

SENATE OF VIRGINIA

# Senate Finance Committee

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## Overview of Committee Budget Amendments to SB 800 (2012-14 Biennial Budget)

February 7, 2013



SENATE FINANCE COMMITTEE

# Presentation Outline

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- Resources and Budget Overview
- K-12
- Higher Education
- Health and Human Resources
- Public Safety
- Veterans Affairs and Homeland Security
- General Government
- Transportation
- Commerce and Trade
- Agriculture and Forestry
- Natural Resources
- Capital Outlay



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# Resources and Budget Overview



# Senate Finance Committee Recommendations

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- Objectives:
  - Invest in K-12 public and higher education; support compensation for teachers, faculty.
  - Protect the health care “safety net”; increase waivers.
  - Address employee compensation.
  - Adopt a structurally balanced budget that anticipates crafting the next biennial budget.
  - Maintain flexibility through reserves to address potential impact of federal actions.



## Recommended Resource Actions: Changes to SB 800, as Introduced

<i>(GF, \$ in millions)</i>	
	<b>2012-14</b>
Repeal Open Enrollment Requirement (SB 780)	\$22.6
Tax Conformity Legislation (SB 1241)	14.2
Balances from Natural Disaster Set-Aside	12.0
Balances from Economic Dev. Incentive Funds	10.0
Adjust ABC Profits Estimate	5.8
Other Revenues, Balances	5.1
Unappropriated Balance from Bill as Introduced	<u>10.8</u>
<b>Total, Additional Resources</b>	<b>\$80.6</b>



# Recommended Budget Actions: Changes to SB 800, as Introduced

<b>Spending:</b>	<i>(\$ in millions)</i>	<b>2012-14</b>
Compensation – additional 1% for classified, state-supported locals		\$32.2
Health and Human Resources		29.2
Public Education (includes 2% increase for support positions)		18.9
Higher Education (includes 1% faculty salary increase)		13.8
Financial Flexibility Fund (one-time expenditures)		36.0
Other (includes public safety, natural resources, comp board, judicial)		16.9
<b>Savings:</b>		
Health & Human Resources – MSA settlement, Medicaid Recoveries		(\$45.1)
K-12 Lottery and Literary Fund Forecast Adjustments		(13.5)
Public Safety – Savings from Medical Contract		(10.6)
Other Savings		(12.6)
<b>Net Spending and Savings</b>		<b>\$65.2</b>
<b>Unappropriated Balance</b>		<b>\$15.4</b>



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# K-12



# Overview of Direct Aid to Public Education

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- **FY 2013**
  - The Governor’s proposed amendments reflected a net decrease of \$61.3 million GF and an increase of \$81.0 million NGF as compared to Chapter 3, 2012 Session.
    - Reflecting 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.
    - In addition, SFC amendments to SB 800 as introduced:
      - Capture Performance Pay Pilot balances: (\$452,327)
      - Reflect additional Lottery Proceeds: \$7 million
      - Fund technical amendments: \$430,098



# Overview of Direct Aid to Public Education

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- **FY 2014**
  - The budget as introduced reflected a net increase of \$64.3 million GF and \$36.8 million NGF due to the “truing up” of expected federal funds, compared to Chapter 3, 2012 Session.
    - In addition, SFC amendments to SB 800 as introduced:
      - Add a net \$14.2 million GF in FY 2014
      - Add a net \$6.5 million NGF in FY 2014
    - Brings the GF total for Direct Aid to Public Education up to \$5.35 billion, or about \$4,352 per pupil on average.



# Summary of Direct Aid Amendments

## SFC Amendments to Items with Increases to Ch. 3 in SB 800 as Intro.

Direct Aid (Biennial GF, \$ in millions):	SB 800 Increases	SFC Changes	Net
2% Salary Increase, SFC: Language, Add Support Staff	\$58.5	\$18.2	\$76.7
Strategic Compensation Grants Initiative	15.0	(12.0)	3.0
Technical Update to Sales Tax & School-Aged Population	9.7		9.7
Bedford School Divisions (Under 15-Year LCI)	6.2		6.2
Bedford Adjustment and Efficiency Review		(0.5)	(0.5)
Funding for Blind/Visually Impaired Staffing	4.9		4.9
New Targeted Reading Specialists Initiative (GOV)	1.4	Language	1.4
Math/Science Recruitment and Retention Pilot Initiative	0.7	(0.3)	0.4
Effective School-Wide Discipline Initiative (GOV)	0.3	Language	0.3
Increase Funding for Industry Certifications Costs	0.3		0.3
Summer Reg. Governor's School for Entrepreneurship	0.2	(0.2)	0.0
2 <sup>nd</sup> Year Funding for Charter Schools (Patrick Henry)	0.1		0.1



# Summary of Direct Aid Amendments

SFC Amendments to Items with Decreases to Ch. 3 in SB 800 as Intro.

Direct Aid (Biennial GF, \$ in millions):	SB 800 Decreases	SFC Changes	Net
Adjust Early Intervention Reading Funding Methodology	(\$0.4)		(\$0.4)
Virginia Teaching Scholarship Loan Program – \$10,000 Grants Targeted to Students in Top 10% of H.S. Class	(0.7)	<b>1.0</b>	0.3
Technical Update to Incentive and Categorical Programs	(1.5)	<b>0.4</b>	(1.1)
Supplant GF with Additional Literary Fund Revenue – SFC: From Collection Fees Added to the Payment	(9.0)	<b>(6.4)</b>	(15.4)
No. VA Cost of Competing Adjustment – Support Positions, Does Not Include Markets “C” and “D” (JLARC)	(12.2)	<b>12.5</b>	0.3
Technical Update for Lottery-Funded Programs	(16.0)		(16.0)
Technical Update for SOQ (ADM/Fall Membership)	(19.6)		(19.6)
Fund GF-Supported Programs with Additional Lottery Revenue (GOV)	(35.2)	<b>(7.0)</b>	(42.2)



# Summary of Direct Aid Amendments

SFC Amendments to Items with No Changes to Ch. 3 in SB 800 as Intro.

Direct Aid (Biennial GF, \$ in millions):	SB 800 Changes	SFC Changes
Targeted Year-Round Schools		\$1.0
Project Discovery Drop-Out Prevention Program		0.7
Early Childhood STEM/Arts Education (Wolf Trap)		0.3
Increase Governor's School Funding Cap		0.1
Increase Literary Fund Transfer for Teacher Retirement		(0.4)



# Direct Aid to Public Education Other Language Amendments

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- **No changes to language proposed in SB 800 as introduced:**
  - School Nurse Funding Methodology for 2014-16 Biennium.
  - Required Local Effort Data Reporting Requirements.
  - Reporting Due Dates for National Board Certification and K-3 Class Size Reduction.
  - Workplace Readiness Skills Assessment Flexibility.
- **New language:**
  - SOQ Teacher-Pupil Staffing Requirements.
  - Extend Existing Labor Day Waiver to 2013-14.
  - Direct JLARC to Analyze Balance Between Costs and Savings Local Consolidation Incentive; In the Meantime, Until Recommendations Are Available, Sets Parameters Going Forward Using a Blended Rate for 5 to 15 Years.
  - Designate Additional Increases in the Lottery Proceeds Forecast.



# Summary of Other K-12 Amendments

## SFC Amendments Compared to Changes to Ch. 3 in SB 800 as Intro.

Direct Aid (Biennial GF, \$ in millions):	SB 800 Changes	SFC Changes	Net
Sec. of Educ. – College Partnership Lab Schools	\$0.6		\$0.6
DOE – Establish New Statewide School District	0.6	<b>(0.6)</b>	0.0
JLARC – Restructuring Low Performing Schools Options		<b>Language</b>	
DOE – Second Year Funding for Academic Reviews	0.5		0.5
DOE – Effective School-wide Discipline Training	0.3		0.3
DOE – New Center for Excellence in Teaching at H.Ed.	0.2		0.2
DOE – Administration of New Tax Credit Program	0.2		0.2
DOE – Operation of Virginia Longitudinal Data System	0.2	<b>Language</b>	0.2
DOE – Phonological Awareness Literacy Screening (UVA)	0.1		0.1
DOE – Increase Innovative Educ. Technical Adv. Group	0.1		0.1
DOE – Reduce Third Grade SOLs From Four to Two		<b>(0.9)</b>	(0.9)
VSDB – Security Staff, School Bus Financing, Lease Rev.	0.2	<b>0.1</b>	0.3



# Net Change by Other Education Agency (General Fund \$ in millions)

SFC Amendments to SB 800, as Introduced	
Agency	FY 2014
State Aid to Local Libraries	\$1,000,000
Virginia Commission for the Arts	300,000
Science Museum of Virginia	200,000
Library of Virginia	100,000
Jamestown-Yorktown	\$75,000
<b>Net Change, GF</b>	<b>\$1,675,000</b>



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# Higher Education



# Overview of Higher Education

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- **Adds \$13.8 million GF over the biennium above SB 800 as introduced.**
  - Incorporates and/or **redirects the funding of \$16.8 million GF** over the biennium that was included in SB 800, for a **total of about \$41.0 million**.
- Provides almost \$8.5 million for an additional 1% faculty salary increase, for a total of 3%.
- Includes an additional \$7.3 million in FY 2014 for increased need-based undergraduate financial aid (including the introduced budget, there is \$9.2 million in FY 2014 for this purpose).
  - Redirects a one-time balance of \$3.8 million from the Tuition Assistance Grant program (TAG) derived from unrealized enrollment growth.
  - Redirects \$2.1 million from an aid program that no longer requires a federal match.
- Provides for the restoration of \$5.7 million from turnover and vacancy savings in FY 2014.



# Overview of Higher Education (continued)

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- Includes almost \$5.2 million for operation and maintenance of new facilities coming online in FY 2014.
- Adds \$2.4 million in additional base operating funding in FY 2014.
- Provides a total allocation of \$12.2 million for research equipment from the Higher Education Equipment Trust Fund (HEETF) in FY 2014, matching the additional amount in FY 2013.
- Includes \$450,000 for increased eligibility under the Two-Year Transfer Grant.
- Redirects about \$7.8 million from the degree incentive allocation included in the introduced budget.
- Redirects over \$2.4 million or 50% of the enrollment growth funding included in the introduced budget.
- Redirects \$750,000 from workforce regional career pathways funding.



# Other Amendments

<b>Initiative:</b>	<b>FY 2014 GF</b>
VMI - Unique Military Activities	\$275,000
CWM/EVMS - Joint Venture	200,000
VIMS - Blue Crab Survey	148,514
VSU-Ext. - Matching Funds	125,000
SOVHEC - Operations Funding	125,000
UVA - Foundation for the Humanities	100,000
VCU - Alzheimer's Grants	92,500
SCHEV - Data Position	25,000
<b>TOTAL</b>	<b>\$1,091,014</b>



# Summary of Proposed Amendments

GF Actions for the 2012-14 Biennium - (\$ in millions)			
Action/Initiative	SB800	SFC Changes	Net
Additional 1% Faculty Salary Increase	\$0	\$8.5	\$8.5
Degree Incentive Allocation	7.8	(7.8)	0
Base Adequacy/O&M	3.9	7.6	11.5
Enrollment Growth	4.8	(2.4)	2.4
Undergraduate Financial Aid/Transfer Grant/Military Surv.	2.5	7.8	10.3
Tuition Assistance Grant Balance/Other Aid	0	(5.9)	(5.9)
VCCS Workforce Development	1.8	(0.8)	1.0
TJ 21 Research	1.0	0	1.0
UMA Funding VT and VMI	0.6	0.3	0.9
Other (CWM&EVMS/SCHEV data/VIMS Crab/ UVA Hum/VCU Alz. Grants and Park./ VSU-ext. match/SOVHEC&SWVHEC Operating/TNCC Plan/)	0.6	0.8	1.4
CA Restoration/CA Interest Earn. and Credit Card Rebate	4.2	5.7	9.9
<b>TOTAL</b>	<b>\$27.2</b>	<b>\$13.8</b>	<b>\$41.0</b>



# Other Actions

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- **Selected language amendments:**
  - Part IV language changes align performance measure review with TJ 21 and eliminates change to technology oversight included in the introduced budget.
  - Eliminates the reallocation increase to 5% under each institution, bringing it back to 2% (amount in Chapter 3).
  - Eliminates the proposed language to restrict the funding methodologies to set percentages for base adequacy, enrollment growth, degree incentive funding and research included in the introduced budget.



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# Health and Human Resources



# Overview of HHR

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- Additional general fund spending of \$29.2 million is offset by \$45.1 million in proposed reductions, or **\$15.9 million below SB 800 as introduced.**
  - Similar to the introduced budget, many of the “reductions” result from additional revenues to the Virginia Health Care Fund that are used as the state share of Medicaid, freeing up general funds for other purposes.
- The Senate’s amendments include two amendments outside of traditional HHR programs that reduce GF spending by an additional \$2.3 million.
- The introduced budget in HHR proposed a net decrease of \$110.4 million GF (-1.1 percent) and \$764.9 million NGF (-5.0 percent) compared to the current biennial budget.



# Summary of HHR Budget Actions

## (General Fund \$ in millions)

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<b>SFC Amendments to SB 800, as Introduced</b>	
<b>Description</b>	<b>2012-14</b>
Community-Based Medicaid Waiver Services	\$15.6
Behavioral Health Services	5.4
Restore Funding for Current Services	3.1
Services for People with Physical Disabilities	1.9
All Other HHR Spending	3.2
<b>Subtotal, New HHR Spending</b>	<b>\$29.2</b>
New HHR Spending Reductions	(\$45.1)
<b>Net General Fund Increase/(Decrease)</b>	<b>(\$15.9)</b>



# Community-based Waiver Services

## (General Fund \$ in millions)

<b>SFC Amendments to SB 800, as Introduced</b>	
<b>Description</b>	<b>2012-14</b>
Add 200 ID and 50 DD Waiver Slots – Contingent	\$7.7
Provide Funding for Exceptional Rate Increase for Congregate Care in ID Waiver	3.7
Restore Medicaid Eligibility for LTC Services	2.0
Increase Private Duty Nursing Rates (TECH Waiver)	1.5
Increase Adult Day Health Services Rates	0.7
<b>TOTAL, Community-Based Waiver Services</b>	<b>\$15.6</b>



# Behavioral Health Services

## (General Fund \$ in millions)

<b>SFC Amendments to SB 800, as Introduced</b>	
<b>Description</b>	<b>2012-14</b>
Increase Funding for Part C – Early Intervention Services for Infants and Toddlers	\$3.0
Increase Funding for Children’s Mental Health Services	1.0
Add Funding for Discharge Assistance Planning	0.8
Add Funding for Medical Costs to Extend the Time an Individual Can be Held Prior to Involuntary Mental Health Commitment Hearing – SB 996	0.7
<b>TOTAL, Behavioral Health Services</b>	<b>\$5.4</b>



# Restore Funding for Current Services

## (General Fund \$ in millions)

SFC Amendments to SB 800, as Introduced	
Description	2012-14
Restore 2 <sup>nd</sup> Year Funding for Poison Control Centers	\$1.0
Restore 2 <sup>nd</sup> Year Funding for Local Dental Services	1.0
Restore Funding for Healthy Families Virginia*	0.7
Restore Funding for CHIP of Virginia*	0.4
Restore Funding for St. Mary's Health Wagon	0.0
<b>TOTAL, Restore Funding for Current Services</b>	<b>\$3.1</b>
* An additional \$300,000 is appropriated from the federal TANF block grant in FY 2014.	



# HHR Budget Savings (General Fund \$ in millions)

<b>SFC Amendments to SB 800, as Introduced</b>	
<b>Description</b>	<b>2012-14</b>
Adjust Revenue to the Virginia Health Care Fund from Tobacco Master Settlement Agreement Arbitration	(\$21.7)
Adjust Revenues to the VHCF from Projected Tobacco Taxes Revenues and Medicaid Fraud Recoveries	(15.9)
Require Best Price for Certain Medicaid Services – SB 1186	(5.2)
Revert Funds for Center for Health Innovation	(1.0)
Remove Funding for Adoption Payments	(1.0)
Eliminate GF for Local Bonus Payments	(0.4)
<b>TOTAL, HHR Budget Savings</b>	<b>(\$45.1)</b>



# Other Budget Actions

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- SFC amendments include \$2.9 million for a 5% increase in the rates paid to residences that accept the auxiliary grant rate.
- Two health-related budget amendments fall outside of typical HHR areas of oversight:
  - One amendment appropriates \$1.2 million GF the second year and 13 positions for the implementation and plan management functions of the Health Benefit Exchange created under SB 922.
    - Federal funding is available to reimburse the general fund for the plan management functions of the Exchange.
  - The other amendment captures \$3.4 million from the recent Tobacco MSA Settlement.
    - Under current law, the Virginia Healthy Youth Foundation would have received \$4.4 million or 8.5 percent of the settlement.
    - This amendment provides \$1.0 million to the Foundation from the settlement and directs the balance to the general fund in FY 2013.



# Policy Issues

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- Two substantive policy issues dominated discussions within the HHR Subcommittee:
  - The Senate budget includes an amendment requiring federal approval of reforms to the benefit structure and cost-sharing for prospective Medicaid recipients and an appropriation by the next General Assembly in order to proceed with the Medicaid expansion.
  - A separate budget amendment requires that 6 months prior to the closure of a state intellectual disabilities training center, that the Commissioner survey the residents and authorized representatives to understand the treatment needs of the individual and the capacity of the community to provide care for the individual.



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# Public Safety



# Overview of Public Safety

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- Senate Finance Committee amendments for the 2012-14 biennium include **increases of \$90.9 million GF** offset by **reductions of \$72.5 million GF** as compared to Chapter 3.
  - Includes a single 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 \$43.9 million and the remaining **decreases** total \$24.3 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, as well as savings from a new DOC medical contract and downsizing state juvenile facilities.



# Major Items in DOC

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- Adds \$14.3 million GF and 325 positions to open River North Correctional Center in Grayson County in January 2014.
- Adds \$15.5 million GF in FY 2014 for inmate medical care to fill a second year hole, and includes a 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.
- Reduces inmate medical spending by \$10.6 million GF to reflect a new contract with a new private vendor for on-site prison medical care.
  - Adds six contract monitoring positions.



# Medicaid Coverage of Inmates

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- Moves up the date of Medicaid coverage for off-site hospitalization from January 1, 2014, to July 1, 2013.
- Includes language for DOC and DMAS to identify inmates that may be enrolled in Medicaid, prior to the time of hospitalization, and to take steps to minimize the impact on providers.
  - Report on implementation and expected cost savings by June 30, 2013.
- Includes language for DOC, DMAS, and DSS to establish procedures to enroll eligible jail inmates in Medicaid, but with coverage not to start until July 1, 2014.
  - Report on expected costs and/or cost savings by October 1, 2013.



# Juvenile Justice

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- 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% between 2002 and 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 SFC amendments:
    - 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; and
    - 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.



# Other Amendments

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- Includes a reduction of \$1.0 million and 25 educational positions in state juvenile correctional centers.
  - Reflects the reduction in the facility populations.
  - Adds language calling for further study with DOE to determine appropriate staffing levels for the future.
- Includes two items recommended by the Governor's Task Force on School and Campus Safety.
  - \$1.0 million for matching grants to localities for school resource officers, with priority to go to programs using best practices, which indicate that the most effective programs utilize intelligence-led policing.
  - \$125,000 for a model critical incident response curriculum.



# Sentencing Legislation

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- Section 30-19.1:4, Code of Virginia, requires that sentencing bills, which increase the required number of prison beds over the next six years, include an appropriation to the Corrections Special Reserve Fund.
  - Fiscal impact statements are prepared by the Sentencing Commission.
  - Bills are considered on their policy merits by the Senate Courts Committee, then referred to Senate Finance if there is a fiscal impact.
  - The Governor included a deposit of \$1,924,661 into the fund based on ten proposed Administration bills.
  - Seventeen sentencing bills with fiscal impact were adopted by the Senate, including seven of the ten administration bills, for a revised corrections bedspace fiscal impact of \$1,333,466, which is included in the budget.
  - This represents a savings of \$591,195 GF, when compared to the budget as introduced.



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# Veterans Affairs and Homeland Security



# Major Items in VA/HS

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- Provides \$6.2 million GF from the FACT Fund and \$1.3 million NGF in FY 2014 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.
- Includes \$150,000 for the Department of Veteran Services to establish the Virginia Values Veterans (V3) business certification initiative, to encourage employers to hire veterans, plus an additional \$300,000 for grants to employers (Senate Bill 831).
  - Establishes Gold-Certified Veteran Employment Grant Fund;
    - A gold-certified business may apply for a one-time grant of up to \$10,000, and DVS may grant \$500 for hiring a veteran to fill a newly-created full-time job with a salary of at least \$50,000 (plus an extra \$500 if a disabled veteran); and
    - If the business maintains gold certification, it may apply for a \$1,000 grant annually.



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# General Government



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# Judicial Department and Executive Offices



# Judicial Department

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- Includes language to “unfreeze” 26 judgeships, including 15 included in the budget as introduced, plus 11 added in the committee amendments.
  - Nine **circuit court judges** (in the 5<sup>th</sup>, 10<sup>th</sup>, 15<sup>th</sup>, 19<sup>th</sup> (2), 22<sup>nd</sup> 25<sup>th</sup>, 26<sup>th</sup> , and 28<sup>th</sup> circuits).
  - Twelve **general district court judges** (in the 2<sup>nd</sup>, 4<sup>th</sup>, 11<sup>th</sup>, 12<sup>th</sup>, 14<sup>th</sup>, 15<sup>th</sup>, 16<sup>th</sup>, 17<sup>th</sup>, 19<sup>th</sup>, 27<sup>th</sup>, 28<sup>th</sup>, and 29<sup>th</sup> districts).
  - Five **juvenile and domestic relations district court judges** (in the 15<sup>th</sup>, 16<sup>th</sup>, 21<sup>st</sup>, 23<sup>rd</sup>, and 31<sup>st</sup> districts (J&DR)).
- Currently, there are 43 vacancies (representing a 10.7% vacancy rate) as of June 30, 2013, out of 402 authorized judgeships. Filling these 26 judgeships would leave 17 remaining vacancies (4.2%).
  - The judgeships are unfrozen based on a workload standard:
    - # of cases commenced per judge is more than 20% above statewide average.



# Other Judicial Amendments

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- Adds \$1.1 million for a salary adjustment for district court deputy clerks.
- Increases support for legal aid by \$3.25 million NGF by increasing the filing fee in district and circuit courts (where there is a legal aid program under the State Bar) from \$10 to \$14.
- Reduces funding for the regional capital defense units under the Indigent Defense Commission (by \$200,000), and for the Virginia Capital Representation Resource Center (by 25% or \$117,500) based on the declining number of capital cases involving the death sentence.
- Adds \$3.0 million over two years for the Criminal Fund.



# Executive Offices

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- 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).
  - An increase of \$8.1 million in Medicaid recoveries is projected in the committee amendments in the current biennium from this increased staffing.
- 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.



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# Administration



# Overview of Administration

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- The SFC proposed amendments in Administration includes a net **increase of \$2.5 million GF** as compared to the Governor's introduced amendments.
  - The GF **increases** largely result from the SFC proposed increases to the Compensation Board for salary adjustments for constitutional officers.
- In addition to the Governor's proposed actions, the SFC amendments include two recommendations from the Governor's executive amendments relating to employee compensation and health insurance.
  - Compensation study for state employees targeted at addressing salary compression issues across the workforce.
  - Actuarial study of adding local school divisions to the state employee health plan. Additionally, the SFC amendments include \$100,000 to fund the cost of this study.



# Other Initiatives in Administration

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- SFC proposed amendments within the Department of Human Resources Management (DHRM) seek to expand on initiatives proposed by the Governor, or focus on identifying cost savings.
  - Directing DHRM to assess pay disparity in various Clerk's of Court offices.
  - Requiring that all full-time employees be provided an annual statement of total compensation.
  - Directing an assessment of cost savings that could be achieved by providing electronic explanation of benefits for health insurance claims.
- Additionally, the SFC amendments propose to provide \$606,000 to DHRM for the implementation of an automated Time, Attendance and Leave system.
  - The budget, as introduced, included \$340,934 for this initiative.
  - SFC amendments reject the creation of an Internal Service Fund for this web-application.



# Compensation Board

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- Adds \$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 by an additional \$3,308.
- Restores second year funding for the Career Development Program for constitutional officers and their employees, and permits new employees to participate in the program as older employees retire, within existing funds.
- Increases revenue to the Literary Fund by \$6.1 million by requiring Commonwealth's Attorneys (when they utilize outside attorneys or collection agencies to collect overdue fines and fees) to add the collection fee on top of the fines or fees, rather than deducting the collection fee from the amounts collected.



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# Finance



# Proposed Initiatives in Finance

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- The SFC amendments include direction to the Secretary of Finance to annually update the Six-Year Financial Plan to reflect the actions of the General Assembly.
- Building on the Governor's proposal to increase the availability of School Efficiency Reviews, the SFC amendments **restore** \$350,000 for this program.
- Additionally, the SFC amendments clarify that the advance funding set aside for the FY 2015 deposit to the Revenue Stabilization Fund is a reserve amount on the books of the Comptroller in advance of the deposit to be made in FY 2015.
  - 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.



# Other Central Account Actions

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- The SFC amendments endorse the Governor's proposal to provide \$45.0 million GF in the second year to eliminate the Local Aid Reversion beginning in FY 2014.
- The SFC amendments eliminate language that allowed the costs of involuntary separation under the Workforce Transition Act to be absorbed within the unfunded liability of the Virginia Retirement System.
- The SFC amendments propose a total of \$1.9 million to support the Gubernatorial transition costs in January 2014.
  - Workforce Transition Act costs for Governor's Cabinet - \$1.0 million,
  - Transition Team Expenses - \$0.6 million, and
  - Inaugural Expenses - \$0.3 million.



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# Employee Compensation



# Employee Compensation Actions

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- SFC amendments include funding for a broad-based across the board salary adjustment of 1% effective July 10, 2013.
  - This is in addition to the 2% currently authorized.
    - \$21.4 million GF for executive department classified staff,
    - \$3.9 million GF for state-supported locals, and
    - \$1.2 million GF to address compression issues at State Police.
- Compensation adjustments for Public Education, support staff and Higher Education are addressed in the appropriate secretarial areas.



# Employee Health Insurance

- SFC amendments retain the Governor’s proposed net increase of \$64.4 million GF for increased health insurance premiums.
  - Premiums for state employees are expected to increase by approximately 15%.
  - The SFC amendments increase the differential for UVA by an additional \$454,560

<u>Action (\$ in millions)</u>	<u>GF</u>
<b>State Employee Health Insurance Program</b>	
<b>Increases</b>	\$69.7
<b>Benefit Changes</b>	
Maintenance Drug Network	\$ (4.9)
Increased ER Copayment	\$ (0.4)
<b>Total: Benefit Changes</b>	\$ (5.3)
<b>State Employee Health Insurance Program</b>	<b>\$ 64.4</b>
<b>UVa Employee Health Insurance Program</b>	<b><u>\$ 1.5</u></b>
<b>Employee Health Insurance Programs</b>	<b>\$65.9</b>



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# Technology



# Overview of Technology

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- SFC amendments endorse the majority of the Governor's Technology proposals included in the introduced budget.
- Additionally, the SFC amendments provide \$1.0 million towards the proposed Cybersecurity Accelerator that was included in the Governor's Executive amendments.
  - Requires that the funding be used to defray expenses of corporate formation for not fewer than 5 companies, for no longer than 2 years.
- Two SFC amendments seek to provide transparency into two large statewide technology contracts.
  - Directs the Chief Information Officer to assess the options available to the Commonwealth at the conclusion of the Comprehensive Infrastructure agreement with Northrop Grumman.
  - Directs the APA to exercise contractual right to audit vendor performance within the Enterprise Applications Master Services Agreement.



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# Transportation



# Overview of Transportation

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- SFC proposed amendments implement actions consistent with SB 1355 as passed the Committee.
  - Includes **\$49.0 million** as **NGF** revenue from the proposed redirection of 0.05 percent of sales tax proceeds from the General Fund to transportation maintenance.
  - The Governor's introduced budget contains language directing this transfer and is included in § 3-5.09.



# Commercial Aerospace

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- Increases by \$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.
- Directs the use of any Highway Maintenance and Operating Fund balances identified by the Secretary to complete the re-purchase of components of Launchpad O-A and liquid fueling facilities improvements at the Mid-Atlantic Regional Spaceport.
  - Consistent with language adopted by the 2012 General Assembly authorizing the use of unencumbered balances from the Highway Maintenance and Operating Fund.



# Port of Virginia

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- Prohibits the sale, lease, or change in operation of any Virginia seaport without General Assembly authorization within the Appropriations Act.
  - Requires comprehensive study of port operations by the House Appropriations or Senate Finance Committee or their designee.
- Additionally, SFC amendments authorizes the use of up to \$1.0 million GF in Governor's Opportunity Fund balances to fund the Port of Virginia Economic and Infrastructure Development Fund.



# Rail and Public Transportation

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- Provides \$2.0 million NGF to implement a Route 1 Transit Corridor traffic analysis and develop a locally preferred alternative to produce the greatest number of new riders.
  - Changes to federal legislation have impacted the previously identified source of funding for this analysis.
- Provides \$200,000 in FY 2014 to maintain an ongoing investment in developing a commuter ferry system in Hampton Roads.
  - Builds upon an investment of \$200,000 approved last year.
- Provides flexibility in the use of funds authorized in 2011 for addressing the dwell times of hazardous materials shipments through Fredericksburg.
- Authorizes DRPT to aggregate any remaining passenger rail program balances approved in FY 2000 and utilize for rail or station improvements.



# Department of Motor Vehicles

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- Authorizes the Department of Motor Vehicles to issue Veterans Identification Cards to Virginia residents who have served honorably in the US Armed Forces or any component unit, including the Virginia National Guard.
  - A companion amendment directs that any additional cost for the production of this identification card be paid by Secretary of Veterans Affairs.
- 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.



# Other Transportation Initiatives

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- Authorizes VDOT to set aside between \$500,000 and \$2.0 million to establish a statewide transportation enhancements fund to offset federal program changes related to Scenic Byways.
  - Directs \$500,000 from this program for enhancements to the Route 15 “Journey Through Hallowed Ground.”
- 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.



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# Commerce and Trade



# Overview of Commerce and Trade

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- Adds \$3.9 million GF for the biennium above SB 800 as introduced.
  - Provides \$1.5 million GF the second year to draw down federal funding for offshore wind energy development.
  - Includes \$1.5 million GF the second year to level fund programs for the homeless.
  - Provides \$500,000 GF the second year for the Building Revitalization Grant Fund (SB 748) and \$200,000 GF the second year for Communities of Opportunity funding (SB 932).
  - Includes \$100,000 GF the first year and \$308,206 GF the second year to restore six Wage Inspector positions at the Dept. of Labor and Industry.
  - Approves funding proposed in SB 800 as introduced, to include \$5.1 million in the second year for the Fort Monroe Authority, and \$481,500 for a defense industry trade initiative at VEDP.
  - Eliminates a proposed \$500,000 GF the second year for an online job recruitment website at VEC.



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# Agriculture and Forestry



# Overview of Agriculture and Forestry

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- Adds \$1.2 million GF for the biennium above SB 800 as introduced.
  - Restores \$400,000 GF the second year for the Purchase of Development Rights program, and \$125,000 GF the first year for the Beehive Grant program, both of which were proposed to be reduced in the introduced budget.
  - Provides \$250,000 GF for Reforestation of Timberlands and \$300,000 GF to restore Charitable Gaming positions in the second year.
  - Approves second year **GF increases** proposed in SB 800 as introduced, to 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, and \$98,420 for Food Safety inspections, and \$72,525 for Coyote Control.



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# Natural Resources



# Overview of Natural Resources

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- Adds \$2.4 million GF for the biennium above SB 800 as introduced.
  - Provides \$1.0 million GF the second year for dam safety.
  - Includes \$200,000 GF the first year and \$400,000 GF the second year to open Powhatan State Park, and restores \$50,000 GF the second year for the Natural Heritage Program.
  - Provides an additional \$500,000 GF the second year for Civil War Battlefield preservation.
  - Approves recommendations in the introduced budget to include \$2.0 million for oyster replenishment, \$707,822 in DEQ for VITA rate increases, and \$237,751 to replace DEQ's phone system.



# Water Quality Improvement Projects

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- Provides \$219.0 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;
  - \$78.0 million for Combined Sewer Overflow projects, to include \$50.0 million for the City of Richmond and \$28.0 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 provided for nonpoint source projects to include \$14.6 million for agricultural BMP's and \$2.3 million for local stormwater planning grants.



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# Capital Outlay



# Capital Outlay Program

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- Builds on the principles outlined in 2008 legislation to provide for a systematic, business-like approach to capital outlay.
- Recognizes the recommendations of the Six-Year Project Approval Committee contained in SB 1265.
- Chapter 3 authorized 33 projects to go to detailed planning:
  - The projects have a construction value of around \$900 million.
  - SB 800 as introduced provided funding for about one-third of projects.
- Committee amendments authorize all 33 projects to complete planning and move to construction phase:
  - Agencies are required to submit planning documents to DGS for review and approval.
  - Project cash flows and draws must also be submitted.



# Capital Outlay Program (cont.)

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- Accommodates adjustments for repairs, infrastructure or other priority projects, including:
  - GMU Utility Plant;
  - VSU Water Storage Tank and Water Distribution Piping;
  - Water Line at Powhatan Correctional;
  - VMFA Robinson House Repairs;
  - Powhatan State Park Access Road;
  - State Library Repairs & Security Improvements;
  - State Police Area Offices (14, 16 & 26);
  - Widewater State Park;
  - State Park Cabins;
  - Lord Fairfax CC Sowder Hall Repairs; and
  - Veterans Care Centers in Hampton Roads & Northern Virginia.



# Capital Outlay Program Funding

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- Program is financed with \$880 million in VCBA/VPBA bonds, using no more than \$250 million in bond authorization a year.
  - Uses less than ½ of the annual debt capacity and would likely proceed over a 3 to 5 year period.
  - Average annual debt would not exceed 4.5%, below the state's 5% average annual self-imposed debt policy.
  - Utilizes \$120.2 million of unused previously authorized bonds.
    - \$85.0 million in savings from pooled projects approved by the General Assembly in 2008 and 2010.
    - \$35.2 million from energy efficiency projects, which can be funded from existing Performance Contracting program.
  - Includes \$56.0 million in other NGF for a portion of certain projects at higher education institutions.



# Other Capital Actions

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- \$5.9 million for equipment for new buildings:
  - GMU Prince William Life Science Building;
  - GMU Science & Technology;
  - SMV Danville Center; and
  - New College Institute Equipment.
- \$14.0 million to complete funding for previously approved projects:
  - War Memorial DVS Offices and Parking;
  - GMU Hylton Center; and
  - Roanoke Higher Education Center Waterproofing.
- \$19.8 million NGF primarily for higher education projects such as dorms and athletic facilities.
- Language identifies the next group of projects for planning.
  - 16 projects already identified in Chapter 3.
  - 10 projects added to the list for preplanning.

