$705,945 GF** offset by **reductions of \$907,291 GF** as compared to Chapter 3.
 - Proposed **GF increases** (all in the second year) include \$250,000 for the Weights and Measures program, \$175,000 for the Integrated Forest Resource Information System, \$110,000 for a new position to manage the Governor's Agriculture and Forestry Industries Development Fund, \$98,420 for Food Safety inspections and \$72,525 for Coyote Control.
 - Proposed **GF decreases** include a \$400,000 reduction to the Purchase of Development Rights program, \$208,751 for emergency generators, and \$125,000 from eliminating the first year funding for the Beehive Grant program.



Natural Resources



Overview of Natural Resources

- Governor's proposed amendments for the 2012-14 biennium include **increases of \$21.7 million GF** offset by **reductions of \$202,177 GF** as compared to Chapter 3.
 - The majority of the **GF increase** is from a \$16.9 million statutorily-required deposit to the Water Quality Improvement Fund, which represents 10 percent of GF revenues above official forecasts and 10 percent of agency year-end balances from FY 2012. Other **GF increases** include \$2.0 million for oyster replenishment, \$707,822 in DEQ for VITA rate increases, and \$237,751 to replace DEQ's phone system.
 - Proposed **decreases**, all of which are in the Department of Conservation and Recreation, include \$192,177 from turnover and vacancy savings, reducing training and technology expenses and a reduction of \$10,000 from the Natural Heritage Program.



Water Quality Improvement Projects

- The introduced budget includes \$200.0 million in VPBA bonds for water quality projects:
 - \$101.0 million to meet the state share of signed grant agreements for upgrading biological nutrient removal technology at publicly-owned wastewater treatment facilities through FY 2016;
 - \$59.0 million for Combined Sewer Overflow projects, to include \$40.0 million for the City of Richmond and \$19.0 million for the City of Lynchburg;
 - \$35.0 million for matching grants to establish a local stormwater assistance program; and,
 - \$5.0 million for upgrades at the Hopewell Regional Wastewater Treatment Authority.
- The total \$16.9 million GF from the WQIF deposit is proposed for nonpoint source projects to include \$14.6 million for agricultural BMP's and \$2.3 million for local stormwater planning grants.



Capital Outlay



Capital Outlay Funding

Governor's Proposed Amendments by Fund Type - (\$ in millions)	
General Fund Cash	\$3.7
VPBA/VCBA Tax-Supported Bonds	308.7
9(c) Revenue Bonds	9.7
9(d) Revenue Bonds	8.2
Nongeneral Fund Cash	<u>23.1</u>
Total	\$353.3



Capital Outlay Details

- Virginia Community College System
 - Proposes \$3.7 million GF for a workforce development center at Danville.
- Department of Transportation
 - Proposes \$20.0 million NGF, including \$9.3 million for area headquarters, \$7.2 million for residency offices, \$1.8 million for the central office, and \$1.7 million for district offices.
- Capital Project Pool
 - Provides \$263.8 million in VCBA/VPBA bonds for projects that were authorized for detailed planning in Chapter 3 to move to construction.
- Energy Conservation Projects
 - Includes \$35.2 million in VPBA bonds for energy conservation projects.
- Central Maintenance Reserve
 - Provides \$9.6 million in VCBA/VPBA bonds for high priority projects.



Reprogramming Existing Bond Authority

- Proposes to reprogram a total of \$72.8 million of bond proceeds from capital project pools authorized in 2008 and 2010 to the following projects:

Agency/Institution	Project Description
Norfolk State University	Replace Brown Hall
Dept. of Corrections	Construct Richmond P&P Office
Virginia State University	Stormwater Management Facility
Virginia State University	Water Storage Plant
DBHDS	Western State Hospital Supplement
George Mason University	Expand Central Utility Plant
George Mason University	Equipment for Science & Tech. I and II, and Fine Arts Buildings

